2013 Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

This report, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, and other matters. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including under Item 1A. Risk Factors of this Annual Report on Form 10-K and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's ability to resolve representations and warranties repurchase claims made by monolines and private-label and other investors, including as a result of any adverse court rulings, and the chance that the Corporation could face related servicing, securities, fraud, indemnity or other claims from one or more of the government-sponsored enterprises, monolines or private-label and other investors; the possibility that final court approval of negotiated settlements is not obtained; the possibility that the court decision with respect to the BNY Mellon Settlement is appealed and overturned in whole or in part; the possibility that future representations and warranties losses may occur in excess of the Corporation's recorded liability and estimated range of possible loss for its representations and warranties exposures; the possibility that the Corporation may not collect mortgage insurance claims; the possible impact of a future FASB standard on accounting for credit losses; uncertainties about the financial stability 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; uncertainties related to the timing and pace of Federal Reserve tapering of quantitative easing, and the impact on global interest rates, currency exchange rates, and economic conditions in a number of countries; the possibility of future inquiries or investigations regarding pending or completed foreclosure activities; the possibility that unexpected foreclosure delays could impact the rate of decline of default-related servicing costs; uncertainty regarding timing and the potential impact of regulatory capital and liquidity requirements (including Basel 3); 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 potential impact on debit card interchange fee revenue in connection with the U.S. District Court for the District of Columbia's ruling on July 31, 2013 regarding the Federal Reserve's rules implementing the Financial Reform Act's Durbin Amendment; the potential impact of implementing and conforming to the Volcker Rule; the potential impact of future derivative regulations; 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; reputational damage that may result from negative publicity, fines and penalties from regulatory violations and judicial proceedings; the possibility that the European Commission will impose remedial measures in relation to its investigation of the Corporation's competitive practices; the impact of potential regulatory enforcement action relating to optional identity theft protection services and certain optional credit card debt cancellation products; unexpected claims, damages, penalties and fines resulting from pending or future litigation and regulatory proceedings, including proceedings instituted by the U.S. Department of Justice, state Attorneys General and other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force; 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; a failure in or breach of the Corporation's operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks; the impact on the Corporation's business, financial condition and results of operations of a potential higher interest rate environment; and other similar matters.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company (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 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 Wealth & Investment Management (GWIM), Global Banking* and *Global Markets*, with the remaining operations recorded in *All Other*. We operate our banking activities primarily under two national bank charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA). On October 1, 2013, we completed the merger of our Merrill Lynch & Co., Inc. (Merrill Lynch) subsidiary into Bank of America Corporation. This merger had no effect on the Merrill Lynch name or brand and is not expected to have any effect on customers or clients. At December 31, 2013, the Corporation had approximately $2.1 trillion in assets and approximately 242,000 full-time equivalent employees.

As of December 31, 2013, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and we serve approximately 50 million consumer and small business relationships with approximately 5,100 banking centers, 16,300 ATMs, nationwide call centers, and leading online (www.bankofamerica.com) and mobile banking platforms. We offer industry-leading support to more than three million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

2013 Economic and Business Environment

In the U.S., economic growth continued in 2013, ending the year in the midst of its fifth consecutive year of recovery. However, the year ended amid uncertainty as to whether the upward trend in economic performance would continue into 2014. Employment gains were generally steady but moderate, and the unemployment rate fell to 6.7 percent at year end, but with significant contribution from a declining labor force participation rate. Retail sales grew at a solid pace through most of 2013, and following extreme weakness through mid-2013, service spending also displayed a modest rebound late in the year. Core inflation fell in 2013 to almost a full percentage point below the Board of Governors of the Federal Reserve System’s (Federal Reserve) longer-term target of two percent.

U.S. household net worth increased significantly in 2013. Home prices rose approximately 12 percent in 2013, but showed signs of deceleration late in the year, and equity markets surged. U.S. Treasury yields rose over the course of the year amid expectations that the Federal Reserve would adjust the pace of its purchases of agency mortgage-backed securities (MBS) and long-term U.S. Treasury securities if economic progress was sustained.

Despite a partial federal government shutdown in October, the impact on U.S. economic performance was minimal. The Federal Reserve announced that it would begin to reduce its securities purchases early in 2014, but would not raise its federal funds rate target until significantly after the unemployment rate reached its 6.5 percent threshold. By year end, the U.S. Congress agreed on a two-year budget framework that reduced fiscal uncertainty, and pending implementation, restored some of the planned federal sequester spending for 2014.

Internationally, Europe experienced significant economic improvement in 2013. European financial anxieties eased, reflected in sustained narrowing of bond spreads, following the European Central Bank’s 2012 assertion of its role as lender of last resort. Economic performance also improved, with the long six-quarter recession in the European Union ending in the second quarter of 2013, followed by modest growth and varied performance in the second half of the year.

Monetary policies in Japan combined with the sharp depreciation of the yen led to moderate economic expansion in 2013, but economic growth diminished in the second half of 2013. In Japan, inflation rose gradually during the year, exceeding one percent annualized by year end. However, doubts remained about the sustainability of economic improvement in Japan in the absence of clear plans for long-run economic reform. As China’s government focused on issues beyond simply maximizing economic growth, China’s gross domestic product growth in 2013 decelerated.

Additionally, growth rates in a number of emerging nations have decreased, while select countries are also dealing with greater social and political unrest and capital markets volatility. Following the announcement of the Federal Reserve’s intent to reduce securities purchases in mid-2013, investors increased withdrawals of capital from certain emerging market countries, impacting interest rates, foreign exchange rates and credit spreads. These trends intensified as the Federal Reserve initiated its securities purchases tapering actions in January 2014, and investors became more concerned about the implications of a slowing Chinese economy on its key trading partners. For more information on our international exposure, see Non-U.S. Portfolio on page 96.

Recent Events

BNY Mellon Settlement

In the first quarter of 2014, the New York Supreme Court entered final judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee's conduct only with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. The court's January 31, 2014 decision, order and judgment remain subject to appeal and the motion to reargue, and it is not possible to predict the timetable for appeals or when the court approval process will be completed. For additional information, including a description of the BNY Mellon Settlement, see *Note 7 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Capital and Liquidity Related Matters

In July 2013, U.S. banking regulators approved final Basel 3 Regulatory Capital rules (Basel 3) which became effective January 1, 2014. Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 also will require us to calculate a supplementary leverage ratio. For additional information, see Capital Management – Regulatory Capital Changes on page 64.

The Basel Committee on Banking Supervision (Basel Committee) issued two liquidity risk-related standards that are considered part of Basel 3: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). For additional information, see Liquidity Risk – Basel 3 Liquidity Standards on page 69.

Freddie Mac Settlement

On November 27, 2013, we entered into an agreement with Freddie Mac (FHLMC) under which we paid FHLMC a total of $404 million (less credits of $13 million) to resolve all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breach of selling representations and warranties related to loans that had been sold directly to FHLMC by entities related to Bank of America, N.A. from January 1, 2000 to December 31, 2009, and to compensate FHLMC for certain past losses and potential future losses relating to denials, rescissions and cancellations of mortgage insurance (MI).

In 2010, we had entered into an agreement with FHLMC to resolve all outstanding and potential representations and warranties claims related to loans sold by Countrywide Financial Corporation (Countrywide) to FHLMC through 2008.

With these agreements, combined with prior settlements with Fannie Mae (FNMA), Bank of America has resolved substantially all outstanding and potential representations and warranties claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through 2008 and 2009, respectively, subject to certain exceptions which we do not believe are material.

For additional information, see *Note 7 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Common Stock Repurchases and Liability Management Actions

As disclosed in prior filings, the capital plan that the Corporation submitted to the Federal Reserve in January 2013 pursuant to the 2013 Comprehensive Capital Analysis and Review (CCAR), included a request to repurchase up to $5.0 billion of common stock and redeem $5.5 billion in preferred stock over four quarters beginning in the second quarter of 2013, and continue the quarterly common stock dividend at $0.01 per share. During 2013, we repurchased and retired 231.7 million common shares for an aggregate purchase price of approximately $3.2 billion and redeemed our Series H and 8 preferred stock for $5.5 billion. As of December 31, 2013, under the capital plan, we can purchase up to $1.8 billion of additional common stock through the first quarter of 2014.

In addition to the CCAR actions, during 2013, we redeemed certain of our preferred stock for $1.0 billion and issued $1.0 billion of our Fixed-to-Floating Rate Semi-annual Non-Cumulative Preferred Stock, Series U. For additional information, see Capital Management – Regulatory Capital on page 61 and *Note 13 – Shareholders' Equity* to the Consolidated Financial Statements.

During 2013, we repurchased certain of our debt and trust preferred securities with an aggregate carrying value of $10.1 billion for $10.2 billion in cash.

We may conduct additional redemptions, tender offers, exercises and other transactions in the future depending on prevailing market conditions, capital, liquidity and other factors.

Selected Financial Data

Table 1 provides selected consolidated financial data for 2013 and 2012.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2013	2012
Income statement		
Revenue, net of interest expense (FTE basis) [1]	$ 89,801	$ 84,235
Net income	11,431	4,188
Diluted earnings per common share	0.90	0.25
Dividends paid per common share	0.04	0.04
Performance ratios		
Return on average assets	0.53%	0.19%
Return on average tangible shareholders' equity [1]	7.13	2.60
Efficiency ratio (FTE basis) [1]	77.07	85.59
Asset quality		
Allowance for loan and lease losses at December 31	$ 17,428	$ 24,179
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [2]	1.90%	2.69%
Nonperforming loans, leases and foreclosed properties at December 31 [2]	$ 17,772	$ 23,555
Net charge-offs [3]	7,897	14,908
Net charge-offs as a percentage of average loans and leases outstanding [2, 3]	0.87%	1.67%
Net charge-offs as a percentage of average loans and leases outstanding, excluding the purchased credit-impaired loan portfolio [2]	0.90	1.73
Net charge-offs and purchased credit-impaired write-offs as a percentage of average loans and leases outstanding [2]	1.13	1.99
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	2.21	1.62
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the purchased credit-impaired loan portfolio	1.89	1.25
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and purchased credit-impaired write-offs	1.70	1.36
Balance sheet at year end		
Total loans and leases	$ 928,233	$ 907,819
Total assets	2,102,273	2,209,974
Total deposits	1,119,271	1,105,261
Total common shareholders' equity	219,333	218,188
Total shareholders' equity	232,685	236,956
Capital ratios at year end [4]		
Tier 1 common capital	11.19%	11.06%
Tier 1 capital	12.44	12.89
Total capital	15.44	16.31
Tier 1 leverage	7.86	7.37

[1] Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For more information, see Supplemental Financial Data on page 29, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV.

[2] Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 85 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 92 and corresponding Table 50.

[3] Net charge-offs exclude $2.3 billion of write-offs in the purchased credit-impaired loan portfolio for 2013 compared to $2.8 billion for 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 81.

[4] Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

Financial Highlights

Net income was $11.4 billion, or $0.90 per diluted share in 2013 compared to $4.2 billion, or $0.25 per diluted share in 2012. The results for 2013 reflect our efforts to stabilize revenue, decrease costs, strengthen the balance sheet and improve credit quality.

Table 2 Summary Income Statement

(Dollars in millions)	2013	2012
Net interest income (FTE basis) (1)	$ 43,124	$ 41,557
Noninterest income	46,677	42,678
Total revenue, net of interest expense (FTE basis) (1)	**89,801**	84,235
Provision for credit losses	3,556	8,169
Noninterest expense	69,214	72,093
Income before income taxes	**17,031**	3,973
Income tax expense (benefit) (FTE basis) (1)	5,600	(215)
Net income	**11,431**	4,188
Preferred stock dividends	1,349	1,428
Net income applicable to common shareholders	**$ 10,082**	$ 2,760
Per common share information		
Earnings	$ 0.94	$ 0.26
Diluted earnings	0.90	0.25

(1) FTE basis is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 29, and for a corresponding reconciliation to GAAP financial measures, see Statistical Table XV.

Net Interest Income

Net interest income on a fully taxable-equivalent (FTE) basis increased $1.6 billion to $43.1 billion for 2013 compared to 2012. The increase was primarily due to reductions in long-term debt balances, higher yields on debt securities including the impact of market-related premium amortization expense, lower rates paid on deposits, higher commercial loan balances and increased trading-related net interest income, partially offset by lower consumer loan balances as well as lower asset yields and the low rate environment. The net interest yield on a FTE basis increased 12 basis points (bps) to 2.47 percent for 2013 compared to 2012 due to the same factors as described above.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	2013	2012
Card income	$ 5,826	$ 6,121
Service charges	7,390	7,600
Investment and brokerage services	12,282	11,393
Investment banking income	6,126	5,299
Equity investment income	2,901	2,070
Trading account profits	7,056	5,870
Mortgage banking income	3,874	4,750
Gains on sales of debt securities	1,271	1,662
Other loss	(29)	(2,034)
Net impairment losses recognized in earnings on AFS debt securities	(20)	(53)
Total noninterest income	**$ 46,677**	$ 42,678

Noninterest income increased $4.0 billion to $46.7 billion for 2013 compared to 2012. The following highlights the significant changes.

- Card income decreased $295 million primarily driven by lower revenue as a result of our exit of consumer protection products.
- Investment and brokerage services income increased $889 million primarily driven by the impact of long-term assets under management (AUM) inflows and higher market levels.
- Investment banking income increased $827 million primarily due to strong equity issuance fees attributable to a significant increase in global equity capital markets volume and higher debt issuance fees, primarily within leveraged finance and investment-grade underwriting.
- Equity investment income increased $831 million. The results for 2013 included $753 million of gains related to the sale of our remaining investment in China Construction Bank Corporation (CCB) and gains of $1.4 billion on the sales of a portion of an equity investment. The results for 2012 included $1.6 billion of gains related to sales of certain equity and strategic investments.
- Trading account profits increased $1.2 billion. Net debit valuation adjustment (DVA) losses on derivatives were $508 million in 2013 compared to losses of $2.5 billion in 2012. Excluding net DVA, trading account profits decreased $783 million due to decreases in our fixed-income, currency and commodities (FICC) businesses driven by a challenging trading environment, partially offset by an increase in our equities businesses.
- Mortgage banking income decreased $876 million primarily driven by lower servicing income and lower core production revenue, partially offset by lower representations and warranties provision.
- Other loss decreased $2.0 billion due to lower negative fair value adjustments on our structured liabilities of $649 million compared to negative fair value adjustments of $5.1 billion in 2012. The prior year included gains of $1.6 billion related to debt repurchases and exchanges of trust preferred securities.

Provision for Credit Losses

The provision for credit losses decreased $4.6 billion to $3.6 billion for 2013 compared to 2012. The provision for credit losses was $4.3 billion lower than net charge-offs for 2013, resulting in a reduction in the allowance for credit losses due to continued improvement in the home loans and credit card portfolios. This compared to a reduction of $6.7 billion in the allowance for credit losses for the prior year. If the economy and our asset quality continue to improve, we anticipate additional reductions in the allowance for credit losses in future periods, although at a significantly lower level than in 2013.

Net charge-offs totaled $7.9 billion, or 0.87 percent of average loans and leases for 2013 compared to $14.9 billion, or 1.67 percent for 2012. The decrease in net charge-offs was primarily driven by credit quality improvement across all major portfolios. Also, the prior year included charge-offs associated with the National Mortgage Settlement and loans discharged in Chapter 7 bankruptcy due to the implementation of regulatory guidance. Given improving trends in delinquencies and the Home Price Index, absent any unexpected changes in the economy, we expect net charge-offs to continue to improve in 2014, but at a slower pace than 2013. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	2013	2012
Personnel	$ 34,719	$ 35,648
Occupancy	4,475	4,570
Equipment	2,146	2,269
Marketing	1,834	1,873
Professional fees	2,884	3,574
Amortization of intangibles	1,086	1,264
Data processing	3,170	2,961
Telecommunications	1,593	1,660
Other general operating	17,307	18,274
Total noninterest expense	$ 69,214	$ 72,093

Noninterest expense decreased $2.9 billion to $69.2 billion for 2013 compared to 2012 primarily driven by a $967 million decline in other general operating expense largely due to a provision of $1.1 billion in 2012 for the 2013 Independent Foreclosure Review (IFR) Acceleration Agreement, lower Federal Deposit Insurance Corporation (FDIC) expense, and lower default-related servicing expenses in Legacy Assets & Servicing and mortgage-related assessments, waivers and similar costs related to foreclosure delays. Partially offsetting these declines was a $1.9 billion increase in litigation expense to $6.1 billion in 2013. Personnel expense decreased $929 million in 2013 as we continued to streamline processes and achieve cost savings. Professional fees decreased $690 million due in part to reduced default-related management activities in Legacy Assets & Servicing.

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

Income Tax Expense

Table 5 Income Tax Expense

(Dollars in millions)	2013	2012
Income before income taxes	$ 16,172	$ 3,072
Income tax expense (benefit)	4,741	(1,116)
Effective tax rate	29.3%	(36.3)%

The effective tax rate for 2013 was driven by our recurring tax preference items and by certain tax benefits related to non-U.S. operations, including additional tax benefits from the 2012 non-U.S. restructurings. These benefits were partially offset by the $1.1 billion impact of the U.K. 2013 Finance Act enacted on July 17, 2013, which reduced the U.K. corporate income tax rate by three percent to 20 percent. Two percent of the reduction will become effective April 1, 2014 and the additional one percent reduction on April 1, 2015. These reductions, which represented the final in a series of announced reductions, are expected to favorably affect income tax expense on future U.K. earnings but also required us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rates. Because our deferred tax assets in excess of a certain amount are disallowed in calculating regulatory capital, this charge did not impact our capital ratios.

The negative effective tax rate for 2012 included a $1.7 billion tax benefit attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain subsidiaries over the related U.S. tax liability. Partially offsetting the benefit was the $788 million impact of the U.K. 2012 Finance Act enacted in July 2012, which reduced the U.K. corporate income tax rate by two percent.

Table 6 Selected Balance Sheet Data

(Dollars in millions)	December 31 2013	December 31 2012	% Change	Average Balance 2013	Average Balance 2012	% Change
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 190,328**	$ 219,924	(13)%	**$ 224,331**	$ 236,042	(5)%
Trading account assets	**200,993**	227,775	(12)	**217,865**	203,799	7
Debt securities	**323,945**	360,331	(10)	**337,953**	353,577	(4)
Loans and leases	**928,233**	907,819	2	**918,641**	898,768	2
Allowance for loan and lease losses	**(17,428)**	(24,179)	(28)	**(21,188)**	(29,843)	(29)
All other assets	**476,202**	518,304	(8)	**485,911**	529,013	(8)
Total assets	**$2,102,273**	$2,209,974	(5)	**$2,163,513**	$2,191,356	(1)
Liabilities						
Deposits	**$1,119,271**	$1,105,261	1	**$1,089,735**	$1,047,782	4
Federal funds purchased and securities loaned or sold under agreements to repurchase	**198,106**	293,259	(32)	**257,601**	281,900	(9)
Trading account liabilities	**83,469**	73,587	13	**88,323**	78,554	12
Short-term borrowings	**45,999**	30,731	50	**43,816**	36,500	20
Long-term debt	**249,674**	275,585	(9)	**263,416**	316,393	(17)
All other liabilities	**173,069**	194,595	(11)	**186,675**	194,550	(4)
Total liabilities	**1,869,588**	1,973,018	(5)	**1,929,566**	1,955,679	(1)
Shareholders' equity	**232,685**	236,956	(2)	**233,947**	235,677	(1)
Total liabilities and shareholders' equity	**$2,102,273**	$2,209,974	(5)	**$2,163,513**	$2,191,356	(1)

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

Assets

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed or purchased under agreements to resell are collateralized lending transactions utilized to accommodate customer transactions, earn interest rate spreads, and obtain securities for settlement and for collateral. Year-end and average federal funds sold and securities borrowed or purchased under agreements to resell decreased $29.6 billion from December 31, 2012 and $11.7 billion in 2013 compared to 2012 driven by a lower matched-book as we adjust our activity to address the adverse treatment of reverse repurchase agreements under the proposed supplementary leverage ratio.

Trading Account Assets

Trading account assets consist primarily of long positions in equity and fixed-income securities including U.S. government and agency securities, corporate securities, and non-U.S. sovereign debt. Year-end trading account assets decreased $26.8 billion primarily due to a reduction in U.S. government and agency securities. Average trading account assets increased $14.1 billion primarily due to higher equity securities inventory and client-based activity.

Debt Securities

Debt securities primarily include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. Year-end and average debt securities decreased $36.4 billion and $15.6 billion primarily due to net sales of U.S. Treasuries, paydowns and decreases in the fair value of available-for-sale (AFS) debt securities resulting from the impact of higher interest rates. For more information on debt securities, see *Note 3 – Securities* to the Consolidated Financial Statements.

Loans and Leases

Year-end and average loans and leases increased $20.4 billion and $19.9 billion. The increases were primarily due to higher commercial loan balances primarily in the U.S. commercial and non-U.S. commercial product types, partially offset by lower consumer loan balances driven by continued runoff in certain portfolios as well as paydowns and charge-offs outpacing originations. For a more detailed discussion of the loan portfolio, see Credit Risk Management on page 72.

Allowance for Loan and Lease Losses

Year-end and average allowance for loan and lease losses decreased $6.8 billion and $8.7 billion primarily due to the impact of the improving economy, partially offset by increases in reserves in the commercial portfolio due to loan growth. For a more detailed discussion, see Allowance for Credit Losses on page 100.

All Other Assets

Year-end other assets decreased $42.1 billion driven by lower customer and other receivables, other earning assets, loans held-for-sale and derivative assets, partially offset by increases in cash and cash equivalents. Average other assets decreased $43.1 billion primarily driven by lower derivative assets, other earning assets, and cash and cash equivalents.

Liabilities

Deposits

Year-end and average deposits increased $14.0 billion from December 31, 2012 and $42.0 billion in 2013 compared to 2012. The increases were primarily driven by customer and client shifts to more liquid products in the low rate environment.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned or sold under agreements to repurchase are collateralized borrowing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance assets on the balance sheet. Year-end federal funds purchased and securities loaned or sold under agreements to repurchase decreased $95.2 billion primarily driven by a lower matched-book as we adjust our activity to address the adverse treatment of repurchase agreements under the proposed supplementary leverage ratio and lower trading inventory. Average federal funds purchased and securities loaned or sold under agreements to repurchase decreased $24.3 billion due to lower matched-book activity.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in equity and fixed-income securities including U.S. government and agency securities, corporate securities, and non-U.S. sovereign debt. Year-end and average trading account liabilities increased $9.9 billion and $9.8 billion primarily due to increased short positions in equity securities.

Short-term Borrowings

Short-term borrowings provide an additional funding source and primarily consist of Federal Home Loan Bank (FHLB) short-term borrowings, notes payable and various other borrowings that generally have maturities of one year or less. Year-end and average short-term borrowings increased $15.3 billion and $7.3 billion due to an increase in short-term FHLB advances. For more information on short-term borrowings, see *Note 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings* to the Consolidated Financial Statements.

Long-term Debt

Year-end and average long-term debt decreased $25.9 billion and $53.0 billion. The decreases were attributable to planned reductions in long-term debt as maturities outpaced new issuances. For more information on long-term debt, see *Note 11 – Long-term Debt* to the Consolidated Financial Statements.

All Other Liabilities

Year-end all other liabilities decreased $21.5 billion driven by decreases in noninterest payables and derivative liabilities. Average all other liabilities decreased $7.9 billion driven by a decrease in derivative liabilities.

Shareholders’ Equity

Year-end and average shareholders’ equity decreased $4.3 billion and $1.7 billion. The decreases were driven by a decrease in the fair value of AFS debt securities resulting from the impact of higher interest rates, which is recorded in accumulated other comprehensive income (OCI), net preferred stock redemptions and common stock repurchases, partially offset by earnings.

Cash Flows Overview

The Corporation’s operating assets and liabilities support our global markets and lending activities. We believe that cash flows from operations, available cash balances and our ability to generate cash through short- and long-term debt are sufficient to fund our operating liquidity needs. Our investing activities primarily include the debt securities portfolio and other short-term investments. Our financing activities reflect cash flows primarily related to increased customer deposits and net long-term debt reductions.

Cash and cash equivalents increased $20.6 billion during 2013 due to net cash provided by operating and investing activities, partially offset by net cash used in financing activities. Cash and cash equivalents decreased $9.4 billion during 2012 due to net cash used in operating and investing activities, partially offset by net cash provided by financing activities.

During 2013, net cash provided by operating activities was $92.8 billion. The more significant adjustments to net income to arrive at cash used in operating activities included net decreases in other assets, and trading and derivative instruments, as well as net proceeds from sales, securitizations and paydowns of loans held-for-sale (LHFS). During 2012, net cash used in operating activities was $16.1 billion. The more significant adjustments to net income to arrive at cash used in operating activities included net increases in trading and derivative instruments, and the provision for credit losses.

During 2013, net cash provided by investing activities was $25.1 billion primarily driven by a decrease in federal funds sold and securities borrowed or purchased under agreements to resell and net sales of debt securities, partially offset by net increases in loans and leases. During 2012, net cash used in investing activities was $35.0 billion, primarily driven by net purchases of debt securities.

During 2013, net cash used in financing activities of $95.4 billion primarily reflected a decrease in federal funds purchased and securities loaned or sold under agreements to repurchase and net reductions in long-term debt, partially offset by growth in short-term borrowings and deposits. During 2012, the net cash provided by financing activities of $42.4 billion primarily reflected an increase in federal funds purchased and securities loaned or sold under agreements to repurchase and growth in deposits, partially offset by planned reductions in long-term debt.

Table 7 Five-year Summary of Selected Financial Data

(In millions, except per share information)	2013	2012	2011	2010	2009
Income statement					
Net interest income	**$ 42,265**	$ 40,656	$ 44,616	$ 51,523	$ 47,109
Noninterest income	**46,677**	42,678	48,838	58,697	72,534
Total revenue, net of interest expense	**88,942**	83,334	93,454	110,220	119,643
Provision for credit losses	**3,556**	8,169	13,410	28,435	48,570
Goodwill impairment	**—**	—	3,184	12,400	—
Merger and restructuring charges	**—**	—	638	1,820	2,721
All other noninterest expense [1]	**69,214**	72,093	76,452	68,888	63,992
Income (loss) before income taxes	**16,172**	3,072	(230)	(1,323)	4,360
Income tax expense (benefit)	**4,741**	(1,116)	(1,676)	915	(1,916)
Net income (loss)	**11,431**	4,188	1,446	(2,238)	6,276
Net income (loss) applicable to common shareholders	**10,082**	2,760	85	(3,595)	(2,204)
Average common shares issued and outstanding	**10,731**	10,746	10,143	9,790	7,729
Average diluted common shares issued and outstanding [2]	**11,491**	10,841	10,255	9,790	7,729
Performance ratios					
Return on average assets	**0.53%**	0.19%	0.06%	n/m	0.26%
Return on average common shareholders' equity	**4.62**	1.27	0.04	n/m	n/m
Return on average tangible common shareholders' equity [3]	**6.97**	1.94	0.06	n/m	n/m
Return on average tangible shareholders' equity [3]	**7.13**	2.60	0.96	n/m	4.18
Total ending equity to total ending assets	**11.07**	10.72	10.81	10.08%	10.38
Total average equity to total average assets	**10.81**	10.75	9.98	9.56	10.01
Dividend payout	**4.25**	15.86	n/m	n/m	n/m
Per common share data					
Earnings (loss)	**$ 0.94**	$ 0.26	$ 0.01	$ (0.37)	$ (0.29)
Diluted earnings (loss) [2]	**0.90**	0.25	0.01	(0.37)	(0.29)
Dividends paid	**0.04**	0.04	0.04	0.04	0.04
Book value	**20.71**	20.24	20.09	20.99	21.48
Tangible book value [3]	**13.79**	13.36	12.95	12.98	11.94
Market price per share of common stock					
Closing	**$ 15.57**	$ 11.61	$ 5.56	$ 13.34	$ 15.06
High closing	**15.88**	11.61	15.25	19.48	18.59
Low closing	**11.03**	5.80	4.99	10.95	3.14
Market capitalization	**$ 164,914**	$ 125,136	$ 58,580	$ 134,536	$ 130,273

(1) Excludes merger and restructuring charges and goodwill impairment charges.
(2) Due to a net loss applicable to common shareholders for 2010 and 2009, 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 more information on these ratios, see Supplemental Financial Data on page 29, and for corresponding reconciliations to GAAP financial measures, see Statistical Table XV on page 139.
(4) For more information on the impact of the purchased credit-impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 73.
(5) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.
(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Consumer Portfolio Credit Risk Management – Nonperforming Consumer Loans, Leases and Foreclosed Properties Activity on page 85 and corresponding Table 41, and Commercial Portfolio Credit Risk Management – Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 92 and corresponding Table 50.
(7) Primarily includes amounts allocated to the U.S. credit card and unsecured consumer lending portfolios in *CBB*, purchased credit-impaired loans and the non-U.S. credit card portfolio in *All Other*.
(8) Net charge-offs exclude $2.3 billion and $2.8 billion of write-offs in the purchased credit-impaired loan portfolio for 2013 and 2012. These write-offs decreased the purchased credit-impaired valuation allowance included as part of the allowance for loan and lease losses. For more information on purchased credit-impaired write-offs, see Consumer Portfolio Credit Risk Management – Purchased Credit-impaired Loan Portfolio on page 81.
(9) There were no write-offs of PCI loans in 2011, 2010, and 2009.
(10) Presents capital ratios in accordance with the Basel 1 – 2013 Rules, which include the Market Risk Final Rule at December 31, 2013. Basel 1 did not include the Basel 1 – 2013 Rules at December 31, 2012.

n/m = not meaningful

Table 7 Five-year Summary of Selected Financial Data (continued)

(Dollars in millions)	2013	2012	2011	2010	2009
Average balance sheet					
Total loans and leases	**$ 918,641**	$ 898,768	$ 938,096	$ 958,331	$ 948,805
Total assets	**2,163,513**	2,191,356	2,296,322	2,439,606	2,443,068
Total deposits	**1,089,735**	1,047,782	1,035,802	988,586	980,966
Long-term debt	**263,416**	316,393	421,229	490,497	446,634
Common shareholders' equity	**218,468**	216,996	211,709	212,686	182,288
Total shareholders' equity	**233,947**	235,677	229,095	233,235	244,645
Asset quality (4)					
Allowance for credit losses (5)	**$ 17,912**	$ 24,692	$ 34,497	$ 43,073	$ 38,687
Nonperforming loans, leases and foreclosed properties (6)	**17,772**	23,555	27,708	32,664	35,747
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)	**1.90%**	2.69%	3.68%	4.47%	4.16%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	**102**	107	135	136	111
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases, excluding the PCI loan portfolio (6)	**87**	82	101	116	99
Amounts included in allowance that are excluded from nonperforming loans and leases (7)	**$ 7,680**	$ 12,021	$ 17,490	$ 22,908	$ 17,690
Allowance as a percentage of total nonperforming loans and leases, excluding amounts included in the allowance that are excluded from nonperforming loans and leases (7)	**57%**	54%	65%	62%	58%
Net charge-offs (8)	**$ 7,897**	$ 14,908	$ 20,833	$ 34,334	$ 33,688
Net charge-offs as a percentage of average loans and leases outstanding (6, 8)	**0.87%**	1.67%	2.24%	3.60%	3.58%
Net charge-offs as a percentage of average loans and leases outstanding, excluding the PCI loan portfolio (6)	**0.90**	1.73	2.32	3.73	3.71
Net charge-offs and PCI write-offs as a percentage of average loans and leases outstanding (6, 9)	**1.13**	1.99	2.24	3.60	3.58
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	**1.87**	2.52	2.74	3.27	3.75
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	**1.93**	2.62	3.01	3.48	3.98
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs (8)	**2.21**	1.62	1.62	1.22	1.10
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs, excluding the PCI loan portfolio	**1.89**	1.25	1.22	1.04	1.00
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs and PCI write-offs (9)	**1.70**	1.36	1.62	1.22	1.10
Capital ratios at year end (10)					
Risk-based capital:					
Tier 1 common capital	**11.19%**	11.06%	9.86%	8.60%	7.81%
Tier 1 capital	**12.44**	12.89	12.40	11.24	10.40
Total capital	**15.44**	16.31	16.75	15.77	14.66
Tier 1 leverage	**7.86**	7.37	7.53	7.21	6.88
Tangible equity (3)	**7.86**	7.62	7.54	6.75	6.40
Tangible common equity (3)	**7.20**	6.74	6.64	5.99	5.56

For footnotes see page 27.

Supplemental Financial Data

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

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

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and intangible assets (excluding 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 ending common shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- ROTE measures our earnings contribution as a percentage of adjusted average total shareholders' equity. The tangible equity ratio represents adjusted ending shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

The aforementioned supplemental data and performance measures are presented in Table 7 and Statistical Table XII. In addition, in Table 8, we have excluded the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures.

We evaluate our business segment results based on measures that utilize return on average allocated capital, and prior to January 1, 2013, the return on average economic capital, both of which represent non-GAAP financial measures. These ratios are calculated as net income adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average allocated capital or average economic capital, as applicable. In addition, for purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity for the business segments is comprised of allocated capital (or economic capital prior to 2013) plus capital for the portion of goodwill and intangibles specifically assigned to the business segment. For additional information, see Business Segment Operations on page 31 and *Note 8 – Goodwill and Intangible Assets* to the Consolidated Financial Statements.

In 2009, Common Equivalent Securities were reflected in our reconciliations given the expectation that the underlying Common Equivalent Junior Preferred Stock, Series S would convert into common stock following shareholder approval of additional authorized shares. Shareholders approved the increase in the number of authorized shares of common stock and the Common Equivalent Stock converted into common stock on February 24, 2010.

Statistical Tables XV, XVI and XVII on pages 139, 140 and 141 provide reconciliations of these non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8 Five-year Supplemental Financial Data

(Dollars in millions, except per share information)	**2013**	2012	2011	2010	2009
Fully taxable-equivalent basis data					
Net interest income [1]	**$ 43,124**	$ 41,557	$ 45,588	$ 52,693	$ 48,410
Total revenue, net of interest expense	**89,801**	84,235	94,426	111,390	120,944
Net interest yield [1]	**2.47%**	2.35%	2.48%	2.78%	2.65%
Efficiency ratio	**77.07**	85.59	85.01	74.61	55.16
Performance ratios, excluding goodwill impairment charges [2]					
Per common share information					
Earnings			$ 0.32	$ 0.87	
Diluted earnings			0.32	0.86	
Efficiency ratio (FTE basis)			81.64%	63.48%	
Return on average assets			0.20	0.42	
Return on average common shareholders' equity			1.54	4.14	
Return on average tangible common shareholders' equity			2.46	7.03	
Return on average tangible shareholders' equity			3.08	7.11	

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks.

(2) Performance ratios are calculated excluding the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010.

Net Interest Income Excluding Trading-related Net Interest Income

We manage net interest income on a FTE basis and excluding the impact of trading-related activities. As discussed in *Global Markets* on page 44, 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 9 provides additional clarity in assessing our results.

Table 9 Net Interest Income Excluding Trading-related Net Interest Income

(Dollars in millions)	2013	2012
Net interest income (FTE basis)		
As reported [1]	$ 43,124	$ 41,557
Impact of trading-related net interest income	(3,868)	(3,308)
Net interest income excluding trading-related net interest income [2]	$ 39,256	$ 38,249
Average earning assets		
As reported	$ 1,746,974	$1,769,969
Impact of trading-related earning assets	(469,048)	(449,660)
Average earning assets excluding trading-related earning assets [2]	$ 1,277,926	$1,320,309
Net interest yield contribution (FTE basis)		
As reported [1]	2.47%	2.35%
Impact of trading-related activities	0.60	0.55
Net interest yield on earning assets excluding trading-related activities [2]	3.07%	2.90%

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve and fees earned on deposits, primarily overnight, placed with certain non-U.S. central banks.

(2) Represents a non-GAAP financial measure.

Net interest income excluding trading-related net interest income increased $1.0 billion to $39.3 billion for 2013 compared to 2012. The increase was primarily due to reductions in long-term debt balances and yields, market-related premium amortization expense due to an increase in long-end rates, and lower rates paid on deposits, partially offset by lower consumer loan balances and yields as well as lower net interest income from the discretionary asset and liability management (ALM) portfolio. For more information on the impacts of interest rates, see Interest Rate Risk Management for Nontrading Activities on page 109.

Average earning assets excluding trading-related earning assets decreased $42.4 billion to $1,277.9 billion, or three percent, for 2013 compared to 2012. The decrease was primarily due to declines in consumer loans, debt securities and other earning assets, partially offset by an increase in commercial loans.

Net interest yield on earning assets excluding trading-related activities increased 17 bps to 3.07 percent for 2013 compared to 2012 due to the same factors as described above.

Bank of America

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Report of Management on Internal Control Over Financial Reporting

Bank of America Corporation and Subsidiaries

The management of Bank of America Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

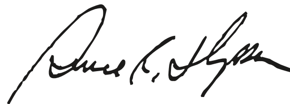
The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2013 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (1992)*. Based on that assessment, management concluded that, as of December 31, 2013, the Corporation's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework (1992)*.

The Corporation's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2013.

Brian T. Moynihan
Chief Executive Officer and President



Bruce R. Thompson
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

Bank of America Corporation and Subsidiaries

To the Board of Directors and Shareholders of Bank of America Corporation:

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows present fairly, in all material respects, the financial position of Bank of America Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Corporation's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 25, 2014

Consolidated Statement of Income

(Dollars in millions, except per share information)	2013	2012	2011
Interest income			
Loans and leases	$ 36,470	$ 38,880	$ 44,966
Debt securities	9,749	8,908	9,525
Federal funds sold and securities borrowed or purchased under agreements to resell	1,229	1,502	2,147
Trading account assets	4,706	5,094	5,961
Other interest income	2,866	3,016	3,637
Total interest income	55,020	57,400	66,236
Interest expense			
Deposits	1,396	1,990	3,002
Short-term borrowings	2,923	3,572	4,599
Trading account liabilities	1,638	1,763	2,212
Long-term debt	6,798	9,419	11,807
Total interest expense	12,755	16,744	21,620
Net interest income	42,265	40,656	44,616
Noninterest income			
Card income	5,826	6,121	7,184
Service charges	7,390	7,600	8,094
Investment and brokerage services	12,282	11,393	11,826
Investment banking income	6,126	5,299	5,217
Equity investment income	2,901	2,070	7,360
Trading account profits	7,056	5,870	6,697
Mortgage banking income (loss)	3,874	4,750	(8,830)
Gains on sales of debt securities	1,271	1,662	3,374
Other income (loss)	(29)	(2,034)	8,215
Other-than-temporary impairment losses on available-for-sale debt securities:			
Total other-than-temporary impairment losses	(21)	(57)	(360)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	1	4	61
Net impairment losses recognized in earnings on available-for-sale debt securities	(20)	(53)	(299)
Total noninterest income	46,677	42,678	48,838
Total revenue, net of interest expense	88,942	83,334	93,454
Provision for credit losses	3,556	8,169	13,410
Noninterest expense			
Personnel	34,719	35,648	36,965
Occupancy	4,475	4,570	4,748
Equipment	2,146	2,269	2,340
Marketing	1,834	1,873	2,203
Professional fees	2,884	3,574	3,381
Amortization of intangibles	1,086	1,264	1,509
Data processing	3,170	2,961	2,652
Telecommunications	1,593	1,660	1,553
Other general operating	17,307	18,274	21,101
Goodwill impairment	—	—	3,184
Merger and restructuring charges	—	—	638
Total noninterest expense	69,214	72,093	80,274
Income (loss) before income taxes	16,172	3,072	(230)
Income tax expense (benefit)	4,741	(1,116)	(1,676)
Net income	$ 11,431	$ 4,188	$ 1,446
Preferred stock dividends	1,349	1,428	1,361
Net income applicable to common shareholders	$ 10,082	$ 2,760	$ 85
Per common share information			
Earnings	$ 0.94	$ 0.26	$ 0.01
Diluted earnings	0.90	0.25	0.01
Dividends paid	0.04	0.04	0.04
Average common shares issued and outstanding (in thousands)	10,731,165	10,746,028	10,142,625
Average diluted common shares issued and outstanding (in thousands)	11,491,418	10,840,854	10,254,824

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

(Dollars in millions)	2013	2012	2011
Net income	$ 11,431	$ 4,188	$ 1,446
Other comprehensive income (loss), net-of-tax:			
Net change in available-for-sale debt and marketable equity securities	(8,166)	1,802	(4,270)
Net change in derivatives	592	916	(549)
Employee benefit plan adjustments	2,049	(65)	(444)
Net change in foreign currency translation adjustments	(135)	(13)	(108)
Other comprehensive income (loss)	(5,660)	2,640	(5,371)
Comprehensive income (loss)	$ 5,771	$ 6,828	$ (3,925)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(Dollars in millions)	December 31 2013	December 31 2012
Assets		
Cash and cash equivalents	**$ 131,322**	$ 110,752
Time deposits placed and other short-term investments	**11,540**	18,694
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$75,614** and $98,670 measured at fair value)	**190,328**	219,924
Trading account assets (includes **$111,817** and $115,821 pledged as collateral)	**200,993**	227,775
Derivative assets	**47,495**	53,497
Debt securities:		
Carried at fair value (includes **$51,408** and $63,349 pledged as collateral)	**268,795**	310,850
Held-to-maturity, at cost (fair value – **$52,430** and $50,270; **$20,869** and $22,461 pledged as collateral)	**55,150**	49,481
Total debt securities	**323,945**	360,331
Loans and leases (includes **$10,042** and $9,002 measured at fair value and **$74,166** and $50,289 pledged as collateral)	**928,233**	907,819
Allowance for loan and lease losses	**(17,428)**	(24,179)
Loans and leases, net of allowance	**910,805**	883,640
Premises and equipment, net	**10,475**	11,858
Mortgage servicing rights (includes **$5,042** and $5,716 measured at fair value)	**5,052**	5,851
Goodwill	**69,844**	69,976
Intangible assets	**5,574**	6,684
Loans held-for-sale (includes **$6,656** and $11,659 measured at fair value)	**11,362**	19,413
Customer and other receivables	**59,448**	71,467
Other assets (includes **$18,055** and $26,490 measured at fair value)	**124,090**	150,112
Total assets	**$ 2,102,273**	$ 2,209,974

Assets of consolidated variable interest entities included in total assets above (isolated to settle the liabilities of the variable interest entities)		
Trading account assets	**$ 8,412**	$ 7,906
Derivative assets	**185**	333
Loans and leases	**109,118**	123,227
Allowance for loan and lease losses	**(2,674)**	(3,658)
Loans and leases, net of allowance	**106,444**	119,569
Loans held-for-sale	**1,384**	1,969
All other assets	**4,577**	4,654
Total assets of consolidated variable interest entities	**$ 121,002**	$ 134,431

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet (continued)

(Dollars in millions)	December 31 2013	December 31 2012
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	**$ 373,092**	$ 372,546
Interest-bearing (includes **$1,899** and $2,262 measured at fair value)	**667,714**	654,332
Deposits in non-U.S. offices:		
Noninterest-bearing	**8,233**	7,573
Interest-bearing	**70,232**	70,810
Total deposits	**1,119,271**	1,105,261
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$33,684** and $42,639 measured at fair value)	**198,106**	293,259
Trading account liabilities	**83,469**	73,587
Derivative liabilities	**37,407**	46,016
Short-term borrowings (includes **$1,520** and $4,074 measured at fair value)	**45,999**	30,731
Accrued expenses and other liabilities (includes **$11,233** and $16,594 measured at fair value and **$484** and $513 of reserve for unfunded lending commitments)	**135,662**	148,579
Long-term debt (includes **$47,035** and $49,161 measured at fair value)	**249,674**	275,585
Total liabilities	**1,869,588**	1,973,018
Commitments and contingencies (*Note 6 – Securitizations and Other Variable Interest Entities, Note 7 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 12 – Commitments and Contingencies)*		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized – **100,000,000** shares; issued and outstanding – **3,407,790** and 3,685,410 shares	**13,352**	18,768
Common stock and additional paid-in capital, $0.01 par value; authorized – **12,800,000,000** shares; issued and outstanding – **10,591,808,296** and 10,778,263,628 shares	**155,293**	158,142
Retained earnings	**72,497**	62,843
Accumulated other comprehensive income (loss)	**(8,457)**	(2,797)
Total shareholders' equity	**232,685**	236,956
Total liabilities and shareholders' equity	**$ 2,102,273**	$ 2,209,974

Liabilities of consolidated variable interest entities included in total liabilities above	2013	2012
Short-term borrowings (includes **$77** and $872 of non-recourse borrowings)	**$ 1,150**	$ 3,731
Long-term debt (includes **$16,209** and $29,476 of non-recourse debt)	**19,448**	34,256
All other liabilities (includes **$138** and $149 of non-recourse liabilities)	**253**	360
Total liabilities of consolidated variable interest entities	**$ 20,851**	$ 38,347

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders' Equity
		Shares	Amount				
Balance, December 31, 2010	$ 16,562	10,085,155	$ 150,905	$ 60,849	$ (66)	$ (2)	$ 228,248
Net income				1,446			1,446
Net change in available-for-sale debt and marketable equity securities					(4,270)		(4,270)
Net change in derivatives					(549)		(549)
Employee benefit plan adjustments					(444)		(444)
Net change in foreign currency translation adjustments					(108)		(108)
Dividends paid:							
Common				(413)			(413)
Preferred				(1,325)			(1,325)
Issuance of preferred stock and warrants	2,918		2,082				5,000
Common stock issued in connection with exchanges of preferred stock and trust preferred securities	(1,083)	400,000	2,754	(36)			1,635
Common stock issued under employee plans and related tax effects		50,783	880			2	882
Other				(1)			(1)
Balance, December 31, 2011	18,397	10,535,938	156,621	60,520	(5,437)	—	230,101
Net income				4,188			4,188
Net change in available-for-sale debt and marketable equity securities					1,802		1,802
Net change in derivatives					916		916
Employee benefit plan adjustments					(65)		(65)
Net change in foreign currency translation adjustments					(13)		(13)
Dividends paid:							
Common				(437)			(437)
Preferred				(1,472)			(1,472)
Net Issuance of preferred stock	667						667
Common stock issued in connection with exchanges of preferred stock and trust preferred securities	(296)	49,867	412	44			160
Common stock issued under employee plans and related tax effects		192.459	1,109				1,109
Balance, December 31, 2012	18,768	10,778,264	158,142	62,843	(2,797)	—	236,956
Net income				**11,431**			**11,431**
Net change in available-for-sale debt and marketable equity securities					**(8,166)**		**(8,166)**
Net change in derivatives					**592**		**592**
Employee benefit plan adjustments					**2,049**		**2,049**
Net change in foreign currency translation adjustments					**(135)**		**(135)**
Dividends paid:							
Common				**(428)**			**(428)**
Preferred				**(1,249)**			**(1,249)**
Issuance of preferred stock	**1,008**						**1,008**
Redemption of preferred stock	**(6,461)**			**(100)**			**(6,561)**
Common stock issued under employee plans and related tax effects		**45,288**	**371**				**371**
Common stock repurchased		**(231,744)**	**(3,220)**				**(3,220)**
Other	**37**						**37**
Balance, December 31, 2013	**$ 13,352**	**10,591,808**	**$ 155,293**	**$ 72,497**	**$ (8,457)**	**$ —**	**$ 232,685**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(Dollars in millions)	2013	2012	2011
Operating activities			
Net income	**$ 11,431**	$ 4,188	$ 1,446
Reconciliation of net income to net cash provided by (used in) operating activities:			
Provision for credit losses	**3,556**	8,169	13,410
Goodwill impairment	**—**	—	3,184
Gains on sales of debt securities	**(1,271)**	(1,662)	(3,374)
Fair value adjustments on structured liabilities	**649**	5,107	(3,320)
Depreciation and premises improvements amortization	**1,597**	1,774	1,976
Amortization of intangibles	**1,086**	1,264	1,509
Net amortization of premium/discount on debt securities	**1,577**	2,580	2,046
Deferred income taxes	**3,262**	(2,735)	(1,949)
Originations and purchases of loans held-for-sale	**(65,688)**	(59,540)	(118,168)
Proceeds from sales, securitizations and paydowns of loans held-for-sale	**77,707**	54,817	141,862
Net (increase) decrease in trading and derivative instruments	**33,870**	(47,606)	25,481
Net (increase) decrease in other assets	**35,154**	(11,424)	21,285
Net increase (decrease) in accrued expenses and other liabilities	**(12,919)**	24,061	(18,124)
Other operating activities, net	**2,806**	4,951	(2,816)
Net cash provided by (used in) operating activities	**92,817**	(16,056)	64,448
Investing activities			
Net decrease in time deposits placed and other short-term investments	**7,154**	7,310	105
Net (increase) decrease in federal funds sold and securities borrowed or purchased under agreements to resell	**29,596**	(8,741)	(1,567)
Proceeds from sales of debt securities carried at fair value	**119,013**	74,068	120,125
Proceeds from paydowns and maturities of debt securities carried at fair value	**85,554**	71,509	56,732
Purchases of debt securities carried at fair value	**(175,983)**	(164,491)	(99,536)
Proceeds from paydowns and maturities of held-to-maturity debt securities	**8,472**	6,261	602
Purchases of held-to-maturity debt securities	**(14,388)**	(20,991)	(35,552)
Proceeds from sales of loans and leases	**12,331**	1,837	3,124
Purchases of loans and leases	**(16,734)**	(9,178)	(9,638)
Other changes in loans and leases, net	**(34,256)**	2,557	2,864
Net sales (purchases) of premises and equipment	**(521)**	5	(1,307)
Proceeds from sales of foreclosed properties	**1,099**	2,799	2,532
Proceeds from sales of investments	**4,818**	2,396	14,840
Other investing activities, net	**(1,097)**	(320)	(895)
Net cash provided by (used in) investing activities	**25,058**	(34,979)	52,429
Financing activities			
Net increase in deposits	**14,010**	72,220	22,611
Net increase (decrease) in federal funds purchased and securities loaned or sold under agreements to repurchase	**(95,153)**	78,395	(30,495)
Net increase (decrease) in short-term borrowings	**16,009**	(5,017)	(24,264)
Proceeds from issuance of long-term debt	**45,658**	22,200	26,001
Retirement of long-term debt	**(65,602)**	(124,389)	(101,814)
Proceeds from issuance of preferred stock and warrants	**1,008**	667	5,000
Redemption of preferred stock	**(6,461)**	—	—
Common stock repurchased	**(3,220)**	—	—
Cash dividends paid	**(1,677)**	(1,909)	(1,738)
Excess tax benefits on share-based payments	**12**	13	42
Other financing activities, net	**(26)**	236	3
Net cash provided by (used in) financing activities	**(95,442)**	42,416	(104,654)
Effect of exchange rate changes on cash and cash equivalents	**(1,863)**	(731)	(548)
Net increase (decrease) in cash and cash equivalents	**20,570**	(9,350)	11,675
Cash and cash equivalents at January 1	**110,752**	120,102	108,427
Cash and cash equivalents at December 31	**$ 131,322**	$ 110,752	$ 120,102
Supplemental cash flow disclosures			
Interest paid	**$ 12,912**	$ 18,268	$ 25,207
Income taxes paid	**1,559**	1,372	1,653
Income taxes refunded	**(244)**	(338)	(781)

During 2011, the Corporation entered into an agreement with Assured Guaranty Ltd. and subsidiaries which resulted in non-cash increases to loans of $2.2 billion, other assets of $82 million and long-term debt of $2.3 billion.

During 2011, the Corporation exchanged preferred stock, with a carrying value of $1.1 billion, for 92 million common shares valued at $522 million and senior notes valued at $360 million.

During 2011, the Corporation exchanged trust preferred securities for 308 million common shares valued at $1.7 billion and senior notes valued at $2.0 billion. The trust preferred securities, and underlying junior subordinated notes and stock purchase agreements, with a carrying value of $5.2 billion, were immediately canceled.

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 Summary of Significant Accounting Principles

Bank of America Corporation (together with its consolidated subsidiaries, the Corporation), a bank holding company (BHC) and a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The term "the Corporation" as used herein 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.

The Corporation conducts its activities through banking and nonbanking subsidiaries. The Corporation operates its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A. or FIA).

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Results of operations of acquired companies are included from the dates of acquisition and for VIEs, from the dates that the Corporation became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies for which it owns a voting interest and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting or at fair value under the fair value option. These investments are included in other assets. Equity method investments are subject to impairment testing and the Corporation's proportionate share of income or loss is included in equity investment income.

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Realized results could differ from those estimates and assumptions.

The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior-period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

Effective January 1, 2013, the Corporation retrospectively adopted new accounting guidance from the Financial Accounting Standards Board (FASB) requiring additional disclosures on the effect of netting arrangements on an entity's financial position. The disclosures relate to derivatives and securities financing agreements that are either offset on the balance sheet under existing accounting guidance or are subject to a legally enforceable master netting or similar agreement. This new guidance addresses only disclosures and, accordingly, did not have an impact on the Corporation's consolidated financial position or results of operations.

Effective January 1, 2012, the Corporation adopted amendments from the FASB to the fair value accounting guidance. The amendments clarify the application of the highest and best use, and valuation premise concepts, preclude the application of "blockage factors" in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments also prescribe additional disclosures for Level 3 fair value measurements and financial instruments not carried at fair value. The adoption of this guidance did not have a material impact on the Corporation's consolidated financial position or results of operations. For the related disclosures, see *Note 20 – Fair Value Measurements* and *Note 22 – Fair Value of Financial Instruments*.

Effective January 1, 2012, the Corporation adopted new accounting guidance from the FASB on the presentation of comprehensive income in financial statements. The Corporation adopted the new guidance by reporting the components of comprehensive income in two separate but consecutive statements. For the new statement and related information, see the Consolidated Statement of Comprehensive Income and *Note 14 – Accumulated Other Comprehensive Income (Loss)*.

On January 15, 2014, the FASB issued new guidance on accounting for qualified affordable housing projects which permits entities to make an accounting policy election to apply the proportionate amortization method when specific conditions are met. The new accounting guidance is effective on a retrospective basis beginning on January 1, 2015 with early adoption permitted. The Corporation is currently assessing whether it will adopt the proportionate amortization method. If such method is adopted, the Corporation does not expect it to have a material impact on the consolidated financial position or results of operations.

In December 2012, the FASB issued a proposed standard on accounting for credit losses. It would replace multiple existing impairment models, including an "incurred loss" model for loans, with an "expected loss" model. The FASB announced it would establish the effective date when it issues the final standard. The Corporation cannot predict at this time whether or when a final standard will be issued, when it will be effective or what its final provisions will be. The final standard may materially reduce retained earnings in the period of adoption.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash items in the process of collection, cash segregated under federal and other brokerage regulations, and amounts due from correspondent banks, the Federal Reserve Bank and certain non-U.S. central banks.

Securities Financing Agreements

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase (securities financing agreements) are treated as collateralized financing transactions except in instances where the transaction is required to be accounted for as individual sale and purchase transactions. Generally, these agreements are recorded at the amounts at which the securities were acquired or sold plus accrued interest, except for certain securities financing agreements that the Corporation accounts for under the fair value option. Changes

in the fair value of securities financing agreements that are accounted for under the fair value option are recorded in trading account profits in the Consolidated Statement of Income. For more information on securities financing agreements that the Corporation accounts for under the fair value option, see *Note 21 – Fair Value Option*.

The Corporation's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Corporation may require counterparties to deposit additional collateral or may return collateral pledged when appropriate. Securities financing agreements give rise to negligible credit risk as a result of these collateral provisions and, accordingly, no allowance for loan losses is considered necessary.

Substantially all repurchase and resale activities are transacted under legally enforceable master repurchase agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets repurchase and resale transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

In transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Consolidated Balance Sheet at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities.

In repurchase transactions, typically, the termination date for a repurchase agreement is before the maturity date of the underlying security. However, in certain situations, the Corporation may enter into repurchase agreements where the termination date of the repurchase transaction is the same as the maturity date of the underlying security and these transactions are referred to as "repo-to-maturity" (RTM) transactions. In accordance with applicable accounting guidance, the Corporation accounts for RTM transactions as sales and purchases when the transferred securities are highly liquid. In instances where securities are considered sold or purchased, the Corporation removes the securities from or recognizes the securities on the Consolidated Balance Sheet and, in the case of sales, recognizes a gain or loss, where applicable, in the Consolidated Statement of Income. At December 31, 2013 and 2012, the Corporation had no outstanding RTM transactions that had been accounted for as sales and an immaterial amount of transactions that had been accounted for as purchases.

Collateral

The Corporation accepts securities as collateral that it is permitted by contract or custom to sell or repledge. At December 31, 2013 and 2012, the fair value of this collateral was $575.3 billion and $513.2 billion, of which $361.5 billion and $362.0 billion was sold or repledged. The primary source of this collateral is securities borrowed or purchased under agreements to resell. The Corporation also pledges company-owned securities and loans as collateral in transactions that include repurchase agreements, securities loaned, public and trust deposits, U.S. Treasury tax and loan notes, and short-term borrowings. This collateral, which in some cases can be sold or repledged by the counterparties to the transactions, is parenthetically disclosed on the Consolidated Balance Sheet.

In certain cases, the Corporation has transferred assets to consolidated VIEs where those restricted assets serve as collateral for the interests issued by the VIEs. These assets are included on the Consolidated Balance Sheet in Assets of Consolidated VIEs.

In addition, the Corporation obtains collateral in connection with its derivative contracts. Required collateral levels vary depending on the credit risk rating and the type of counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. Based on provisions contained in master netting agreements, the Corporation nets cash collateral received against derivative assets. The Corporation also pledges collateral on its own derivative positions which can be applied against derivative liabilities.

Trading Instruments

Financial instruments utilized in trading activities are carried at fair value. Fair value is generally based on quoted market prices or quoted market prices for similar assets and liabilities. If these market prices are not available, fair values are estimated based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques where the determination of fair value may require significant management judgment or estimation. Realized and unrealized gains and losses are recognized in trading account profits.

Derivatives and Hedging Activities

Derivatives are entered into on behalf of customers, for trading or to support risk management activities. Derivatives used in risk management activities include derivatives that are both designated in qualifying accounting hedge relationships and derivatives used to hedge market risks in relationships that are not designated in qualifying accounting hedge relationships (referred to as other risk management activities). Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument (including another derivative financial instrument), index, currency or commodity at a predetermined rate or price during a period or at a date in the future. Option agreements can be transacted on organized exchanges or directly between parties.

All derivatives are recorded on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices in active or inactive markets or is derived from observable market-based pricing parameters, similar to those applied to over-the-counter (OTC) derivatives. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Valuations of derivative assets and liabilities reflect the value of the instrument including counterparty credit risk. These values also take into account the Corporation's own credit standing.

Trading Derivatives and Other Risk Management Activities

Derivatives held for trading purposes are included in derivative assets or derivative liabilities on the Consolidated Balance Sheet with changes in fair value included in trading account profits.

Derivatives used for other risk management activities are included in derivative assets or derivative liabilities. Derivatives used in other risk management activities have not been designated in a qualifying accounting hedge relationship because they did not qualify or the risk that is being mitigated pertains to an item that is reported at fair value through earnings so that the effect of measuring the derivative instrument and the asset or liability to which the risk exposure pertains will offset in the Consolidated Statement of Income to the extent effective. The changes in the fair value of derivatives that serve to mitigate certain risks associated with mortgage servicing rights (MSRs), interest rate lock commitments (IRLCs) and first mortgage loans held-for-sale (LHFS) that are originated by the Corporation are recorded in mortgage banking income (loss). Changes in the fair value of derivatives that serve to mitigate interest rate risk and foreign currency risk are included in other income (loss). Credit derivatives are also used by the Corporation to mitigate the risk associated with various credit exposures. The changes in the fair value of these derivatives are included in other income (loss).

Derivatives Used For Hedge Accounting Purposes (Accounting Hedges)

For accounting hedges, the Corporation formally documents at inception all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Corporation primarily uses regression analysis at the inception of a hedge and for each reporting period thereafter to assess whether the derivative used in a hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of a hedged item or forecasted transaction. The Corporation discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value of the derivative in earnings after termination of the hedge relationship.

The Corporation uses its accounting hedges as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The Corporation manages interest rate and foreign currency exchange rate sensitivity predominantly through the use of derivatives. Fair value hedges are used to protect against changes in the fair value of the Corporation's assets and liabilities that are attributable to interest rate or foreign exchange volatility. Cash flow hedges are used primarily to minimize the variability in cash flows of assets or liabilities, or forecasted transactions caused by interest rate or foreign exchange fluctuations. For terminated cash flow hedges, the maximum length of time over which forecasted transactions are hedged is approximately 25 years, with a substantial portion of the hedged transactions being less than 10 years. For open or future cash flow hedges, the maximum length of time over which forecasted transactions are or will be hedged is less than seven years.

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings, together and in the same income statement line item with changes in the fair value of the related hedged item. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (OCI) and are reclassified into the line item in the income statement in which the hedged item is recorded in the same period the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings in the same income statement line item. The Corporation records changes in the fair value of derivatives used as hedges of the net investment in foreign operations, to the extent effective, as a component of accumulated OCI.

If a derivative instrument in a fair value hedge is terminated or the hedge designation removed, the previous adjustments to the carrying value of the hedged asset or liability are subsequently accounted for in the same manner as other components of the carrying value of that asset or liability. For interest-earning assets and interest-bearing liabilities, such adjustments are amortized to earnings over the remaining life of the respective asset or liability. If a derivative instrument in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated OCI are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. If it becomes probable that a forecasted transaction will not occur, any related amounts in accumulated OCI are reclassified into earnings in that period.

Interest Rate Lock Commitments

The Corporation enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans at specified times in the future. IRLCs that relate to the origination of mortgage loans that will be classified as held-for-sale are considered derivative instruments under applicable accounting guidance. As such, these IRLCs are recorded at fair value with changes in fair value recorded in mortgage banking income (loss), typically resulting in recognition of a gain when the Corporation enters into IRLCs.

In estimating the fair value of an IRLC, the Corporation assigns a probability that the loan commitment will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related mortgage loans which is based on observable market data and includes the expected net future cash flows related to servicing of the loans. Changes in the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Changes from the expected future cash flows related to the customer relationship are excluded from the valuation of IRLCs.

Outstanding IRLCs expose the Corporation to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To manage this risk, the Corporation utilizes forward loan sales commitments and other derivative instruments, including interest rate swaps and options, to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these derivatives are recorded in mortgage banking income (loss).

Securities

Debt securities are recorded on the Consolidated Balance Sheet as of their trade date. Debt securities bought principally with the intent to buy and sell in the short term as part of the Corporation's trading activities are reported at fair value in trading account assets with unrealized gains and losses included in trading account profits. Debt securities purchased for longer term investment purposes, as part of asset and liability management (ALM) and other strategic activities are generally reported at fair value as available-for-sale (AFS) securities with net unrealized gains and losses included in accumulated OCI. Certain other debt securities purchased for ALM and other strategic purposes are reported at fair value with unrealized gains and losses reported in other income (loss). These are referred to as other debt securities carried at fair value. AFS securities and other debt securities carried at fair value are reported in debt securities on the Consolidated Balance Sheet. The Corporation may hedge these other debt securities with risk management derivatives with the unrealized gains and losses also reported in other income (loss). The debt securities are carried at fair value with unrealized gains and losses reported in other income (loss) to mitigate accounting asymmetry with the risk management derivatives and to achieve operational simplifications. Debt securities which management has the intent and ability to hold to maturity are reported at amortized cost. Certain debt securities purchased for use in other risk management activities, such as hedging certain market risks related to MSRs, are reported in other assets at fair value with unrealized gains and losses reported in the same line item as the item being hedged.

The Corporation regularly evaluates each AFS and held-to-maturity (HTM) debt security where the value has declined below amortized cost to assess whether the decline in fair value is other than temporary. In determining whether an impairment is other than temporary, the Corporation considers the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether the Corporation either plans to sell the security or it is more-likely-than-not that it will be required to sell the security before recovery of the amortized cost. If the impairment of the AFS or HTM debt security is credit-related, an other-than-temporary impairment (OTTI) loss is recorded in earnings. For AFS debt securities, the non-credit-related impairment loss is recognized in accumulated OCI. If the Corporation intends to sell an AFS debt security or believes it will more-likely-than-not be required to sell a security, the Corporation records the full amount of the impairment loss as an OTTI loss.

Interest on debt securities, including amortization of premiums and accretion of discounts, is included in interest income. Realized gains and losses from the sales of debt securities are determined using the specific identification method.

Marketable equity securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as of the trade date. Marketable equity securities that are bought and held principally for the purpose of resale in the near term are classified as trading and are carried at fair value with unrealized gains and losses included in trading account profits. Other marketable equity securities are accounted for as AFS and classified in other assets. All AFS marketable equity securities are carried at fair value with net unrealized gains and losses included in accumulated OCI on an after-tax basis. If there is an other-than-temporary decline in the fair value of any individual AFS marketable equity security, the cost basis is reduced and the Corporation reclassifies the associated net unrealized loss out of accumulated OCI with a corresponding charge to equity investment income. Dividend income on AFS marketable equity securities is included in equity investment income. Realized gains and losses on the sale of all AFS marketable equity securities, which are recorded in equity investment income, are determined using the specific identification method.

Certain equity investments held by Global Principal Investments (GPI), the Corporation's diversified equity investor in private equity, real estate and other alternative investments, are subject to investment company accounting under applicable accounting guidance and, accordingly, are carried at fair value with changes in fair value reported in equity investment income. These investments are included in other assets. Initially, the transaction price of the investment is generally considered to be the best indicator of fair value. Thereafter, valuation of direct investments is based on an assessment of each individual investment using methodologies that include publicly-traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples and discounted cash flow analyses, and are subject to appropriate discounts for lack of liquidity or marketability. Certain factors that may influence changes in fair value include but are not limited to recapitalizations, subsequent rounds of financing and offerings in the equity or debt capital markets. For fund investments, the Corporation generally records the fair value of its proportionate interest in the fund's capital as reported by the respective fund managers. Other investments held by GPI are accounted for under either the equity method or at cost, depending on the Corporation's ownership interest, and are reported in other assets.

Loans and Leases

Loans, with the exception of loans accounted for under the fair value option, are measured at historical cost and reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans, and for purchased loans, net of any unamortized premiums or discounts. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to interest income over the lives of the related loans. Unearned income, discounts and premiums are amortized to interest income using a level yield methodology. The Corporation elects to account for certain consumer and commercial loans under the fair value option with changes in fair value reported in other income (loss).

Under applicable accounting guidance, for reporting purposes, the loan and lease portfolio is categorized by portfolio segment and, within each portfolio segment, by class of financing receivables. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables is defined as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Corporation's three portfolio segments are Home Loans, Credit Card and Other Consumer, and Commercial. The classes within the Home Loans portfolio segment are core portfolio residential mortgage, Legacy Assets & Servicing residential mortgage, core portfolio home

equity and Legacy Assets & Servicing home equity. The classes within the Credit Card and Other Consumer portfolio segment are U.S. credit card, non-U.S. credit card, direct/indirect consumer and other consumer. The classes within the Commercial portfolio segment are U.S. commercial, commercial real estate, commercial lease financing, non-U.S. commercial and U.S. small business commercial.

Purchased Credit-impaired Loans

The Corporation purchases loans with and without evidence of credit quality deterioration since origination. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, refreshed borrower credit scores and refreshed loan-to-value (LTV) ratios, some of which are not immediately available as of the purchase date. Purchased loans with evidence of credit quality deterioration for which it is probable that the Corporation will not receive all contractually required payments receivable are accounted for as purchased credit-impaired (PCI) loans. The excess of the cash flows expected to be collected on PCI loans, measured as of the acquisition date, over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan using a level yield methodology. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected is referred to as the nonaccretable difference. PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance for PCI loans. An individual loan is removed from a PCI loan pool if it is sold, foreclosed, forgiven or the expectation of any future proceeds is remote. When a loan is removed from a PCI loan pool and the foreclosure or recovery value of the loan is less than the loan's carrying value, the difference is first applied against the PCI pool's nonaccretable difference. If the nonaccretable difference has been fully utilized, only then is the PCI pool's basis applicable to that loan written-off against its valuation reserve; however, the integrity of the pool is maintained and it continues to be accounted for as if it was one loan.

The Corporation continues to estimate cash flows expected to be collected over the life of the PCI loans using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and payment speeds. If, upon subsequent evaluation, the Corporation determines it is probable that the present value of the expected cash flows has decreased, the PCI loan is considered to be further impaired resulting in a charge to the provision for credit losses and a corresponding increase to a valuation allowance included in the allowance for loan and lease losses. The present value of the expected cash flows is then recalculated each period, which may result in additional impairment or a reduction of the valuation allowance. If there is no valuation allowance and it is probable that there is a significant increase in the present value of the expected cash flows, the Corporation recalculates the amount of accretable yield as the excess of the revised expected cash flows over the current carrying value resulting in a reclassification from nonaccretable difference to accretable yield. Reclassifications from nonaccretable difference can also occur if there is a change in the expected lives of the loans. The present value of the expected cash flows is determined using the PCI loans' effective interest rate, adjusted for changes in the PCI loans' interest rate indices.

Leases

The Corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property less unearned income. Leveraged leases, which are a form of financing leases, are reported net of non-recourse debt. Unearned income on leveraged and direct financing leases is accreted to interest income over the lease terms using methods that approximate the interest method.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's lending activities. The allowance for loan and lease losses and the reserve for unfunded lending commitments exclude amounts for loans and unfunded lending commitments accounted for under the fair value option as the fair values of these instruments reflect a credit component. The allowance for loan and lease losses does not include amounts related to accrued interest receivable, other than billed interest and fees on credit card receivables, as accrued interest receivable is reversed when a loan is placed on nonaccrual status. The allowance for loan and lease losses represents the estimated probable credit losses on funded consumer and commercial loans and leases while the reserve for unfunded lending commitments, including standby letters of credit and binding unfunded loan commitments, represents estimated probable credit losses on these unfunded credit instruments based on utilization assumptions. Lending-related credit exposures deemed to be uncollectible, excluding loans carried at fair value, are charged off against these accounts. Write-offs on PCI loans on which there is a valuation allowance are written-off against the valuation allowance. For additional information, see the Purchased Credit-impaired Loans in this Note. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts. Management evaluates the adequacy of the allowance for credit losses based on the combined total of the allowance for loan and lease losses and the reserve for unfunded lending commitments.

The Corporation performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios. The allowance on certain homogeneous consumer loan portfolios, which generally consist of consumer real estate within the Home Loans portfolio segment and credit card loans within the Credit Card and Other Consumer portfolio segment, is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, bankruptcies, economic conditions and credit scores.

The Corporation's Home Loans portfolio segment is comprised primarily of large groups of homogeneous consumer loans secured by residential real estate. The amount of losses incurred in the homogeneous loan pools is estimated based on the number of loans that will default and the loss in the event of default. Using

modeling methodologies, the Corporation estimates the number of homogeneous loans that will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate defaults include refreshed LTV or, in the case of a subordinated lien, refreshed combined loan-to-value, borrower credit score, months since origination (referred to as vintage) and geography, all of which are further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). This estimate is based on the Corporation's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors not yet reflected in the historical data underlying the loss estimates, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default on a loan is based on an analysis of the movement of loans with the measured attributes from either current or any of the delinquency categories to default over a 12-month period. On home equity loans where the Corporation holds only a second-lien position and foreclosure is not the best alternative, the loss severity is estimated at 100 percent.

The allowance on certain commercial loans (except business card and certain small business loans) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, if applicable, the industry of the obligor, and the obligor's liquidity and other financial indicators along with certain qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of consumer and commercial loan portfolios are reserves which are maintained to cover uncertainties that affect the Corporation's estimate of probable losses including domestic and global economic uncertainty and large single name defaults.

The remaining portfolios, including nonperforming commercial loans, as well as consumer and commercial loans modified in a troubled debt restructuring (TDR) are reviewed in accordance with applicable accounting guidance on impaired loans and TDRs. If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and/or interest, in accordance with the contractual terms of the agreement or the loan has been modified in a TDR. Once a loan has been identified as impaired, management measures impairment primarily based on the present value of payments expected to be received, discounted at the loans' original effective contractual interest rates, or discounted at the portfolio average contractual annual percentage rate, excluding promotionally priced loans, in effect prior to restructuring. Impaired loans and TDRs may also be measured based on observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral less costs to sell. If the recorded investment in impaired loans exceeds this amount, a specific allowance is established as a component of the allowance for loan and lease losses unless these are secured consumer loans that are solely dependent on the collateral for repayment, in which case the amount that exceeds the fair value of the collateral is charged off.

Generally, when determining the fair value of the collateral securing consumer real estate-secured loans that are solely dependent on the collateral for repayment, prior to performing a detailed property valuation including a walk-through of a property, the Corporation initially estimates the fair value of the collateral securing these consumer loans using an automated valuation method (AVM). An AVM is a tool that estimates the value of a property by reference to market data including sales of comparable properties and price trends specific to the Metropolitan Statistical Area in which the property being valued is located. In the event that an AVM value is not available, the Corporation utilizes publicized indices or if these methods provide less reliable valuations, the Corporation uses appraisals or broker price opinions to estimate the fair value of the collateral. While there is inherent imprecision in these valuations, the Corporation believes that they are representative of the portfolio in the aggregate.

In addition to the allowance for loan and lease losses, the Corporation also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. The reserve for unfunded lending commitments excludes commitments accounted for under the fair value option. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, utilization assumptions, current economic conditions, performance trends within the portfolio and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for credit losses related to the loan and lease portfolio is reported separately on the Consolidated Balance Sheet whereas the reserve for unfunded lending commitments is reported on the Consolidated Balance Sheet in accrued expenses and other liabilities. The provision for credit losses related to the loan and lease portfolio and unfunded lending commitments is reported in the Consolidated Statement of Income.

Nonperforming Loans and Leases, Charge-offs and Delinquencies

Nonperforming loans and leases generally include loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming.

In accordance with the Corporation's policies, consumer real estate-secured loans, including residential mortgages and home equity loans, are generally placed on nonaccrual status and classified as nonperforming at 90 days past due unless repayment of the loan is insured by the Federal Housing Administration or through individually insured long-term standby agreements with Fannie Mae or Freddie Mac (the fully-insured portfolio). Residential mortgage loans in the fully-insured portfolio are not placed on nonaccrual status and, therefore, are not reported as nonperforming. Junior-lien home equity loans are placed on nonaccrual status and classified as nonperforming when the underlying first-lien mortgage loan becomes 90 days past due even if the junior-lien loan is current. Accrued interest receivable is reversed when a consumer loan is placed on nonaccrual status. Interest collections on nonaccruing consumer loans for which the ultimate collectability of principal is uncertain are generally applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored

to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. The outstanding balance of real estate-secured loans that is in excess of the estimated property value less costs to sell is charged off no later than the end of the month in which the loan becomes 180 days past due unless the loan is fully insured. The estimated property value less costs to sell is determined using the same process as described for impaired loans in the Allowance for Credit Losses in this Note.

Consumer loans secured by personal property, credit card loans and other unsecured consumer loans are not placed on nonaccrual status prior to charge-off and, therefore, are not reported as nonperforming loans, except for certain secured consumer loans, including those that have been modified in a TDR. Personal property-secured loans are charged off to collateral value no later than the end of the month in which the account becomes 120 days past due or, for loans in bankruptcy, 60 days past due. Credit card and other unsecured consumer loans are charged off no later than the end of the month in which the account becomes 180 days past due or within 60 days after receipt of notification of death or bankruptcy.

Commercial loans and leases, excluding business card loans, that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally placed on nonaccrual status and classified as nonperforming unless well-secured and in the process of collection.

Accrued interest receivable is reversed when commercial loans and leases are placed on nonaccrual status. Interest collections on nonaccruing commercial loans and leases for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Commercial loans and leases may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Business card loans are charged off no later than the end of the month in which the account becomes 180 days past due or 60 days after receipt of notification of death or bankruptcy. These loans are not placed on nonaccrual status prior to charge-off and, therefore, are not reported as nonperforming loans. Other commercial loans and leases are generally charged off when all or a portion of the principal amount is determined to be uncollectible.

The entire balance of a consumer loan or commercial loan or lease is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans and leases until the date the loan is placed on nonaccrual status, if applicable.

PCI loans are recorded at fair value at the acquisition date. Although the PCI loans may be contractually delinquent, the Corporation does not classify these loans as nonperforming as the loans were written down to fair value at the acquisition date and the accretable yield is recognized in interest income over the remaining life of the loan. In addition, reported net charge-offs exclude write-offs on PCI loans as the fair value already considers the estimated credit losses.

Troubled Debt Restructurings

Consumer loans and commercial loans and leases whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties are classified as TDRs. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance, or other actions designed to maximize collections. Secured consumer loans that have been discharged in Chapter 7 bankruptcy and have not been reaffirmed by the borrower are classified as TDRs at the time of discharge. Consumer real estate-secured loans for which a binding offer to restructure has been extended are also classified as TDRs. Loans classified as TDRs are considered impaired loans. Loans that are carried at fair value, LHFS and PCI loans are not classified as TDRs.

Secured consumer loans whose contractual terms have been modified in a TDR and are current at the time of restructuring generally remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming, except for the fully-insured loans, until there is sustained repayment performance for a reasonable period, generally six months. If accruing consumer TDRs cease to perform in accordance with their modified contractual terms, they are placed on nonaccrual status and reported as nonperforming TDRs. Consumer TDRs that bear a below-market rate of interest are generally reported as TDRs throughout their remaining lives. Secured consumer loans that have been discharged in Chapter 7 bankruptcy are placed on nonaccrual status and written down to the estimated collateral value less costs to sell no later than at the time of discharge. If these loans are contractually current, interest collections are generally recorded in interest income on a cash basis. Credit card and other unsecured consumer loans that have been renegotiated in a TDR are not placed on nonaccrual status. Credit card and other unsecured consumer loans that have been renegotiated and placed on a fixed payment plan after July 1, 2012 are generally charged off no later than the end of the month in which the account becomes 120 days past due.

Commercial loans and leases whose contractual terms have been modified in a TDR are typically placed on nonaccrual status and reported as nonperforming until the loans or leases have performed for an adequate period of time under the restructured agreement, generally six months. If the borrower had demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the modified terms, the loan may remain on accrual status. Accruing commercial TDRs are reported as performing TDRs through the end of the calendar year in which the loans are returned to accrual status. In addition, if accruing commercial TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they are placed on nonaccrual status and reported as nonperforming TDRs.

A loan that had previously been modified in a TDR and is subsequently refinanced under current underwriting standards at a market rate with no concessionary terms is accounted for as a new loan and is no longer reported as a TDR.

Loans Held-for-sale

Loans that are intended to be sold in the foreseeable future, including residential mortgages, loan syndications, and to a lesser degree, commercial real estate, consumer finance and other loans, are reported as LHFS and are carried at the lower of aggregate cost or fair value. The Corporation accounts for certain LHFS, including first mortgage LHFS, under the fair value option. Mortgage loan origination costs related to LHFS that the Corporation accounts for under the fair value option are recognized in noninterest expense when incurred. Mortgage loan origination costs for LHFS carried at the lower of cost or fair value are capitalized as part of the carrying value of the loans and recognized as a reduction of mortgage banking income (loss) upon the sale of such loans. LHFS that are on nonaccrual status and are reported as nonperforming, as defined in the policy herein, are reported separately from nonperforming loans and leases.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. Estimated lives range up to 40 years for buildings, up to 12 years for furniture and equipment, and the shorter of lease term or estimated useful life for leasehold improvements.

The Corporation capitalizes the costs associated with certain computer hardware, software and internally developed software, and amortizes the costs over the expected useful life. Direct project costs of internally developed software are capitalized when it is probable that the project will be completed and the software will be used for its intended function.

Mortgage Servicing Rights

The Corporation accounts for consumer MSRs, including residential mortgage and home equity MSRs, at fair value with changes in fair value recorded in mortgage banking income (loss). To reduce the volatility of earnings related to interest rate and market value fluctuations, U.S. Treasury securities, mortgage-backed securities and derivatives such as options and interest rate swaps may be used to hedge certain market risks of the MSRs. Such derivatives are not designated as qualifying accounting hedges. These instruments are carried at fair value with changes in fair value recognized in mortgage banking income (loss).

The Corporation estimates the fair value of consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income and, when available, quoted prices from independent parties. The present value calculation is based on an option-adjusted spread (OAS) valuation approach that factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in MSR valuations include weighted-average lives of the MSRs and the OAS levels. The OAS represents the spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price; therefore, it is a measure of the extra yield over the reference discount factor that the Corporation expects to earn by holding the asset.

Goodwill and Intangible Assets

Goodwill is the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. A reporting unit, as defined under applicable accounting guidance, is a business segment or one level below a business segment. The goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test involves comparing the fair value of each reporting unit with its carrying value, including goodwill, as measured by allocated equity. In certain circumstances, the first step may be performed using a qualitative assessment. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired; however, if the carrying value of the reporting unit exceeds its fair value, the second step must be performed to measure potential impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. Measurement of the fair values of the assets and liabilities of a reporting unit is consistent with the requirements of the fair value measurements accounting guidance, as described in Fair Value in this Note. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the Consolidated Balance Sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. An impairment loss establishes a new basis in the goodwill and subsequent reversals of goodwill impairment losses are not permitted under applicable accounting guidance.

For intangible assets subject to amortization, an impairment loss is recognized if the carrying value of the intangible asset is not recoverable and exceeds fair value. The carrying value of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Variable Interest Entities

A VIE is an entity that lacks equity investors or whose equity investors do not have a controlling financial interest in the entity through their equity investments. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. The Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. On a quarterly basis, the Corporation reassesses whether it has a controlling financial interest in and is the primary beneficiary of a VIE. The quarterly reassessment process considers whether the Corporation has

acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether the Corporation has acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which the Corporation is involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively, with assets and liabilities of a newly consolidated VIE initially recorded at fair value. A gain or loss may be recognized upon deconsolidation of a VIE depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of retained interests and ongoing contractual arrangements.

The Corporation primarily uses VIEs for its securitization activities, in which the Corporation transfers whole loans or debt securities into a trust or other vehicle such that the assets are legally isolated from the creditors of the Corporation. Assets held in a trust can only be used to settle obligations of the trust. The creditors of these trusts typically have no recourse to the Corporation except in accordance with the Corporation's obligations under standard representations and warranties.

When the Corporation is the servicer of whole loans held in a securitization trust, including non-agency residential mortgages, home equity loans, credit cards, automobile loans and student loans, the Corporation has the power to direct the most significant activities of the trust. The Corporation does not have the power to direct the most significant activities of a residential mortgage agency trust unless the Corporation holds substantially all of the issued securities and has the unilateral right to liquidate the trust. The power to direct the most significant activities of a commercial mortgage securitization trust is typically held by the special servicer or by the party holding specific subordinate securities which embody certain controlling rights. The Corporation consolidates a whole-loan securitization trust if it has the power to direct the most significant activities and also holds securities issued by the trust or has other contractual arrangements, other than standard representations and warranties, that could potentially be significant to the trust.

The Corporation may also transfer trading account securities and AFS securities into municipal bond or resecuritization trusts. The Corporation consolidates a municipal bond or resecuritization trust if it has control over the ongoing activities of the trust such as the remarketing of the trust's liabilities or, if there are no ongoing activities, sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains securities or has liquidity or other commitments that could potentially be significant to the trust. The Corporation does not consolidate a municipal bond or resecuritization trust if one or a limited number of third-party investors share responsibility for the design of the trust or have control over the significant activities of the trust through liquidation or other substantive rights.

Other VIEs used by the Corporation include collateralized debt obligations (CDOs), investment vehicles created on behalf of customers and other investment vehicles. The Corporation does not routinely serve as collateral manager for CDOs and, therefore, does not typically have the power to direct the activities that most significantly impact the economic performance of a CDO. However, following an event of default, if the Corporation is a majority holder of senior securities issued by a CDO and acquires the power to manage the assets of the CDO, the Corporation consolidates the CDO.

The Corporation consolidates a customer or other investment vehicle if it has control over the initial design of the vehicle or manages the assets in the vehicle and also absorbs potentially significant gains or losses through an investment in the vehicle, derivative contracts or other arrangements. The Corporation does not consolidate an investment vehicle if a single investor controlled the initial design of the vehicle or manages the assets in the vehicles or if the Corporation does not have a variable interest that could potentially be significant to the vehicle.

Retained interests in securitized assets are initially recorded at fair value. In addition, the Corporation may invest in debt securities issued by unconsolidated VIEs. Fair values of these debt securities, which are AFS debt securities or trading account assets, are based primarily on quoted market prices in active or inactive markets. Generally, quoted market prices for retained residual interests are not available; therefore, the Corporation estimates fair values based on the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward interest yield curves, discount rates and other factors that impact the value of retained interests. Retained residual interests in unconsolidated securitization trusts are classified in trading account assets or other assets with changes in fair value recorded in income. The Corporation may also enter into derivatives with unconsolidated VIEs, which are carried at fair value with changes in fair value recorded in income.

Fair Value

The Corporation measures the fair values of its financial instruments in accordance with accounting guidance that requires an entity to base fair value on exit price. A three-level hierarchy, provided in the applicable accounting guidance, for inputs is utilized in measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used to determine the exit price when available. Under applicable accounting guidance, the Corporation categorizes its financial instruments, based on the priority of inputs to the valuation technique, into this three-level hierarchy, as described below. Trading account assets and liabilities, derivative assets and liabilities, AFS debt and equity securities, other debt securities carried at fair value, certain MSRs and certain other assets are carried at fair value in accordance with applicable accounting guidance. The Corporation has also elected to account for certain assets and liabilities under the fair value option, including certain commercial and consumer loans and loan commitments, LHFS, other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits and long-term debt. The following describes the three-level hierarchy.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in OTC markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt

securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts where fair value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage loans and certain LHFS.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. This category generally includes certain private equity investments and other principal investments, retained residual interests in securitizations, residential MSRs, certain asset-backed securities, highly structured, complex or long-dated derivative contracts, certain LHFS, IRLCs and certain CDOs where independent pricing information cannot be obtained for a significant portion of the underlying assets.

Income Taxes

There are two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amounts management concludes are more-likely-than-not to be realized.

Income tax benefits are recognized and measured based upon a two-step model: first, a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized, and second, the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. The Corporation records income tax-related interest and penalties, if applicable, within income tax expense.

Retirement Benefits

The Corporation has retirement plans covering substantially all full-time and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

In addition, the Corporation has unfunded supplemental benefit plans and supplemental executive retirement plans (SERPs) for selected officers of the Corporation and its subsidiaries that provide benefits that cannot be paid from a qualified retirement plan due to Internal Revenue Code restrictions. The Corporation's current executive officers do not earn additional retirement income under SERPs. These plans are nonqualified under the Internal Revenue Code and assets used to fund benefit payments are not segregated from other assets of the Corporation; therefore, in general, a participant's or beneficiary's claim to benefits under these plans is as a general creditor. In addition, the Corporation has several postretirement healthcare and life insurance benefit plans.

Accumulated Other Comprehensive Income

The Corporation records unrealized gains and losses on AFS debt and marketable equity securities, gains and losses on cash flow accounting hedges, certain employee benefit plan adjustments, foreign currency translation adjustments and related hedges of net investments in foreign operations, and the cumulative adjustment related to certain accounting changes in accumulated OCI, net-of-tax. Unrealized gains and losses on AFS debt and marketable equity securities are reclassified to earnings as the gains or losses are realized upon sale of the securities. Unrealized losses on AFS securities deemed to represent OTTI are reclassified to earnings at the time of the impairment charge. For AFS debt securities that the Corporation does not intend to sell or it is not more-likely-than-not that it will be required to sell, only the credit component of an unrealized loss is reclassified to earnings. Gains or losses on derivatives accounted for as cash flow hedges are reclassified to earnings when the hedged transaction affects earnings. Translation gains or losses on foreign currency translation adjustments are reclassified to earnings upon the substantial sale or liquidation of investments in foreign operations.

Revenue Recognition

The following summarizes the Corporation's revenue recognition policies as they relate to certain noninterest income line items in the Consolidated Statement of Income.

Card income is derived from fees such as interchange, cash advance, annual, late, over-limit and other miscellaneous fees, which are recorded as revenue when earned, primarily on an accrual basis. Uncollected fees are included in the customer card receivables balances with an amount recorded in the allowance for loan and lease losses for estimated uncollectible card receivables. Uncollected fees are written off when a card receivable reaches 180 days past due.

Service charges include fees for insufficient funds, overdrafts and other banking services and are recorded as revenue when earned. Uncollected fees are included in outstanding loan balances with an amount recorded for estimated uncollectible service fees receivable. Uncollected fees are written off when a fee receivable reaches 60 days past due.

Investment and brokerage services revenue consists primarily of asset management fees and brokerage income that are recognized over the period the services are provided or when commissions are earned. Asset management fees consist primarily of fees for investment management and trust services and are generally based on the dollar amount of the assets being managed. Brokerage income is generally derived from commissions and fees earned on the sale of various financial products.

Investment banking income consists primarily of advisory and underwriting fees that are recognized in income as the services are provided and no contingencies exist. Revenues are generally recognized net of any direct expenses. Non-reimbursed expenses are recorded as noninterest expense.

Earnings Per Common Share

Earnings per common share (EPS) is computed by dividing net income (loss) allocated to common shareholders by the weighted-average common shares outstanding, except that it does not include unvested common shares subject to repurchase or cancellation. Net income (loss) allocated to common shareholders represents net income (loss) applicable to common shareholders which is net income (loss) adjusted for preferred stock dividends including dividends declared, accretion of discounts on preferred stock including accelerated accretion when preferred stock is repaid early, and cumulative dividends related to the current dividend period that have not been declared as of period end, less income allocated to participating securities (see below for more information). Diluted EPS is computed by dividing income (loss) allocated to common shareholders plus dividends on dilutive convertible preferred stock and preferred stock that can be tendered to exercise warrants, by the weighted-average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units, outstanding warrants and the dilution resulting from the conversion of convertible preferred stock, if applicable.

Unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities that are included in computing EPS using the two-class method. The two-class method is an earnings allocation formula under which EPS is calculated for common stock and participating securities according to dividends declared and participating rights in undistributed earnings. Under this method, all earnings, distributed and undistributed, are allocated to participating securities and common shares based on their respective rights to receive dividends.

In an exchange of non-convertible preferred stock, income allocated to common shareholders is adjusted for the difference between the carrying value of the preferred stock and the fair value of the consideration exchanged. In an induced conversion of convertible preferred stock, income allocated to common shareholders is reduced by the excess of the fair value of the consideration exchanged over the fair value of the common stock that would have been issued under the original conversion terms.

Foreign Currency Translation

Assets, liabilities and operations of foreign branches and subsidiaries are recorded based on the functional currency of each entity. For certain of the foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, from the local currency to the U.S. dollar reporting currency at period-end rates for assets and liabilities and generally at average rates for results of operations. The resulting unrealized gains or losses as well as gains and losses from certain hedges, are reported as a component of accumulated OCI, net-of-tax. When the foreign entity's functional currency is determined to be the U.S. dollar, the resulting remeasurement gains or losses on foreign currency-denominated assets or liabilities are included in earnings.

Credit Card and Deposit Arrangements

Endorsing Organization Agreements

The Corporation contracts with other organizations to obtain their endorsement of the Corporation's loan and deposit products. This endorsement may provide to the Corporation exclusive rights to market to the organization's members or to customers on behalf of the Corporation. These organizations endorse the Corporation's loan and deposit products and provide the Corporation with their mailing lists and marketing activities. These agreements generally have terms that range from two to five years. The Corporation typically pays royalties in exchange for the endorsement. Compensation costs related to the credit card agreements are recorded as contra-revenue in card income.

Cardholder Reward Agreements

The Corporation offers reward programs that allow its cardholders to earn points that can be redeemed for a broad range of rewards including cash, travel, gift cards and discounted products. The Corporation establishes a rewards liability based upon the points earned that are expected to be redeemed and the average cost per point redeemed. The points to be redeemed are estimated based on past redemption behavior, card product type, account transaction activity and other historical card performance. The liability is reduced as the points are redeemed. The estimated cost of the rewards programs is recorded as contra-revenue in card income.

Accounting Policies

All significant accounting policies are discussed either in this Note or included in the Notes herein listed below.

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NOTE 2 Derivatives

Derivative Balances

Derivatives are entered into on behalf of customers, for trading, or to support risk management activities. Derivatives used in risk management activities include derivatives that may or may not be designated in qualifying hedge accounting relationships. Derivatives that are not designated in qualifying hedge accounting relationships are referred to as other risk management derivatives. For more information on the Corporation's derivatives and hedging activities, see *Note 1 – Summary of Significant Accounting Principles*. The following tables present derivative instruments included on the Consolidated Balance Sheet in derivative assets and liabilities at December 31, 2013 and 2012. Balances are presented on a gross basis, prior to the application of counterparty and cash collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

		December 31, 2013					
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [1]	Trading Derivatives and Other Risk Management Derivatives	Qualifying Accounting Hedges	Total	Trading Derivatives and Other Risk Management Derivatives	Qualifying Accounting Hedges	Total
Interest rate contracts							
Swaps	$ 33,272.0	$ 659.9	$ 7.5	$ 667.4	$ 658.4	$ 0.9	$ 659.3
Futures and forwards	8,217.6	1.6	—	1.6	1.5	—	1.5
Written options	2,065.4	—	—	—	64.4	—	64.4
Purchased options	2,028.3	65.4	—	65.4	—	—	—
Foreign exchange contracts							
Swaps	2,284.1	43.1	1.0	44.1	42.7	1.0	43.7
Spot, futures and forwards	2,922.5	32.5	0.7	33.2	33.5	1.1	34.6
Written options	412.4	—	—	—	9.2	—	9.2
Purchased options	392.4	8.8	—	8.8	—	—	—
Equity contracts							
Swaps	162.0	3.6	—	3.6	4.2	—	4.2
Futures and forwards	71.4	1.1	—	1.1	1.4	—	1.4
Written options	315.6	—	—	—	29.6	—	29.6
Purchased options	266.7	30.4	—	30.4	—	—	—
Commodity contracts							
Swaps	73.1	3.8	—	3.8	5.7	—	5.7
Futures and forwards	454.4	4.7	—	4.7	2.5	—	2.5
Written options	157.3	—	—	—	5.0	—	5.0
Purchased options	164.0	5.2	—	5.2	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,305.1	15.7	—	15.7	28.1	—	28.1
Total return swaps/other	38.1	2.0	—	2.0	3.2	—	3.2
Written credit derivatives:							
Credit default swaps	1,265.4	29.3	—	29.3	13.8	—	13.8
Total return swaps/other	63.4	4.0	—	4.0	0.2	—	0.2
Gross derivative assets/liabilities		$ 911.1	$ 9.2	$ 920.3	$ 903.4	$ 3.0	$ 906.4
Less: Legally enforceable master netting agreements				(825.5)			(825.5)
Less: Cash collateral received/paid				(47.3)			(43.5)
Total derivative assets/liabilities				$ 47.5			$ 37.4

[1] Represents the total contract/notional amount of derivative assets and liabilities outstanding.

(Dollars in billions)	December 31, 2012						
		Gross Derivative Assets			Gross Derivative Liabilities		
	Contract/ Notional [1]	Trading Derivatives and Other Risk Management Derivatives	Qualifying Accounting Hedges	Total	Trading Derivatives and Other Risk Management Derivatives	Qualifying Accounting Hedges	Total
Interest rate contracts							
Swaps	$ 34,667.4	$ 1,075.4	$ 13.8	$ 1,089.2	$ 1,062.6	$ 4.7	$ 1,067.3
Futures and forwards	11,950.5	2.8	—	2.8	2.7	—	2.7
Written options	2,343.5	—	—	—	106.0	—	106.0
Purchased options	2,162.6	105.5	—	105.5	—	—	—
Foreign exchange contracts							
Swaps	2,489.0	47.4	1.4	48.8	53.2	1.8	55.0
Spot, futures and forwards	3,023.0	31.5	0.4	31.9	30.5	0.8	31.3
Written options	363.3	—	—	—	7.3	—	7.3
Purchased options	321.8	6.5	—	6.5	—	—	—
Equity contracts							
Swaps	127.1	1.6	—	1.6	2.0	—	2.0
Futures and forwards	58.4	1.0	—	1.0	1.0	—	1.0
Written options	295.3	—	—	—	20.2	—	20.2
Purchased options	271.0	20.4	—	20.4	—	—	—
Commodity contracts							
Swaps	60.5	2.5	0.1	2.6	4.0	—	4.0
Futures and forwards	498.9	4.8	—	4.8	2.7	—	2.7
Written options	166.4	—	—	—	7.4	—	7.4
Purchased options	168.2	7.1	—	7.1	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,559.5	35.6	—	35.6	22.1	—	22.1
Total return swaps/other	43.5	2.5	—	2.5	2.9	—	2.9
Written credit derivatives:							
Credit default swaps	1,531.5	23.0	—	23.0	32.6	—	32.6
Total return swaps/other	68.8	0.2	—	0.2	0.3	—	0.3
Gross derivative assets/liabilities		$ 1,367.8	$ 15.7	$ 1,383.5	$ 1,357.5	$ 7.3	$ 1,364.8
Less: Legally enforceable master netting agreements				(1,271.9)			(1,271.9)
Less: Cash collateral received/paid				(58.1)			(46.9)
Total derivative assets/liabilities				$ 53.5			$ 46.0

(1) Represents the total contract/notional amount of derivative assets and liabilities outstanding.

Offsetting of Derivatives

The Corporation enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements or similar agreements with substantially all of the Corporation's derivative counterparties. Where legally enforceable, these master netting agreements give the Corporation, in the event of default by the counterparty, the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty. For purposes of the Consolidated Balance Sheet, the Corporation offsets derivative assets and liabilities, and cash collateral held with the same counterparty where it has such a legally enforceable master netting agreement.

The Offsetting of Derivatives table below presents derivative instruments included in derivative assets and liabilities on the Consolidated Balance Sheet at December 31, 2013 and 2012 by primary risk (e.g., interest rate risk) and the platform, where applicable, on which these derivatives are transacted. Exchange-traded derivatives include listed options transacted on an exchange. Over-the-counter (OTC) derivatives include bilateral transactions between the Corporation and a particular counterparty. OTC cleared derivatives include bilateral transactions between the Corporation and a counterparty where the transaction is cleared through a clearinghouse. Balances are presented on a gross basis, prior to the application of counterparty and cash collateral netting. Total gross derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral received or paid.

Other gross derivative assets and liabilities in the table represent derivatives entered into under master netting agreements where uncertainty exists as to the enforceability of these agreements under bankruptcy laws in some countries or industries and, accordingly, receivables and payables with counterparties in these countries or industries are reported on a gross basis.

Also included in the table is financial instrument collateral related to legally enforceable master netting agreements that represents securities collateral received or pledged and customer cash collateral held at third-party custodians. These amounts are not offset on the Consolidated Balance Sheet but are shown as a reduction to total derivative assets and liabilities in the table to derive net derivative assets and liabilities.

For more information on offsetting of securities financing agreements, see *Note 10 – Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings*.

Offsetting of Derivatives

(Dollars in billions)	December 31, 2013 Derivative Assets	December 31, 2013 Derivative Liabilities	December 31, 2012 Derivative Assets	December 31, 2012 Derivative Liabilities
Interest rate contracts				
Over-the-counter	**$ 381.7**	**$ 365.9**	$ 646.7	$ 623.4
Exchange-traded	**0.4**	**0.3**	—	—
Over-the-counter cleared	**351.2**	**356.5**	539.5	545.1
Foreign exchange contracts				
Over-the-counter	**82.9**	**83.9**	84.1	88.7
Equity contracts				
Over-the-counter	**20.3**	**17.6**	15.2	13.3
Exchange-traded	**8.4**	**9.8**	4.8	4.7
Commodity contracts				
Over-the-counter	**6.3**	**7.4**	6.9	7.9
Exchange-traded	**3.3**	**2.9**	3.4	3.2
Credit derivatives				
Over-the-counter	**44.0**	**38.9**	56.0	53.9
Over-the-counter cleared	**5.8**	**5.9**	3.8	3.4
Total gross derivative assets/liabilities, before netting				
Over-the-counter	**535.2**	**513.7**	808.9	787.2
Exchange-traded	**12.1**	**13.0**	8.2	7.9
Over-the-counter cleared	**357.0**	**362.4**	543.3	548.5
Less: Legally enforceable master netting agreements and cash collateral received/paid				
Over-the-counter	**(505.0)**	**(495.4)**	(780.8)	(764.4)
Exchange-traded	**(11.2)**	**(11.2)**	(5.9)	(5.9)
Over-the-counter cleared	**(356.6)**	**(362.4)**	(543.3)	(548.5)
Derivative assets/liabilities, after netting	**31.5**	**20.1**	30.4	24.8
Other gross derivative assets/liabilities	**16.0**	**17.3**	23.1	21.2
Total derivative assets/liabilities	**47.5**	**37.4**	53.5	46.0
Less: Financial instruments collateral [(1)]	**(10.1)**	**(4.6)**	(11.5)	(14.6)
Total net derivative assets/liabilities	**$ 37.4**	**$ 32.8**	$ 42.0	$ 31.4

(1) These amounts are limited to the derivative asset/liability balance and, accordingly, do not include excess collateral received/pledged.

ALM and Risk Management Derivatives

The Corporation's asset and liability management (ALM) and risk management activities include the use of derivatives to mitigate risk to the Corporation including derivatives designated in qualifying hedge accounting relationships and derivatives used in other risk management activities. Interest rate, foreign exchange, equity, commodity and credit contracts are utilized in the Corporation's ALM and risk management activities.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity and volatility so that movements in interest rates do not significantly adversely affect earnings or capital. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in fair value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Market risk, including interest rate risk, can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To mitigate the interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options, and certain debt securities. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures to hedge certain market risks of MSRs. For more information on MSRs, see *Note 23 – Mortgage Servicing Rights*.

The Corporation uses foreign exchange contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities, as well as the Corporation's investments in non-U.S. subsidiaries. Foreign exchange contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

The Corporation enters into derivative commodity contracts such as futures, swaps, options and forwards as well as non-derivative commodity contracts to provide price risk management services to customers or to manage price risk associated with its physical and financial commodity positions. The non-derivative commodity contracts and physical inventories of commodities expose the Corporation to earnings volatility. Cash flow and fair value accounting hedges provide a method to mitigate a portion of this earnings volatility.

The Corporation purchases credit derivatives to manage credit risk related to certain funded and unfunded credit exposures. Credit derivatives include credit default swaps (CDS), total return swaps and swaptions. These derivatives are recorded on the Consolidated Balance Sheet at fair value with changes in fair value recorded in other income (loss).

Derivatives Designated as Accounting Hedges

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, commodity prices and exchange rates (fair value hedges). The Corporation also uses these types of contracts and equity derivatives to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts and cross-currency basis swaps, and by issuing foreign currency-denominated debt (net investment hedges).

Fair Value Hedges

The table below summarizes certain information related to fair value hedges for 2013, 2012 and 2011, including hedges of interest rate risk on long-term debt that were acquired as part of a business combination and redesignated. At redesignation, the fair value of the derivatives was positive. As the derivatives mature, the fair value will approach zero. As a result, ineffectiveness will occur and the fair value changes in the derivatives and the long-term debt being hedged may be directionally the same in certain scenarios. Based on a regression analysis, the derivatives continue to be highly effective at offsetting changes in the fair value of the long-term debt attributable to interest rate risk.

Derivatives Designated as Fair Value Hedges

Gains (Losses)			
	2013		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**
Interest rate risk on long-term debt [1]	**$ (4,704)**	**$ 3,925**	**$ (779)**
Interest rate and foreign currency risk on long-term debt [1]	**(1,291)**	**1,085**	**(206)**
Interest rate risk on available-for-sale securities [2]	**839**	**(840)**	**(1)**
Price risk on commodity inventory [3]	**(13)**	**11**	**(2)**
Total	**$ (5,169)**	**$ 4,181**	**$ (988)**
	2012		
Interest rate risk on long-term debt [1]	$ (195)	$ (770)	$ (965)
Interest rate and foreign currency risk on long-term debt [1]	(1,482)	1,225	(257)
Interest rate risk on available-for-sale securities [2]	(4)	91	87
Price risk on commodity inventory [3]	(6)	6	—
Total	$ (1,687)	$ 552	$ (1,135)
	2011		
Interest rate risk on long-term debt [1]	$ 4,384	$ (4,969)	$ (585)
Interest rate and foreign currency risk on long-term debt [1]	780	(1,057)	(277)
Interest rate risk on available-for-sale securities [2]	(11,386)	10,490	(896)
Price risk on commodity inventory [3]	16	(16)	—
Total	$ (6,206)	$ 4,448	$ (1,758)

(1) Amounts are recorded in interest expense on long-term debt and in other income (loss).
(2) Amounts are recorded in interest income on debt securities. Hedged AFS securities positions were sold during 2013 and the related hedges were terminated.
(3) Amounts relating to commodity inventory are recorded in trading account profits.

Cash Flow and Net Investment Hedges

The table below summarizes certain information related to cash flow hedges and net investment hedges for 2013, 2012 and 2011. During the next 12 months, net losses in accumulated other comprehensive income (OCI) of $784 million ($494 million after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to primarily reduce net interest income related to the respective hedged items. Amounts related to commodity price risk reclassified from accumulated OCI are recorded in trading account profits with the underlying hedged item. Amounts related to price risk on restricted stock awards reclassified from accumulated OCI are recorded in personnel expense.

Amounts related to foreign exchange risk recognized in accumulated OCI on derivatives exclude pre-tax losses of $7 million and pre-tax gains of $82 million related to long-term debt designated as a net investment hedge for 2012 and 2011. There were no such hedges for 2013.

Derivatives Designated as Cash Flow and Net Investment Hedges

(Dollars in millions, amounts pre-tax)	Gains (Losses) Recognized in Accumulated OCI on Derivatives	Gains (Losses) in Income Reclassified from Accumulated OCI	Hedge Ineffectiveness and Amounts Excluded from Effectiveness Testing [1]
	2013		
Cash flow hedges			
Interest rate risk on variable-rate portfolios	**$ (321)**	**$ (1,102)**	**$ —**
Price risk on restricted stock awards	**477**	**329**	**—**
Total	**$ 156**	**$ (773)**	**$ —**
Net investment hedges			
Foreign exchange risk	**$ 1,024**	**$ (355)**	**$ (134)**
	2012		
Cash flow hedges			
Interest rate risk on variable-rate portfolios	$ 10	$ (957)	$ —
Price risk on restricted stock awards	420	(78)	—
Total	$ 430	$ (1,035)	$ —
Net investment hedges			
Foreign exchange risk	$ (771)	$ (26)	$ (269)
	2011		
Cash flow hedges			
Interest rate risk on variable-rate portfolios	$ (2,079)	$ (1,392)	$ (8)
Commodity price risk on forecasted purchases and sales	(3)	6	(3)
Price risk on restricted stock awards	(408)	(231)	—
Total	$ (2,490)	$ (1,617)	$ (11)
Net investment hedges			
Foreign exchange risk	$ (1,055)	$ 384	$ (572)

[1] Amounts related to derivatives designated as cash flow hedges represent hedge ineffectiveness and amounts related to net investment hedges represent amounts excluded from effectiveness testing.

Other Risk Management Derivatives

Other risk management derivatives are used by the Corporation to reduce certain risk exposures. These derivatives are not qualifying accounting hedges because either they did not qualify for or were not designated as accounting hedges. The table below presents gains (losses) on these derivatives for 2013, 2012 and 2011. These gains (losses) are largely offset by the income or expense that is recorded on the hedged item.

Other Risk Management Derivatives

Gains (Losses)

(Dollars in millions)	2013	2012	2011
Price risk on mortgage banking production income [1, 2]	$ 968	$ 3,022	$ 2,852
Market-related risk on mortgage banking servicing income [1]	(1,108)	2,000	3,612
Credit risk on loans [3]	(47)	(95)	30
Interest rate and foreign currency risk on ALM activities [4]	2,501	424	(48)
Price risk on restricted stock awards [5]	865	1,008	(610)
Other	(19)	58	281
Total	$ 3,160	$ 6,417	$ 6,117

(1) Net gains on these derivatives are recorded in mortgage banking income.
(2) Includes net gains on interest rate lock commitments related to the origination of mortgage loans that are held-for-sale, which are considered derivative instruments, of $927 million, $3.0 billion and $3.8 billion for 2013, 2012 and 2011, respectively.
(3) Net gains (losses) on these derivatives are recorded in other income (loss).
(4) The balance is primarily related to hedges of debt securities carried at fair value and hedges of foreign currency-denominated debt. Results from these items are recorded in other income (loss). The offsetting mark-to-market, while not included in the table above, is also recorded in other income (loss).
(5) Gains (losses) on these derivatives are recorded in personnel expense.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions and to manage risk exposures arising from trading account assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's *Global Markets* business segment. The related sales and trading revenue generated within *Global Markets* is recorded in various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the majority of income related to derivative instruments is recorded in trading account profits.

Sales and trading revenue includes changes in the fair value and realized gains and losses on the sales of trading and other assets, net interest income, and fees primarily from commissions on equity securities. Revenue is generated by the difference in the client price for an instrument and the price at which the trading desk can execute the trade in the dealer market. For equity securities, commissions related to purchases and sales are recorded in the "Other" column in the Sales and Trading Revenue table. Changes in the fair value of these securities are included in trading account profits. For debt securities, revenue, with the exception of interest associated with the debt securities, is typically included in trading account profits. Unlike commissions for equity securities, the initial revenue related to broker/dealer services for debt securities is typically included in the pricing of the instrument rather than being charged through separate fee arrangements. Therefore, this revenue is recorded in trading account profits as part of the initial mark to fair value. For derivatives, all revenue is included in trading account profits. In transactions where the Corporation acts as agent, which include exchange-traded futures and options, fees are recorded in other income (loss).

Gains (losses) on certain instruments, primarily loans, that the *Global Markets* business segment shares with *Global Banking* are not considered trading instruments and are excluded from sales and trading revenue in their entirety.

The table below, which includes both derivatives and non-derivative cash instruments, identifies the amounts in the respective income statement line items attributable to the Corporation's sales and trading revenue in *Global Markets*, categorized by primary risk, for 2013, 2012 and 2011. The difference between total trading account profits in the table below and in the Consolidated Statement of Income represents trading activities in business segments other than *Global Markets*. This table includes debit valuation adjustment (DVA) gains (losses), net of hedges. *Global Markets* results in *Note 24 – Business Segment Information* are presented on a fully taxable-equivalent (FTE) basis. The table below is not presented on a FTE basis.

Sales and Trading Revenue

(Dollars in millions)	Trading Account Profits	Net Interest Income	Other [(1)]	Total
	2013			
Interest rate risk	**$ 1,120**	**$ 1,104**	**$ 83**	**$ 2,307**
Foreign exchange risk	**1,170**	**4**	**(26)**	**1,148**
Equity risk	**1,994**	**112**	**2,094**	**4,200**
Credit risk	**2,075**	**2,711**	**88**	**4,874**
Other risk	**375**	**(203)**	**202**	**374**
Total sales and trading revenue	**$ 6,734**	**$ 3,728**	**$ 2,441**	**$ 12,903**
	2012			
Interest rate risk	$ 583	$ 1,040	$ (6)	$ 1,617
Foreign exchange risk	909	5	6	920
Equity risk	1,180	(57)	1,891	3,014
Credit risk	2,522	2,321	961	5,804
Other risk	512	(219)	(42)	251
Total sales and trading revenue	$ 5,706	$ 3,090	$ 2,810	$ 11,606
	2011			
Interest rate risk	$ 2,148	$ 923	$ (63)	$ 3,008
Foreign exchange risk	1,090	8	(10)	1,088
Equity risk	1,482	129	2,347	3,958
Credit risk	1,067	2,605	552	4,224
Other risk	630	(184)	(72)	374
Total sales and trading revenue	$ 6,417	$ 3,481	$ 2,754	$ 12,652

(1) Represents amounts in investment and brokerage services and other income (loss) that are recorded in *Global Markets* and included in the definition of sales and trading revenue. Includes investment and brokerage services revenue of $2.0 billion, $1.8 billion and $2.2 billion for 2013, 2012 and 2011, respectively.

Credit Derivatives

The Corporation enters into credit derivatives primarily to facilitate client transactions and to manage credit risk exposures. Credit derivatives derive value based on an underlying third-party referenced obligation or a portfolio of referenced obligations and generally require the Corporation, as the seller of credit protection, to make payments to a buyer upon the occurrence of a pre-defined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Corporation may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

Credit derivative instruments where the Corporation is the seller of credit protection and their expiration are summarized at December 31, 2013 and 2012 in the table below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying referenced obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments. The Corporation discloses internal categorizations of investment grade and non-investment grade consistent with how risk is managed for these instruments.

Credit Derivative Instruments

	December 31, 2013				
	Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 2	$ 220	$ 974	$ 1,134	$ 2,330
Non-investment grade	424	1,924	2,469	6,667	11,484
Total	426	2,144	3,443	7,801	13,814
Total return swaps/other:					
Investment grade	22	—	—	—	22
Non-investment grade	29	38	2	86	155
Total	51	38	2	86	177
Total credit derivatives	$ 477	$ 2,182	$ 3,445	$ 7,887	$ 13,991
Credit-related notes: [1]					
Investment grade	$ —	$ 278	$ 595	$ 4,457	$ 5,330
Non-investment grade	145	107	756	946	1,954
Total credit-related notes	$ 145	$ 385	$ 1,351	$ 5,403	$ 7,284
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$ 170,764	$ 379,273	$ 411,426	$ 36,039	$ 997,502
Non-investment grade	53,316	90,986	95,319	28,257	267,878
Total	224,080	470,259	506,745	64,296	1,265,380
Total return swaps/other:					
Investment grade	21,771	—	—	—	21,771
Non-investment grade	27,784	8,150	4,103	1,599	41,636
Total	49,555	8,150	4,103	1,599	63,407
Total credit derivatives	$ 273,635	$ 478,409	$ 510,848	$ 65,895	$ 1,328,787

	December 31, 2012				
	Carrying Value				
Credit default swaps:					
Investment grade	$ 52	$ 757	$ 5,595	$ 2,903	$ 9,307
Non-investment grade	923	4,403	7,030	10,959	23,315
Total	975	5,160	12,625	13,862	32,622
Total return swaps/other:					
Investment grade	39	—	—	—	39
Non-investment grade	57	104	39	37	237
Total	96	104	39	37	276
Total credit derivatives	$ 1,071	$ 5,264	$ 12,664	$ 13,899	$ 32,898
Credit-related notes: [1]					
Investment grade	$ 4	$ 12	$ 441	$ 3,849	$ 4,306
Non-investment grade	116	161	314	1,425	2,016
Total credit-related notes	$ 120	$ 173	$ 755	$ 5,274	$ 6,322
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$ 260,177	$ 349,125	$ 500,038	$ 90,453	$ 1,199,793
Non-investment grade	79,861	99,043	110,248	42,559	331,711
Total	340,038	448,168	610,286	133,012	1,531,504
Total return swaps/other:					
Investment grade	43,536	15	—	—	43,551
Non-investment grade	5,566	11,028	7,631	1,035	25,260
Total	49,102	11,043	7,631	1,035	68,811
Total credit derivatives	$ 389,140	$ 459,211	$ 617,917	$ 134,047	$ 1,600,315

[1] For credit-related notes, maximum payout/notional is the same as carrying value.

The notional amount represents the maximum amount payable by the Corporation for most credit derivatives. However, the Corporation does not monitor its exposure to credit derivatives based solely on the notional amount because this measure does not take into consideration the probability of occurrence. As such, the notional amount is not a reliable indicator of the Corporation's exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Corporation manages its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms were $8.1 billion and $1.0 trillion at December 31, 2013 and $20.7 billion and $1.1 trillion at December 31, 2012.

Credit-related notes in the table on page 172 include investments in securities issued by collateralized debt obligation (CDO), collateralized loan obligation (CLO) and credit-linked note vehicles. These instruments are primarily classified as trading securities. The carrying value of these instruments equals the Corporation's maximum exposure to loss. The Corporation is not obligated to make any payments to the entities under the terms of the securities owned.

Credit-related Contingent Features and Collateral

The Corporation executes the majority of its derivative contracts in the OTC market with large, international financial institutions, including broker/dealers and, to a lesser degree, with a variety of non-financial companies. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit rating downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as previously discussed on page 165, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

A majority of the Corporation's derivative contracts contain credit risk-related contingent features, primarily in the form of ISDA master netting agreements and credit support documentation that enhance the creditworthiness of these instruments compared to other obligations of the respective counterparty with whom the Corporation has transacted. These contingent features may be for the benefit of the Corporation as well as its counterparties with respect to changes in the Corporation's creditworthiness and the mark-to-market exposure under the derivative transactions. At December 31, 2013 and 2012, the Corporation held cash and securities collateral of $74.4 billion and $85.6 billion, and posted cash and securities collateral of $56.1 billion and $74.1 billion in the normal course of business under derivative agreements.

In connection with certain OTC derivative contracts and other trading agreements, the Corporation can be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of the Corporation or certain subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure.

At December 31, 2013, the amount of collateral, calculated based on the terms of the contracts, that the Corporation and certain subsidiaries could be required to post to counterparties but had not yet posted to counterparties was approximately $1.3 billion, including $700 million for Bank of America, N.A. (BANA).

Some counterparties are currently able to unilaterally terminate certain contracts, or the Corporation or certain subsidiaries may be required to take other action such as find a suitable replacement or obtain a guarantee. At December 31, 2013, the current liability recorded for these derivative contracts was $385 million, against which the Corporation and certain subsidiaries had posted approximately $350 million of collateral.

The table below presents the amount of additional collateral contractually required by derivative contracts and other trading agreements at December 31, 2013 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Additional Collateral Required to be Posted Upon Downgrade

	December 31, 2013	
(Dollars in millions)	One incremental notch	Second incremental notch
Bank of America Corporation	$ 1,302	$ 4,101
Bank of America, N.A. and subsidiaries [1]	881	3,039

[1] Included in Bank of America Corporation collateral requirements in this table.

The table below presents the derivative liability that would be subject to unilateral termination by counterparties and the amounts of collateral that would have been posted at December 31, 2013 if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch and by an additional second incremental notch.

Derivative Liability Subject to Unilateral Termination Upon Downgrade

	December 31, 2013	
(Dollars in millions)	One incremental notch	Second incremental notch
Derivative liability	$ 927	$ 1,878
Collateral posted	733	1,467

Valuation Adjustments on Derivatives

The Corporation records credit risk valuation adjustments on derivatives in order to properly reflect the credit quality of the counterparties and its own credit quality. The Corporation calculates valuation adjustments on derivatives based on a modeled expected exposure that incorporates current market risk factors. The exposure also takes into consideration credit mitigants such as enforceable master netting agreements and collateral. CDS spread data is used to estimate the default probabilities and severities that are applied to the exposures. Where no observable credit default data is available for counterparties, the Corporation uses proxies and other market data to estimate default probabilities and severity.

Valuation adjustments on derivatives are affected by changes in market spreads, non-credit related market factors such as interest rate and currency changes that affect the expected exposure, and other factors like changes in collateral arrangements and partial payments. Credit spreads and non-credit factors can move independently. For example, for an interest rate swap, changes in interest rates may increase the expected exposure which would increase the counterparty credit valuation adjustment (CVA). Independently, counterparty credit spreads may tighten, which would result in an offsetting decrease to CVA.

The Corporation may enter into risk management activities to offset market driven exposures. The Corporation often hedges the counterparty spread risk in CVA with CDS and often hedges the other market risks in both CVA and DVA primarily with currency and interest rate swaps. Since the components of the valuation adjustments on derivatives move independently and the Corporation may not hedge all of the market driven exposures, the effect of a hedge may increase the gross valuation adjustments on derivatives or may result in a gross positive valuation adjustment on derivatives becoming a negative adjustment (or the reverse).

In 2013, the Corporation refined its methodology for calculating CVA and DVA on a prospective basis, to adjust the way it values mutual termination clauses in derivatives contracts and to more fully incorporate the potential for the counterparties to default prior to a change in their credit ratings. This change in estimate increased CVA by $361 million and DVA by $433 million resulting in a net positive earnings impact of $72 million at the time of the change and is included in the results for 2013. The net CVA and DVA excluding the impact of these refinements was a gain of $265 million and a loss of $508 million for 2013.

The table below presents CVA and DVA gains (losses), which are recorded in trading account profits on a gross and net of hedge basis.

Valuation Adjustments on Derivatives

	2013		2012		2011	
(Dollars in millions)	**Gross**	**Net**	Gross	Net	Gross	Net
Derivative assets (CVA) [1]	**$ 738**	**$ (96)**	$ 1,022	$ 291	$ (1,863)	$ (606)
Derivative liabilities (DVA) [2]	**(39)**	**(75)**	(2,212)	(2,477)	1,385	1,000

(1) At December 31, 2013, 2012 and 2011, the cumulative CVA reduced the derivative assets balance by $1.6 billion, $2.4 billion and $2.8 billion, respectively.

(2) At December 31, 2013, 2012 and 2011, the cumulative DVA reduced the derivative liabilities balance by $803 million, $807 million and $2.4 billion, respectively.

NOTE 3 Securities

The Corporation's debt securities carried at fair value include debt securities purchased for longer term investment purposes and are used as part of ALM and other strategic activities. Generally, debt securities carried at fair value are accounted for as available-for-sale (AFS) debt securities with unrealized gains and losses reported in accumulated OCI. For certain other debt securities purchased for ALM and other strategic purposes, the Corporation has elected to report those securities at fair value with unrealized gains and losses reported in other income (loss) in the Consolidated Statement of Income.

As a result of growth in the portfolio of debt securities carried at fair value with unrealized gains and losses recorded in other income (loss) and to better reflect how such a portfolio is managed as part of the ALM activities, the Corporation changed the presentation of such securities in 2013 to combine debt securities carried at fair value into one line item on the Consolidated Balance Sheet. Previously, the portfolio of debt securities carried at fair value with unrealized gains and losses recorded in other income (loss) was classified in other assets. The Corporation may hedge these debt securities with risk management derivatives with the unrealized gains and losses also reported in other income (loss). Certain debt securities are carried at fair value with unrealized gains and losses reported in other income (loss) to mitigate accounting asymmetry with the risk management derivatives and to achieve operational simplifications. Prior-period amounts have been reclassified to conform to the current period presentation.

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of AFS debt securities, other debt securities carried at fair value, held-to-maturity (HTM) debt securities and AFS marketable equity securities at December 31, 2013 and 2012.

Debt Securities and Available-for-Sale Marketable Equity Securities

	December 31, 2013			
(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities				
U.S. Treasury and agency securities	$ 8,910	$ 106	$ (62)	$ 8,954
Mortgage-backed securities:				
Agency	170,112	777	(5,954)	164,935
Agency-collateralized mortgage obligations	22,731	76	(315)	22,492
Non-agency residential [(1)]	6,124	238	(123)	6,239
Commercial	2,429	63	(12)	2,480
Non-U.S. securities	7,207	37	(24)	7,220
Corporate/Agency bonds	860	20	(7)	873
Other taxable securities, substantially all asset-backed securities	16,805	30	(5)	16,830
Total taxable securities	235,178	1,347	(6,502)	230,023
Tax-exempt securities	5,967	10	(49)	5,928
Total available-for-sale debt securities	241,145	1,357	(6,551)	235,951
Other debt securities carried at fair value	34,145	34	(1,335)	32,844
Total debt securities carried at fair value	275,290	1,391	(7,886)	268,795
Held-to-maturity debt securities, substantially all U.S. agency mortgage-backed securities	55,150	20	(2,740)	52,430
Total debt securities	$ 330,440	$ 1,411	$ (10,626)	$ 321,225
Available-for-sale marketable equity securities [(2)]	$ 230	$ —	$ (7)	$ 223
	December 31, 2012			
Available-for-sale debt securities				
U.S. Treasury and agency securities	$ 24,232	$ 324	$ (84)	$ 24,472
Mortgage-backed securities:				
Agency	183,247	5,048	(146)	188,149
Agency-collateralized mortgage obligations	36,329	1,427	(218)	37,538
Non-agency residential [(1)]	9,231	391	(128)	9,494
Non-agency commercial	3,576	348	—	3,924
Non-U.S. securities	5,574	50	(6)	5,618
Corporate/Agency bonds	1,415	51	(16)	1,450
Other taxable securities, substantially all asset-backed securities	12,089	54	(15)	12,128
Total taxable securities	275,693	7,693	(613)	282,773
Tax-exempt securities	4,167	13	(47)	4,133
Total available-for-sale debt securities	279,860	7,706	(660)	286,906
Other debt securities carried at fair value	23,927	120	(103)	23,944
Total debt securities carried at fair value	303,787	7,826	(763)	310,850
Held-to-maturity debt securities, substantially all U.S. agency mortgage-backed securities	49,481	815	(26)	50,270
Total debt securities	$ 353,268	$ 8,641	$ (789)	$ 361,120
Available-for-sale marketable equity securities [(2)]	$ 780	$ 732	$ —	$ 1,512

(1) At December 31, 2013 and 2012, the underlying collateral type included approximately 89 percent and 91 percent prime, seven percent and six percent Alt-A, and four percent and three percent subprime.

(2) Classified in other assets on the Consolidated Balance Sheet.

At December 31, 2013, the accumulated net unrealized loss on AFS debt securities included in accumulated OCI was $3.3 billion, net of the related income tax benefit of $1.9 billion. At December 31, 2013 and 2012, the Corporation had nonperforming AFS debt securities of $103 million and $91 million.

The following table presents the components of other debt securities carried at fair value where the changes in fair value are reported in other income (loss) at December 31, 2013 and 2012. In 2013, the Corporation recorded unrealized mark-to-market net losses in other income (loss) of $1.3 billion and realized losses of $1.0 billion on other debt securities carried at fair value, which excludes the benefit of certain hedges the results of which are also reported in other income (loss). Amounts in 2012 were insignificant.

Other Debt Securities Carried at Fair Value

	December 31	
(Dollars in millions)	**2013**	2012
U.S. Treasury and agency securities	**$ 4,062**	$ 491
Mortgage-backed securities:		
Agency	**16,500**	13,073
Agency-collateralized mortgage obligations	**218**	929
Commercial	**749**	—
Non-U.S. securities [(1)]	**11,315**	9,451
Total	**$ 32,844**	$ 23,944

(1) These securities are primarily used to satisfy certain international regulatory liquidity requirements.

The gross realized gains and losses on sales of AFS debt securities for 2013, 2012 and 2011 are presented in the table below.

Gains and Losses on Sales of AFS Debt Securities

(Dollars in millions)	**2013**	2012	2011
Gross gains	**$ 1,302**	$ 2,128	$ 3,685
Gross losses	**(31)**	(466)	(311)
Net gains on sales of AFS debt securities	**$ 1,271**	$ 1,662	$ 3,374
Income tax expense attributable to realized net gains on sales of AFS debt securities	**$ 470**	$ 615	$ 1,248

The amortized cost and fair value of the Corporation's debt securities carried at fair value and HTM debt securities from Fannie Mae (FNMA), the Government National Mortgage Association (GNMA) and Freddie Mac (FHLMC), where the investment exceeded 10 percent of consolidated shareholders' equity at December 31, 2013 and 2012, are presented in the table below.

Selected Securities Exceeding 10 Percent of Shareholders' Equity

	December 31			
	2013		2012	
(Dollars in millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Fannie Mae	**$ 123,813**	**$ 118,708**	$ 121,522	$ 123,933
Government National Mortgage Association	**118,700**	**115,314**	124,348	127,541
Freddie Mac	**24,908**	**24,075**	22,995	23,502

The table below presents the fair value and the associated gross unrealized losses on AFS debt securities and whether these securities have had gross unrealized losses for less than 12 months or for 12 months or longer at December 31, 2013 and 2012.

Temporarily Impaired and Other-than-temporarily Impaired AFS Debt Securities

	December 31, 2013					
	Less than Twelve Months		Twelve Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily impaired available-for-sale debt securities						
U.S. Treasury and agency securities	$ 5,770	$ (61)	$ 19	$ (1)	$ 5,789	$ (62)
Mortgage-backed securities:						
Agency	132,032	(5,457)	9,324	(497)	141,356	(5,954)
Agency-collateralized mortgage obligations	13,438	(210)	2,661	(105)	16,099	(315)
Non-agency residential	819	(15)	1,237	(106)	2,056	(121)
Commercial	286	(12)	—	—	286	(12)
Non-U.S. securities	—	—	45	(24)	45	(24)
Corporate/Agency bonds	106	(3)	282	(4)	388	(7)
Other taxable securities, substantially all asset-backed securities	116	(2)	280	(3)	396	(5)
Total taxable securities	152,567	(5,760)	13,848	(740)	166,415	(6,500)
Tax-exempt securities	1,789	(30)	990	(19)	2,779	(49)
Total temporarily impaired available-for-sale debt securities	154,356	(5,790)	14,838	(759)	169,194	(6,549)
Other-than-temporarily impaired available-for-sale debt securities [1]						
Non-agency residential mortgage-backed securities	2	(1)	1	(1)	3	(2)
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities [2]	$ 154,358	$ (5,791)	$ 14,839	$ (760)	$ 169,197	$ (6,551)
	December 31, 2012					
Temporarily impaired available-for-sale debt securities						
U.S. Treasury and agency securities	$ —	$ —	$ 5,608	$ (84)	$ 5,608	$ (84)
Mortgage-backed securities:						
Agency	15,593	(133)	735	(13)	16,328	(146)
Agency-collateralized mortgage obligations	5,135	(121)	4,994	(97)	10,129	(218)
Non-agency residential	592	(13)	1,555	(110)	2,147	(123)
Non-U.S. securities	1,715	(1)	563	(5)	2,278	(6)
Corporate/Agency bonds	—	—	277	(16)	277	(16)
Other taxable securities, substantially all asset-backed securities	1,678	(1)	1,436	(14)	3,114	(15)
Total taxable securities	24,713	(269)	15,168	(339)	39,881	(608)
Tax-exempt securities	1,609	(9)	1,072	(38)	2,681	(47)
Total temporarily impaired available-for-sale debt securities	26,322	(278)	16,240	(377)	42,562	(655)
Other-than-temporarily impaired available-for-sale debt securities [1]						
Non-agency residential mortgage-backed securities	14	(1)	74	(4)	88	(5)
Total temporarily impaired and other-than-temporarily impaired available-for-sale securities [2]	$ 26,336	$ (279)	$ 16,314	$ (381)	$ 42,650	$ (660)

(1) Includes other-than-temporarily impaired AFS debt securities on which an OTTI loss remains in accumulated OCI.
(2) At December 31, 2013 and 2012, the amortized cost of approximately 4,700 and 2,600 AFS debt securities exceeded their fair value by $6.6 billion and $660 million.

The Corporation recorded other-than-temporary impairment (OTTI) losses on AFS debt securities in 2013, 2012 and 2011 as presented in the table below. A debt security is impaired when its fair value is less than its amortized cost. If the Corporation intends or will more-likely-than-not be required to sell a debt security prior to recovery, the entire impairment loss is recorded in the Consolidated Statement of Income. For AFS debt securities the Corporation does not intend or will not more-likely-than-not be required to sell, an analysis is performed to determine if any of the impairment is due to credit or whether it is due to other factors (e.g., interest rate). Credit losses are considered unrecoverable and are recorded in the Consolidated Statement of Income with the remaining unrealized losses recorded in accumulated OCI. In certain instances, the credit loss on a debt security may exceed the total impairment, in which case, the portion of the credit loss that exceeds the total impairment is recorded as an unrealized gain in accumulated OCI.

Net Impairment Losses Recognized in Earnings

(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Other Taxable Securities	Total
	2013			
Total OTTI losses (unrealized and realized)	**$ (21)**	**$ —**	**$ —**	**$ (21)**
Unrealized OTTI losses recognized in accumulated OCI	**1**	**—**	**—**	**1**
Net impairment losses recognized in earnings	**$ (20)**	**$ —**	**$ —**	**$ (20)**
	2012			
Total OTTI losses (unrealized and realized)	$ (50)	$ (7)	$ —	$ (57)
Unrealized OTTI losses recognized in accumulated OCI	4	—	—	4
Net impairment losses recognized in earnings	$ (46)	$ (7)	$ —	$ (53)
	2011			
Total OTTI losses (unrealized and realized)	$ (348)	$ (10)	$ (2)	$ (360)
Unrealized OTTI losses recognized in accumulated OCI	61	—	—	61
Net impairment losses recognized in earnings	$ (287)	$ (10)	$ (2)	$ (299)

The Corporation's net impairment losses recognized in earnings consist of credit losses in 2013, 2012 and 2011. Also included in 2011 were write-downs to fair value on AFS debt securities the Corporation had the intent to sell.

The table below presents a rollforward of the credit losses recognized in earnings in 2013, 2012 and 2011 on AFS debt securities that the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell.

Rollforward of Credit Losses Recognized

(Dollars in millions)	**2013**	2012	2011
Balance, January 1	**$ 243**	$ 310	$ 2,148
Additions for credit losses recognized on AFS debt securities that had no previous impairment losses	**6**	7	72
Additions for credit losses recognized on AFS debt securities that had previously incurred impairment losses	**14**	46	149
Reductions for AFS debt securities matured, sold or intended to be sold	**(51)**	(120)	(2,059)
Balance, December 31	**$ 212**	$ 243	$ 310

The Corporation estimates the portion of a loss on a security that is attributable to credit using a discounted cash flow model and estimates the expected cash flows of the underlying collateral using internal credit, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used for the underlying loans that support the mortgage-backed securities (MBS) can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographic location of the borrower, borrower characteristics and collateral type. Based on these assumptions, the Corporation then determines how the underlying collateral cash flows will be distributed to each MBS issued from the applicable special purpose entity. Expected principal and interest cash flows on an impaired AFS debt security are discounted using the effective yield of each individual impaired AFS debt security.

Significant assumptions used in estimating the expected cash flows for measuring credit losses on non-agency residential mortgage-backed securities (RMBS) were as follows at December 31, 2013.

Significant Assumptions

	Weighted-average	Range [1]: 10th Percentile [2]	Range [1]: 90th Percentile [2]
Prepayment speed	**11.6%**	**1.8%**	**23.6%**
Loss severity	**41.3**	**14.7**	**52.1**
Life default rate	**39.4**	**0.9**	**99.6**

(1) Represents the range of inputs/assumptions based upon the underlying collateral.
(2) The value of a variable below which the indicated percentile of observations will fall.

Annual constant prepayment speed and loss severity rates are projected considering collateral characteristics such as loan-to-value (LTV), creditworthiness of borrowers as measured using FICO scores, and geographic concentrations. The weighted-average severity by collateral type was 38.1 percent for prime, 42.0 percent for Alt-A and 49.9 percent for subprime at December 31, 2013. Additionally, default rates are projected by considering collateral characteristics including, but not limited to, LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 27.7 percent for prime, 49.1 percent for Alt-A and 34.1 percent for subprime at December 31, 2013.

The expected maturity distribution of the Corporation's MBS, the contractual maturity distribution of the Corporation's debt securities carried at fair value and HTM debt securities, and the yields on the Corporation's debt securities carried at fair value and HTM debt securities at December 31, 2013 are summarized in the table below. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

Maturities of Debt Securities Carried at Fair Value and Held-to-maturity Debt Securities

	December 31, 2013									
	Due in One Year or Less		Due after One Year through Five Years		Due after Five Years through Ten Years		Due after Ten Years		Total	
(Dollars in millions)	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Amortized cost of debt securities carried at fair value										
U.S. Treasury and agency securities	$ 535	0.62%	$ 2,337	1.71%	$ 8,844	2.44%	$ 1,339	3.84%	$ 13,055	2.38%
Mortgage-backed securities:										
Agency	11	4.44	9,649	2.93	90,407	3.10	87,728	2.96	187,795	3.03
Agency-collateralized mortgage obligations	1,482	0.01	3,373	2.09	18,036	2.96	29	0.93	22,920	2.63
Non-agency residential	815	4.10	2,200	4.06	1,149	3.13	1,960	2.59	6,124	3.42
Commercial	1,683	5.01	466	6.43	1,089	2.51	7	4.09	3,245	4.37
Non-U.S. securities	16,288	1.04	2,074	3.98	149	3.34	8	3.10	18,519	1.39
Corporate/Agency bonds	395	2.48	206	5.69	112	4.12	147	1.38	860	3.27
Other taxable securities, substantially all asset-backed securities	6,655	1.58	7,274	1.37	2,105	2.06	771	0.84	16,805	1.50
Total taxable securities	27,864	1.46	27,579	2.56	121,891	3.01	91,989	2.95	269,323	2.78
Tax-exempt securities	195	1.66	2,324	1.49	2,429	1.90	1,019	0.61	5,967	1.54
Total amortized cost of debt securities carried at fair value	**$ 28,059**	**1.47**	**$ 29,903**	**2.46**	**$ 124,320**	**2.99**	**$ 93,008**	**2.92**	**$ 275,290**	**2.75**
Amortized cost of held-to-maturity debt securities [2]	**$ —**	**—**	**$ 125**	**1.79**	**$ 53,699**	**2.60**	**$ 1,326**	**2.72**	**$ 55,150**	**2.61**
Debt securities carried at fair value										
U.S. Treasury and agency securities	$ 537		$ 2,333		$ 8,831		$ 1,315		$ 13,016	
Mortgage-backed securities:										
Agency	11		9,708		88,191		83,525		181,435	
Agency-collateralized mortgage obligations	1,480		3,284		17,916		30		22,710	
Non-agency residential	805		2,236		1,173		2,025		6,239	
Commercial	1,715		494		1,013		7		3,229	
Non-U.S. securities	16,273		2,099		155		8		18,535	
Corporate/Agency bonds	395		220		116		142		873	
Other taxable securities, substantially all asset-backed securities	6,656		7,280		2,120		774		16,830	
Total taxable securities	27,872		27,654		119,515		87,826		262,867	
Tax-exempt securities	194		2,319		2,409		1,006		5,928	
Total debt securities carried at fair value	**$ 28,066**		**$ 29,973**		**$ 121,924**		**$ 88,832**		**$ 268,795**	
Fair value of held-to-maturity debt securities [2]	**$ —**		**$ 125**		**$ 51,062**		**$ 1,243**		**$ 52,430**	

(1) Average yield is computed using the effective yield of each security at the end of the period, weighted based on the amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts, and excludes the effect of related hedging derivatives.

(2) Substantially all U.S. agency MBS.

Certain Corporate and Strategic Investments

In 2013, the Corporation sold its remaining investment of 2.0 billion shares of China Construction Bank Corporation (CCB) and realized a pre-tax gain of $753 million reported in equity investment income in the Consolidated Statement of Income. At December 31, 2012, these shares, representing approximately one percent of CCB, were classified as AFS marketable equity securities and carried at fair value with the after-tax unrealized gain included in accumulated OCI. The strategic assistance agreement between the Corporation and CCB, which includes cooperation in specific business areas, has been extended through 2016.

The Corporation's 49 percent investment in a merchant services joint venture, which is recorded in *Consumer & Business Banking (CBB)*, had a carrying value of $3.2 billion and $3.3 billion at December 31, 2013 and 2012. For additional information, see *Note 12 – Commitments and Contingencies*.

NOTE 4 Outstanding Loans and Leases

The following tables present total outstanding loans and leases and an aging analysis for the Corporation's Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments, by class of financing receivables, at December 31, 2013 and 2012.

	December 31, 2013							
(Dollars in millions)	30-59 Days Past Due [1]	60-89 Days Past Due [1]	90 Days or More Past Due [2]	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due [3]	Purchased Credit-impaired [4]	Loans Accounted for Under the Fair Value Option	Total Outstandings
Home loans								
Core portfolio								
Residential mortgage	$ 2,151	$ 754	$ 7,188	$ 10,093	$ 167,243			$ 177,336
Home equity	243	113	693	1,049	53,450			54,499
Legacy Assets & Servicing portfolio								
Residential mortgage [5]	2,758	1,412	16,746	20,916	31,142	$ 18,672		70,730
Home equity	444	221	1,292	1,957	30,623	6,593		39,173
Credit card and other consumer								
U.S. credit card	598	422	1,053	2,073	90,265			92,338
Non-U.S. credit card	63	54	131	248	11,293			11,541
Direct/Indirect consumer [6]	431	175	410	1,016	81,176			82,192
Other consumer [7]	24	8	20	52	1,925			1,977
Total consumer	6,712	3,159	27,533	37,404	467,117	25,265		529,786
Consumer loans accounted for under the fair value option [8]							$ 2,164	2,164
Total consumer loans and leases	6,712	3,159	27,533	37,404	467,117	25,265	2,164	531,950
Commercial								
U.S. commercial	363	151	309	823	211,734			212,557
Commercial real estate [9]	30	29	243	302	47,591			47,893
Commercial lease financing	110	37	48	195	25,004			25,199
Non-U.S. commercial	103	8	17	128	89,334			89,462
U.S. small business commercial	87	55	113	255	13,039			13,294
Total commercial	693	280	730	1,703	386,702			388,405
Commercial loans accounted for under the fair value option [8]							7,878	7,878
Total commercial loans and leases	693	280	730	1,703	386,702		7,878	396,283
Total loans and leases	$ 7,405	$ 3,439	$ 28,263	$ 39,107	$ 853,819	$ 25,265	$ 10,042	$ 928,233
Percentage of outstandings	0.80%	0.37%	3.04%	4.21%	91.99%	2.72%	1.08%	

(1) Home loans 30-59 days past due includes fully-insured loans of $2.5 billion and nonperforming loans of $623 million. Home loans 60-89 days past due includes fully-insured loans of $1.2 billion and nonperforming loans of $410 million.
(2) Home loans includes fully-insured loans of $17.0 billion.
(3) Home loans includes $5.9 billion and direct/indirect consumer includes $33 million of nonperforming loans.
(4) PCI loan amounts are shown gross of the valuation allowance.
(5) Total outstandings includes pay option loans of $4.4 billion. The Corporation no longer originates this product.
(6) Total outstandings includes dealer financial services loans of $38.5 billion, consumer lending loans of $2.7 billion, U.S. securities-based lending loans of $31.2 billion, non-U.S. consumer loans of $4.7 billion, student loans of $4.1 billion and other consumer loans of $1.0 billion.
(7) Total outstandings includes consumer finance loans of $1.2 billion, consumer leases of $606 million, consumer overdrafts of $176 million and other non-U.S. consumer loans of $5 million.
(8) Consumer loans accounted for under the fair value option were residential mortgage loans of $2.0 billion and home equity loans of $147 million. Commercial loans accounted for under the fair value option were U.S. commercial loans of $1.5 billion and non-U.S. commercial loans of $6.4 billion. For additional information, see *Note 20 – Fair Value Measurements* and *Note 21 – Fair Value Option*.
(9) Total outstandings includes U.S. commercial real estate loans of $46.3 billion and non-U.S. commercial real estate loans of $1.6 billion.

(Dollars in millions)	30-59 Days Past Due (1)	60-89 Days Past Due (1)	90 Days or More Past Due (2)	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due (3)	Purchased Credit-impaired (4)	Loans Accounted for Under the Fair Value Option	Total Outstandings
	December 31, 2012							
Home loans								
Core portfolio								
Residential mortgage (5)	$ 2,274	$ 806	$ 6,227	$ 9,307	$ 160,809			$ 170,116
Home equity	273	146	591	1,010	59,841			60,851
Legacy Assets & Servicing portfolio								
Residential mortgage (6)	2,938	1,714	26,728	31,380	33,982	$ 17,451		82,813
Home equity	608	357	1,444	2,409	36,213	8,667		47,289
Credit card and other consumer								
U.S. credit card	729	582	1,437	2,748	92,087			94,835
Non-U.S. credit card	106	85	212	403	11,294			11,697
Direct/Indirect consumer (7)	569	239	573	1,381	81,824			83,205
Other consumer (8)	48	19	4	71	1,557			1,628
Total consumer	7,545	3,948	37,216	48,709	477,607	26,118		552,434
Consumer loans accounted for under the fair value option (9)							$ 1,005	1,005
Total consumer loans and leases	7,545	3,948	37,216	48,709	477,607	26,118	1,005	553,439
Commercial								
U.S. commercial	323	133	639	1,095	196,031			197,126
Commercial real estate (10)	79	144	983	1,206	37,431			38,637
Commercial lease financing	84	79	30	193	23,650			23,843
Non-U.S. commercial	2	—	—	2	74,182			74,184
U.S. small business commercial	101	75	168	344	12,249			12,593
Total commercial	589	431	1,820	2,840	343,543			346,383
Commercial loans accounted for under the fair value option (9)							7,997	7,997
Total commercial loans and leases	589	431	1,820	2,840	343,543		7,997	354,380
Total loans and leases	$ 8,134	$ 4,379	$ 39,036	$ 51,549	$ 821,150	$ 26,118	$ 9,002	$ 907,819
Percentage of outstandings	0.90%	0.48%	4.30%	5.68%	90.45%	2.88%	0.99%	

(1) Home loans 30-59 days past due includes fully-insured loans of $2.3 billion and nonperforming loans of $702 million. Home loans 60-89 days past due includes fully-insured loans of $1.3 billion and nonperforming loans of $558 million.
(2) Home loans includes fully-insured loans of $22.2 billion.
(3) Home loans includes $5.5 billion and direct/indirect consumer includes $63 million of nonperforming loans.
(4) PCI loan amounts are shown gross of the valuation allowance.
(5) Total outstandings includes non-U.S. residential mortgage loans of $93 million.
(6) Total outstandings includes pay option loans of $6.7 billion. The Corporation no longer originates this product.
(7) Total outstandings includes dealer financial services loans of $35.9 billion, consumer lending loans of $4.7 billion, U.S. securities-based lending loans of $28.3 billion, non-U.S. consumer loans of $8.3 billion, student loans of $4.8 billion and other consumer loans of $1.2 billion.
(8) Total outstandings includes consumer finance loans of $1.4 billion, consumer leases of $34 million, consumer overdrafts of $177 million and other non-U.S. consumer loans of $5 million.
(9) Consumer loans accounted for under the fair value option were residential mortgage loans of $1.0 billion. Commercial loans accounted for under the fair value option were U.S. commercial loans of $2.3 billion and non-U.S. commercial loans of $5.7 billion. For additional information, see *Note 20 – Fair Value Measurements* and *Note 21 – Fair Value Option*.
(10) Total outstandings includes U.S. commercial real estate loans of $37.2 billion and non-U.S. commercial real estate loans of $1.5 billion.

The Corporation mitigates a portion of its credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles. These vehicles issue long-term notes to investors, the proceeds of which are held as cash collateral. The Corporation pays a premium to the vehicles to purchase mezzanine loss protection on a portfolio of residential mortgage loans owned by the Corporation. Cash held in the vehicles is used to reimburse the Corporation in the event that losses on the mortgage portfolio exceed 10 basis points (bps) of the original pool balance, up to the remaining amount of purchased loss protection of $339 million and $500 million at December 31, 2013 and 2012. The vehicles from which the Corporation purchases credit protection are VIEs. The Corporation does not have a variable interest in these vehicles and, accordingly, these vehicles are not consolidated by the Corporation. Amounts due from the vehicles are recorded in other income (loss) in the Consolidated Statement of Income when the Corporation recognizes a reimbursable loss, as described above. Amounts are collected when reimbursable losses are realized through the sale of the underlying collateral. At December 31, 2013 and 2012, the Corporation had a receivable of $198 million and $305 million from these vehicles for reimbursement of losses, and principal of $12.5 billion and $17.6 billion of residential mortgage loans was referenced under these agreements. The Corporation records an allowance for credit losses on these loans without regard to the existence of the purchased loss protection as the protection does not represent a guarantee of individual loans.

In addition, the Corporation has entered into long-term credit protection agreements with FNMA and FHLMC on loans totaling $28.2 billion and $24.3 billion at December 31, 2013 and 2012, providing full protection on residential mortgage loans that become severely delinquent. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses related to these loans. For additional information, see *Note 7 – Representations and Warranties Obligations and Corporate Guarantees*.

Nonperforming Loans and Leases

The Corporation classifies junior-lien home equity loans as nonperforming when the first-lien loan becomes 90 days past due even if the junior-lien loan is performing. At December 31, 2013 and 2012, $1.2 billion and $1.5 billion of such junior-lien home equity loans were included in nonperforming loans.

The Corporation classifies consumer real estate loans that have been discharged in Chapter 7 bankruptcy and not reaffirmed by the borrower as troubled debt restructurings (TDRs), irrespective of payment history or delinquency status, even if the repayment terms for the loan have not been otherwise modified. The Corporation continues to have a lien on the underlying collateral. At December 31, 2013, nonperforming loans discharged in Chapter 7 bankruptcy with no change in repayment terms at the time of discharge were $1.8 billion of which $1.1 billion were current on their contractual payments while $642 million were 90 days or more past due. Of the contractually current nonperforming loans, nearly 80 percent were discharged in Chapter 7 bankruptcy more than 12 months ago, and nearly 50 percent were discharged 24 months or more ago. As subsequent cash payments are received on the loans that are contractually current, the interest component of the payments is generally recorded as interest income on a cash basis and the principal component is recorded as a reduction in the carrying value of the loan.

The table below presents the Corporation's nonperforming loans and leases including nonperforming TDRs, and loans accruing past due 90 days or more at December 31, 2013 and 2012. Nonperforming loans held-for-sale (LHFS) are excluded from nonperforming loans and leases as they are recorded at either fair value or the lower of cost or fair value. For more information on the criteria for classification as nonperforming, see *Note 1 – Summary of Significant Accounting Principles*.

Credit Quality

	December 31			
	Nonperforming Loans and Leases [1]		Accruing Past Due 90 Days or More	
(Dollars in millions)	**2013**	2012	**2013**	2012
Home loans				
Core portfolio				
Residential mortgage [2]	**$ 3,316**	$ 3,193	**$ 5,137**	$ 3,984
Home equity	**1,431**	1,265	**—**	—
Legacy Assets & Servicing portfolio				
Residential mortgage [2]	**8,396**	11,862	**11,824**	18,173
Home equity	**2,644**	3,017	**—**	—
Credit card and other consumer				
U.S. credit card	**n/a**	n/a	**1,053**	1,437
Non-U.S. credit card	**n/a**	n/a	**131**	212
Direct/Indirect consumer	**35**	92	**408**	545
Other consumer	**18**	2	**2**	2
Total consumer	**15,840**	19,431	**18,555**	24,353
Commercial				
U.S. commercial	**819**	1,484	**47**	65
Commercial real estate	**322**	1,513	**21**	29
Commercial lease financing	**16**	44	**41**	15
Non-U.S. commercial	**64**	68	**17**	—
U.S. small business commercial	**88**	115	**78**	120
Total commercial	**1,309**	3,224	**204**	229
Total loans and leases	**$ 17,149**	$ 22,655	**$ 18,759**	$ 24,582

(1) Nonperforming loan balances do not include nonaccruing TDRs removed from the PCI loan portfolio prior to January 1, 2010 of $260 million and $521 million at December 31, 2013 and 2012.
(2) Residential mortgage loans in the Core and Legacy Assets & Servicing portfolios accruing past due 90 days or more are fully-insured loans. At December 31, 2013 and 2012, residential mortgage includes $13.0 billion and $17.8 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $4.0 billion and $4.4 billion of loans on which interest is still accruing.
n/a = not applicable

Credit Quality Indicators

The Corporation monitors credit quality within its Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments based on primary credit quality indicators. For more information on the portfolio segments, see *Note 1 – Summary of Significant Accounting Principles*. Within the Home Loans portfolio segment, the primary credit quality indicators are refreshed LTV and refreshed FICO score. Refreshed LTV measures the carrying value of the loan as a percentage of the value of property securing the loan, refreshed quarterly. Home equity loans are evaluated using combined loan-to-value (CLTV) which measures the carrying value of the combined loans that have liens against the property and the available line of credit as a percentage of the value of the property securing the loan, refreshed quarterly. FICO score measures the creditworthiness of the borrower based on the financial obligations of the borrower and the borrower's credit history. At a minimum, FICO scores are refreshed quarterly, and in many cases, more frequently. FICO scores are also a primary credit quality indicator for the Credit Card and Other Consumer portfolio segment and the business card portfolio within U.S. small business commercial. Within the Commercial portfolio segment, loans are evaluated using the internal classifications of pass rated or reservable criticized as the primary credit quality indicators. The term reservable criticized refers to those commercial loans that are internally classified or listed by the Corporation as Special Mention, Substandard or Doubtful, which are asset quality categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not considered reservable criticized. In addition to these primary credit quality indicators, the Corporation uses other credit quality indicators for certain types of loans.

The following tables present certain credit quality indicators for the Corporation's Home Loans, Credit Card and Other Consumer, and Commercial portfolio segments, by class of financing receivables, at December 31, 2013 and 2012.

Home Loans – Credit Quality Indicators [1]

	December 31, 2013					
(Dollars in millions)	Core Portfolio Residential Mortgage [2]	Legacy Assets & Servicing Residential Mortgage [2]	Residential Mortgage PCI [3]	Core Portfolio Home Equity [2]	Legacy Assets & Servicing Home Equity [2]	Home Equity PCI
Refreshed LTV [4]						
Less than or equal to 90 percent	$ 95,833	$ 22,391	$ 11,400	$ 45,898	$ 16,714	$ 2,036
Greater than 90 percent but less than or equal to 100 percent	5,541	4,134	2,653	3,659	4,233	698
Greater than 100 percent	6,250	7,998	4,619	4,942	11,633	3,859
Fully-insured loans [5]	69,712	17,535	—	—	—	—
Total home loans	$ 177,336	$ 52,058	$ 18,672	$ 54,499	$ 32,580	$ 6,593
Refreshed FICO score						
Less than 620	$ 5,924	$ 10,391	$ 9,792	$ 2,343	$ 4,229	$ 1,072
Greater than or equal to 620 and less than 680	7,863	5,452	3,135	4,057	5,050	1,165
Greater than or equal to 680 and less than 740	24,034	7,791	3,034	11,276	9,032	1,935
Greater than or equal to 740	69,803	10,889	2,711	36,823	14,269	2,421
Fully-insured loans [5]	69,712	17,535	—	—	—	—
Total home loans	$ 177,336	$ 52,058	$ 18,672	$ 54,499	$ 32,580	$ 6,593

(1) Excludes $2.2 billion of loans accounted for under the fair value option.
(2) Excludes PCI loans.
(3) Includes $4.0 billion of pay option loans. The Corporation no longer originates this product.
(4) Refreshed LTV percentages for PCI loans are calculated using the carrying value net of the related valuation allowance.
(5) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

Credit Card and Other Consumer – Credit Quality Indicators

	December 31, 2013			
(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [1]
Refreshed FICO score				
Less than 620	$ 4,989	$ —	$ 1,220	$ 539
Greater than or equal to 620 and less than 680	12,753	—	3,345	264
Greater than or equal to 680 and less than 740	35,413	—	9,887	199
Greater than or equal to 740	39,183	—	26,220	188
Other internal credit metrics [2, 3, 4]	—	11,541	41,520	787
Total credit card and other consumer	$ 92,338	$ 11,541	$ 82,192	$ 1,977

(1) 60 percent of the other consumer portfolio is associated with portfolios from certain consumer finance businesses that the Corporation previously exited.
(2) Other internal credit metrics may include delinquency status, geography or other factors.
(3) Direct/indirect consumer includes $35.8 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $4.1 billion of loans the Corporation no longer originates.
(4) Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At December 31, 2013, 98 percent of this portfolio was current or less than 30 days past due, one percent was 30-89 days past due and one percent was 90 days or more past due.

Commercial – Credit Quality Indicators [1]

	December 31, 2013				
(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [2]
Risk ratings					
Pass rated	$ 205,416	$ 46,507	$ 24,211	$ 88,138	$ 1,191
Reservable criticized	7,141	1,386	988	1,324	346
Refreshed FICO score [3]					
Less than 620					224
Greater than or equal to 620 and less than 680					534
Greater than or equal to 680 and less than 740					1,567
Greater than or equal to 740					2,779
Other internal credit metrics [3, 4]					6,653
Total commercial	$ 212,557	$ 47,893	$ 25,199	$ 89,462	$ 13,294

(1) Excludes $7.9 billion of loans accounted for under the fair value option.
(2) U.S. small business commercial includes $289 million of criticized business card and small business loans which are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2013, 99 percent of the balances where internal credit metrics are used was current or less than 30 days past due.
(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.
(4) Other internal credit metrics may include delinquency status, application scores, geography or other factors.

Home Loans – Credit Quality Indicators [1]

(Dollars in millions)	Core Portfolio Residential Mortgage [2]	Legacy Assets & Servicing Residential Mortgage [2]	Residential Mortgage PCI [3]	Core Portfolio Home Equity [2]	Legacy Assets & Servicing Home Equity [2]	Home Equity PCI
	December 31, 2012					
Refreshed LTV [4]						
Less than or equal to 90 percent	$ 80,585	$ 20,613	$ 8,581	$ 44,971	$ 15,922	$ 2,074
Greater than 90 percent but less than or equal to 100 percent	8,891	5,097	2,368	5,825	4,507	805
Greater than 100 percent	12,984	16,454	6,502	10,055	18,193	5,788
Fully-insured loans [5]	67,656	23,198	—	—	—	—
Total home loans	$ 170,116	$ 65,362	$ 17,451	$ 60,851	$ 38,622	$ 8,667
Refreshed FICO score						
Less than 620	$ 6,366	$ 14,320	$ 8,647	$ 2,586	$ 5,411	$ 1,989
Greater than or equal to 620 and less than 680	8,561	6,157	2,712	4,500	5,921	1,529
Greater than or equal to 680 and less than 740	25,141	8,611	2,976	12,625	10,395	2,299
Greater than or equal to 740	62,392	13,076	3,116	41,140	16,895	2,850
Fully-insured loans [5]	67,656	23,198	—	—	—	—
Total home loans	$ 170,116	$ 65,362	$ 17,451	$ 60,851	$ 38,622	$ 8,667

(1) Excludes $1.0 billion of loans accounted for under the fair value option.
(2) Excludes PCI loans.
(3) Includes $6.1 billion of pay option loans. The Corporation no longer originates this product.
(4) Refreshed LTV percentages for PCI loans are calculated using the carrying value net of the related valuation allowance.
(5) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

Credit Card and Other Consumer – Credit Quality Indicators

(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [1]
	December 31, 2012			
Refreshed FICO score				
Less than 620	$ 6,188	$ —	$ 1,896	$ 668
Greater than or equal to 620 and less than 680	13,947	—	3,367	301
Greater than or equal to 680 and less than 740	37,167	—	9,592	232
Greater than or equal to 740	37,533	—	25,164	212
Other internal credit metrics [2, 3, 4]	—	11,697	43,186	215
Total credit card and other consumer	$ 94,835	$ 11,697	$ 83,205	$ 1,628

(1) 87 percent of the other consumer portfolio is associated with portfolios from certain consumer finance businesses that the Corporation previously exited.
(2) Other internal credit metrics may include delinquency status, geography or other factors.
(3) Direct/indirect consumer includes $36.5 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $4.8 billion of loans the Corporation no longer originates.
(4) Non-U.S. credit card represents the U.K. credit card portfolio which is evaluated using internal credit metrics, including delinquency status. At December 31, 2012, 97 percent of this portfolio was current or less than 30 days past due, one percent was 30-89 days past due and two percent was 90 days or more past due.

Commercial – Credit Quality Indicators [1]

(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [2]
	December 31, 2012				
Risk ratings					
Pass rated	$ 189,602	$ 34,968	$ 22,874	$ 72,688	$ 1,690
Reservable criticized	7,524	3,669	969	1,496	573
Refreshed FICO score [3]					
Less than 620					400
Greater than or equal to 620 and less than 680					580
Greater than or equal to 680 and less than 740					1,553
Greater than or equal to 740					2,496
Other internal credit metrics [3, 4]					5,301
Total commercial	$ 197,126	$ 38,637	$ 23,843	$ 74,184	$ 12,593

(1) Excludes $8.0 billion of loans accounted for under the fair value option.
(2) U.S. small business commercial includes $366 million of criticized business card and small business loans which are evaluated using refreshed FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2012, 98 percent of the balances where internal credit metrics are used was current or less than 30 days past due.
(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.
(4) Other internal credit metrics may include delinquency status, application scores, geography or other factors.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans and all consumer and commercial TDRs. For additional information, see *Note 1 – Summary of Significant Accounting Principles.* Impaired loans exclude nonperforming consumer loans and nonperforming commercial leases unless they are classified as TDRs. Loans accounted for under the fair value option are also excluded. Purchased credit-impaired (PCI) loans are excluded and reported separately on page 194.

Home Loans

Impaired home loans within the Home Loans portfolio segment consist entirely of TDRs. Excluding PCI loans, most modifications of home loans meet the definition of TDRs when a binding offer is extended to a borrower. Modifications of home loans are done in accordance with the government's Making Home Affordable Program (modifications under government programs) or the Corporation's proprietary programs (modifications under proprietary programs). These modifications are considered to be TDRs if concessions have been granted to borrowers experiencing financial difficulties. Concessions may include reductions in interest rates, capitalization of past due amounts, principal and/or interest forbearance, payment extensions, principal and/or interest forgiveness, or combinations thereof. During 2012, the Corporation implemented a borrower assistance program that provides forgiveness of principal balances in connection with the settlement agreement among the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice (DOJ), the U.S. Department of Housing and Urban Development (HUD) and other federal agencies, and 49 state Attorneys General concerning the terms of a global settlement resolving investigations into certain origination, servicing and foreclosure practices (National Mortgage Settlement). In addition, the Corporation also provides interest rate modifications to qualified borrowers pursuant to the National Mortgage Settlement and these interest rate modifications are not considered to be TDRs.

Prior to permanently modifying a loan, the Corporation may enter into trial modifications with certain borrowers under both government and proprietary programs, including the borrower assistance program pursuant to the National Mortgage Settlement. Trial modifications generally represent a three- to four-month period during which the borrower makes monthly payments under the anticipated modified payment terms. Upon successful completion of the trial period, the Corporation and the borrower enter into a permanent modification. Binding trial modifications are classified as TDRs when the trial offer is made and continue to be classified as TDRs regardless of whether the borrower enters into a permanent modification.

Home loans that have been discharged in Chapter 7 bankruptcy with no change in repayment terms at the time of discharge of $3.6 billion were included in TDRs at December 31, 2013, of which $1.8 billion were classified as nonperforming and $1.8 billion were loans fully-insured by the Federal Housing Administration (FHA). Of the $3.6 billion of home loan TDRs, approximately 27 percent, 30 percent and 43 percent were discharged in Chapter 7 bankruptcy in 2013, 2012 and in years prior to 2012, respectively. For more information on loans discharged in Chapter 7 bankruptcy, see Nonperforming Loans and Leases in this Note.

A home loan, excluding PCI loans which are reported separately, is not classified as impaired unless it is a TDR. Once such a loan has been designated as a TDR, it is then individually assessed for impairment. Home loan TDRs are measured primarily based on the net present value of the estimated cash flows discounted at the loan's original effective interest rate, as discussed in the following paragraph. If the carrying value of a TDR exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses. Alternatively, home loan TDRs that are considered to be dependent solely on the collateral for repayment (e.g., due to the lack of income verification or as a result of being discharged in Chapter 7 bankruptcy) are measured based on the estimated fair value of the collateral and a charge-off is recorded if the carrying value exceeds the fair value of the collateral. Home loans that reached 180 days past due prior to modification had been charged off to their net realizable value before they were modified as TDRs in accordance with established policy. Therefore, modifications of home loans that are 180 or more days past due as TDRs do not have an impact on the allowance for loan and lease losses nor are additional charge-offs required at the time of modification. Subsequent declines in the fair value of the collateral after a loan has reached 180 days past due are recorded as charge-offs. Fully-insured loans are protected against principal loss, and therefore, the Corporation does not record an allowance for loan and lease losses on the outstanding principal balance, even after they have been modified in a TDR.

The net present value of the estimated cash flows used to measure impairment is based on model-driven estimates of projected payments, prepayments, defaults and loss-given-default (LGD). Using statistical modeling methodologies, the Corporation estimates the probability that a loan will default prior to maturity based on the attributes of each loan. The factors that are most relevant to the probability of default are the refreshed LTV, or in the case of a subordinated lien, refreshed CLTV, borrower credit score, months since origination (i.e., vintage) and geography. Each of these factors is further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). Severity (or LGD) is estimated based on the refreshed LTV for first mortgages or CLTV for subordinated liens. The estimates are based on the Corporation's historical experience as adjusted to reflect an assessment of environmental factors that may not be reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default models also incorporate recent experience with modification programs including redefaults subsequent to modification, a loan's default history prior to modification and the change in borrower payments post-modification.

At December 31, 2013 and 2012, remaining commitments to lend additional funds to debtors whose terms have been modified in a home loan TDR were immaterial. Home loan foreclosed properties totaled $533 million and $650 million at December 31, 2013 and 2012.

The table below provides information for impaired loans in the Corporation's Home Loans portfolio segment at December 31, 2013 and 2012, and for 2013, 2012 and 2011, and includes primarily loans managed by Legacy Assets & Servicing. Certain impaired home loans do not have a related allowance as the current valuation of these impaired loans exceeded the carrying value, which is net of previously recorded charge-offs.

Impaired Loans – Home Loans

	December 31, 2013			December 31, 2012		
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Allowance	Unpaid Principal Balance	Carrying Value	Related Allowance
With no recorded allowance						
Residential mortgage	$ 21,567	$ 16,450	$ —	$ 20,226	$ 14,967	$ —
Home equity	3,249	1,385	—	2,624	1,103	—
With an allowance recorded						
Residential mortgage	13,341	12,862	991	14,223	13,158	1,252
Home equity	893	761	240	1,256	1,022	448
Total						
Residential mortgage	$ 34,908	$ 29,312	$ 991	$ 34,449	$ 28,125	$ 1,252
Home equity	4,142	2,146	240	3,880	2,125	448

	2013		2012		2011	
	Average Carrying Value	Interest Income Recognized (1)	Average Carrying Value	Interest Income Recognized (1)	Average Carrying Value	Interest Income Recognized (1)
With no recorded allowance						
Residential mortgage	$ 16,625	$ 621	$ 10,937	$ 366	$ 6,507	$ 241
Home equity	1,245	76	734	49	442	23
With an allowance recorded						
Residential mortgage	13,926	616	11,575	423	9,552	325
Home equity	912	41	1,145	44	1,357	34
Total						
Residential mortgage	$ 30,551	$ 1,237	$ 22,512	$ 789	$ 16,059	$ 566
Home equity	2,157	117	1,879	93	1,799	57

(1) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the principal is considered collectible.

The table below presents the December 31, 2013, 2012 and 2011 unpaid principal balance, carrying value, and average pre- and post-modification interest rates of home loans that were modified in TDRs during 2013, 2012 and 2011, and net charge-offs that were recorded during the period in which the modification occurred. The following Home Loans portfolio segment tables include loans that were initially classified as TDRs during the period and also loans that had previously been classified as TDRs and were modified again during the period. These TDRs are managed by Legacy Assets & Servicing.

Home Loans – TDRs Entered into During 2013, 2012 and 2011 (1)

	December 31, 2013				2013
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs (2)
Residential mortgage	$ 11,233	$ 10,016	5.30%	4.27%	$ 235
Home equity	878	521	5.29	3.92	192
Total	$ 12,111	$ 10,537	5.30	4.24	$ 427
	December 31, 2012				2012
Residential mortgage	$ 15,088	$ 12,228	5.52%	4.70%	$ 523
Home equity	1,721	858	5.22	4.39	716
Total	$ 16,809	$ 13,086	5.49	4.66	$ 1,239
	December 31, 2011				2011
Residential mortgage	$ 11,764	$ 9,991	5.94%	5.16%	$ 308
Home equity	1,112	556	6.58	5.25	239
Total	$ 12,876	$ 10,547	6.01	5.17	$ 547

(1) TDRs entered into during 2013 include residential mortgage modifications with principal forgiveness of $467 million. TDRs entered into during 2012 include residential mortgage modifications with principal forgiveness of $778 million and home equity modifications of $9 million. Prior to 2012, the principal forgiveness amount was not significant.

(2) Net charge-offs include amounts recorded on loans modified during the period that are no longer held by the Corporation at December 31, 2013, 2012 and 2011 due to sales and other dispositions.

The table below presents the December 31, 2013, 2012 and 2011 carrying value for home loans that were modified in a TDR during 2013, 2012 and 2011 by type of modification.

Home Loans – Modification Programs

	TDRs Entered into During 2013		
(Dollars in millions)	Residential Mortgage	Home Equity	Total Carrying Value
Modifications under government programs			
Contractual interest rate reduction	**$ 1,815**	**$ 48**	**$ 1,863**
Principal and/or interest forbearance	**35**	**24**	**59**
Other modifications [1]	**100**	**—**	**100**
Total modifications under government programs	**1,950**	**72**	**2,022**
Modifications under proprietary programs			
Contractual interest rate reduction	**2,799**	**40**	**2,839**
Capitalization of past due amounts	**132**	**2**	**134**
Principal and/or interest forbearance	**469**	**17**	**486**
Other modifications [1]	**105**	**25**	**130**
Total modifications under proprietary programs	**3,505**	**84**	**3,589**
Trial modifications	**3,410**	**87**	**3,497**
Loans discharged in Chapter 7 bankruptcy [2]	**1,151**	**278**	**1,429**
Total modifications	**$ 10,016**	**$ 521**	**$ 10,537**
	TDRs Entered into During 2012		
Modifications under government programs			
Contractual interest rate reduction	$ 642	$ 78	$ 720
Principal and/or interest forbearance	51	31	82
Other modifications [1]	37	1	38
Total modifications under government programs	730	110	840
Modifications under proprietary programs			
Contractual interest rate reduction	3,350	44	3,394
Capitalization of past due amounts	144	—	144
Principal and/or interest forbearance	424	16	440
Other modifications [1]	97	21	118
Total modifications under proprietary programs	4,015	81	4,096
Trial modifications	4,547	69	4,616
Loans discharged in Chapter 7 bankruptcy [2]	2,936	598	3,534
Total modifications	$ 12,228	$ 858	$ 13,086
	TDRs Entered into During 2011		
Modifications under government programs			
Contractual interest rate reduction	$ 994	$ 189	$ 1,183
Principal and/or interest forbearance	189	36	225
Other modifications [1]	64	5	69
Total modifications under government programs	1,247	230	1,477
Modifications under proprietary programs			
Contractual interest rate reduction	3,531	101	3,632
Capitalization of past due amounts	410	1	411
Principal and/or interest forbearance	946	49	995
Other modifications [1]	441	34	475
Total modifications under proprietary programs	5,328	185	5,513
Trial modifications	3,416	141	3,557
Total modifications	$ 9,991	$ 556	$ 10,547

(1) Includes other modifications such as term or payment extensions and repayment plans.
(2) Includes loans discharged in Chapter 7 bankruptcy with no change in repayment terms that are classified as TDRs. The amount for 2012 represents the cumulative impact upon adoption of the regulatory guidance. During 2013, home loans of $587 million, or 41 percent of loans discharged in Chapter 7 bankruptcy were current or less than 60 days past due.

The table below presents the carrying value of loans that entered into payment default during 2013, 2012 and 2011 that were modified in a TDR during the 12 months preceding payment default. Included in the table are loans with a carrying value of $2.4 billion, $667 million and $514 million that entered payment default during 2013, 2012 and 2011 but were no longer held by the Corporation as of December 31, 2013, 2012 and 2011 due to sales and other dispositions. A payment default for home loan TDRs is recognized when a borrower has missed three monthly payments (not necessarily consecutively) since modification. Payment default on a trial modification where the borrower has not yet met the terms of the agreement are included in the table below if the borrower is 90 days or more past due three months after the offer to modify is made.

Home Loans – TDRs Entering Payment Default That Were Modified During the Preceding 12 Months

(Dollars in millions)	Residential Mortgage	Home Equity	Total Carrying Value [(1)]
		2013	
Modifications under government programs	**$ 454**	**$ 2**	**$ 456**
Modifications under proprietary programs	**1,117**	**4**	**1,121**
Loans discharged in Chapter 7 bankruptcy [(2)]	**964**	**30**	**994**
Trial modifications	**4,376**	**14**	**4,390**
Total modifications	**$ 6,911**	**$ 50**	**$ 6,961**
		2012	
Modifications under government programs	$ 202	$ 8	$ 210
Modifications under proprietary programs	942	14	956
Loans discharged in Chapter 7 bankruptcy [(2)]	1,228	53	1,281
Trial modifications	2,351	20	2,371
Total modifications	$ 4,723	$ 95	$ 4,818
		2011	
Modifications under government programs	$ 352	$ 2	$ 354
Modifications under proprietary programs	2,098	42	2,140
Trial modifications	1,101	17	1,118
Total modifications	$ 3,551	$ 61	$ 3,612

(1) Total carrying value includes loans with a carrying value of $2.4 billion, $667 million and $514 million that entered into payment default during 2013, 2012 and 2011 but were no longer held by the Corporation as of December 31, 2013, 2012 and 2011 due to sales and other dispositions.

(2) Includes loans discharged in Chapter 7 bankruptcy with no change in repayment terms that are classified as TDRs.

Credit Card and Other Consumer

Impaired loans within the Credit Card and Other Consumer portfolio segment consist entirely of loans that have been modified in TDRs (the renegotiated credit card and other consumer TDR portfolio, collectively referred to as the renegotiated TDR portfolio). The Corporation seeks to assist customers that are experiencing financial difficulty by modifying loans while ensuring compliance with federal laws and guidelines. Credit card and other consumer loan modifications generally involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs. In addition, non-U.S. credit card modifications may involve reducing the interest rate on the account without placing the customer on a fixed payment plan, and are also considered TDRs. In all cases, the customer's available line of credit is canceled. The Corporation makes loan modifications directly with borrowers for debt held only by the Corporation (internal programs). Additionally, the Corporation makes loan modifications for borrowers working with third-party renegotiation agencies that provide solutions to customers' entire unsecured debt structures (external programs). The Corporation classifies other secured consumer loans that have been discharged in Chapter 7 bankruptcy as TDRs which are written down to collateral value and placed on nonaccrual status no later than the time of discharge. For more information on the regulatory guidance on loans discharged in Chapter 7 bankruptcy, see Nonperforming Loans and Leases in this Note.

All credit card and substantially all other consumer loans that have been modified in TDRs remain on accrual status until the loan is either paid in full or charged off, which occurs no later than the end of the month in which the loan becomes 180 days past due or generally at 120 days past due for a loan that was placed on a fixed payment plan after July 1, 2012.

The allowance for impaired credit card and substantially all other consumer loans is based on the present value of projected cash flows, which incorporates the Corporation's historical payment default and loss experience on modified loans, discounted using the portfolio's average contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. Credit card and other consumer loans are included in homogeneous pools which are collectively evaluated for impairment. For these portfolios, loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, delinquency status, economic trends and credit scores.

The table below provides information on the Corporation's renegotiated TDR portfolio in the Credit Card and Other Consumer portfolio segment at December 31, 2013 and 2012, and for 2013, 2012 and 2011.

Impaired Loans – Credit Card and Other Consumer – Renegotiated TDRs

(Dollars in millions)	December 31, 2013			December 31, 2012		
	Unpaid Principal Balance	Carrying Value (1)	Related Allowance	Unpaid Principal Balance	Carrying Value (1)	Related Allowance
With an allowance recorded						
U.S. credit card	$ 1,384	$ 1,465	$ 337	$ 2,856	$ 2,871	$ 719
Non-U.S. credit card	200	240	149	311	316	198
Direct/Indirect consumer	242	282	84	633	636	210
Other consumer	27	26	9	30	30	12
With no recorded allowance						
Direct/Indirect consumer	75	32	—	105	58	—
Other consumer	34	34	—	35	35	—
Total						
U.S. credit card	$ 1,384	$ 1,465	$ 337	$ 2,856	$ 2,871	$ 719
Non-U.S. credit card	200	240	149	311	316	198
Direct/Indirect consumer	317	314	84	738	694	210
Other consumer	61	60	9	65	65	12

	2013		2012		2011	
	Average Carrying Value	Interest Income Recognized (2)	Average Carrying Value	Interest Income Recognized (2)	Average Carrying Value	Interest Income Recognized (2)
With an allowance recorded						
U.S. credit card	$ 2,144	$ 134	$ 4,085	$ 253	$ 7,211	$ 433
Non-U.S. credit card	266	7	464	10	759	6
Direct/Indirect consumer	456	24	929	50	1,582	85
Other consumer	28	2	29	2	30	2
With no recorded allowance						
Direct/Indirect consumer	42	—	58	—	—	—
Other consumer	34	2	35	2	30	2
Total						
U.S. credit card	$ 2,144	$ 134	$ 4,085	$ 253	$ 7,211	$ 433
Non-U.S. credit card	266	7	464	10	759	6
Direct/Indirect consumer	498	24	987	50	1,582	85
Other consumer	62	4	64	4	60	4

(1) Includes accrued interest and fees.

(2) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the principal is considered collectible.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio at December 31, 2013 and 2012.

Credit Card and Other Consumer – Renegotiated TDRs by Program Type

	December 31									
	Internal Programs		External Programs		Other		Total		Percent of Balances Current or Less Than 30 Days Past Due	
(Dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
U.S. credit card	$ 842	$ 1,887	$ 607	$ 953	$ 16	$ 31	$ 1,465	$ 2,871	82.77%	81.48%
Non-U.S. credit card	71	99	26	38	143	179	240	316	49.01	43.71
Direct/Indirect consumer	170	405	106	225	38	64	314	694	84.29	83.11
Other consumer	60	65	—	—	—	—	60	65	71.08	72.73
Total renegotiated TDRs	$ 1,143	$ 2,456	$ 739	$ 1,216	$ 197	$ 274	$ 2,079	$ 3,946	78.77	78.58

The table below provides information on the Corporation's renegotiated TDR portfolio including the December 31, 2013, 2012 and 2011 unpaid principal balance, carrying value and average pre- and post-modification interest rates of loans that were modified in TDRs during 2013, 2012 and 2011, and net charge-offs that were recorded during the period in which the modification occurred.

Credit Card and Other Consumer – Renegotiated TDRs Entered into During 2013, 2012 and 2011

(Dollars in millions)	December 31, 2013				2013
	Unpaid Principal Balance	Carrying Value [1]	Pre-Modification Interest Rate	Post-Modification Interest Rate	Net Charge-offs
U.S. credit card	$ 299	$ 329	16.84%	5.84%	$ 30
Non-U.S. credit card	134	147	25.90	0.95	138
Direct/Indirect consumer	47	38	11.53	4.74	15
Other consumer	8	8	9.28	5.25	—
Total	$ 488	$ 522	18.89	4.37	$ 183
	December 31, 2012				2012
U.S. credit card	$ 396	$ 400	17.59%	6.36%	$ 45
Non-U.S. credit card	196	206	26.19	1.15	190
Direct/Indirect consumer	160	113	9.59	5.72	52
Other consumer	9	9	9.97	6.44	—
Total	$ 761	$ 728	18.68	4.79	$ 287
	December 31, 2011				2011
U.S. credit card	$ 890	$ 902	19.04%	6.16%	$ 106
Non-U.S. credit card	305	322	26.32	1.04	291
Direct/Indirect consumer	198	199	15.63	5.22	23
Other consumer	17	17	10.01	6.53	—
Total	$ 1,410	$ 1,440	20.09	4.89	$ 420

[1] Includes accrued interest and fees.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio for loans that were modified in TDRs during 2013, 2012 and 2011.

Credit Card and Other Consumer – Renegotiated TDRs Entered into During the Period by Program Type

(Dollars in millions)	2013			
	Internal Programs	External Programs	Other	Total
U.S. credit card	$ 192	$ 137	$ —	$ 329
Non-U.S. credit card	73	74	—	147
Direct/Indirect consumer	15	8	15	38
Other consumer	8	—	—	8
Total renegotiated TDRs	$ 288	$ 219	$ 15	$ 522
	2012			
U.S. credit card	$ 248	$ 152	$ —	$ 400
Non-U.S. credit card	112	94	—	206
Direct/Indirect consumer	36	19	58	113
Other consumer	9	—	—	9
Total renegotiated TDRs	$ 405	$ 265	$ 58	$ 728
	2011			
U.S. credit card	$ 492	$ 407	$ 3	$ 902
Non-U.S. credit card	163	158	1	322
Direct/Indirect consumer	112	87	—	199
Other consumer	17	—	—	17
Total renegotiated TDRs	$ 784	$ 652	$ 4	$ 1,440

Credit card and other consumer loans are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows in the calculation of the allowance for loan and lease losses for impaired credit card and other consumer loans. Based on historical experience, the Corporation estimates that 21 percent of new U.S. credit card TDRs, 70 percent of new non-U.S. credit card TDRs and 13 percent of new direct/indirect consumer TDRs may be in payment default within 12 months after modification. Loans that entered into payment default during 2013, 2012 and 2011 that had been modified in a TDR during the preceding 12 months were $61 million, $203 million and $863 million for U.S. credit card, $236 million, $298 million and $409 million for non-U.S. credit card, and $12 million, $35 million and $180 million for direct/indirect consumer, respectively.

Commercial Loans

Impaired commercial loans, which include nonperforming loans and TDRs (both performing and nonperforming), are primarily measured based on the present value of payments expected to be received, discounted at the loan's original effective interest rate. Commercial impaired loans may also be measured based on observable market prices or, for loans that are solely dependent on the collateral for repayment, the estimated fair value of collateral less costs to sell. If the carrying value of a loan exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses.

Modifications of loans to commercial borrowers that are experiencing financial difficulty are designed to reduce the Corporation's loss exposure while providing the borrower with an opportunity to work through financial difficulties, often to avoid foreclosure or bankruptcy. Each modification is unique and reflects the individual circumstances of the borrower. Modifications that result in a TDR may include extensions of maturity at a concessionary (below market) rate of interest, payment forbearances or other actions designed to benefit the customer while mitigating the Corporation's risk exposure. Reductions in interest rates are rare. Instead, the interest rates are typically increased, although the increased rate may not represent a market rate of interest. Infrequently, concessions may also include principal forgiveness in connection with foreclosure, short sale or other settlement agreements leading to termination or sale of the loan.

At the time of restructuring, the loans are remeasured to reflect the impact, if any, on projected cash flows resulting from the modified terms. If there was no forgiveness of principal and the interest rate was not decreased, the modification may have little or no impact on the allowance established for the loan. If a portion of the loan is deemed to be uncollectible, a charge-off may be recorded at the time of restructuring. Alternatively, a charge-off may have already been recorded in a previous period such that no charge-off is required at the time of modification. For more information on modifications for the U.S. small business commercial portfolio, see Credit Card and Other Consumer in this Note.

At December 31, 2013 and 2012, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial loan TDR were immaterial. Commercial foreclosed properties totaled $90 million and $250 million at December 31, 2013 and 2012.

The table below provides information for impaired loans in the Corporation's Commercial loan portfolio segment at December 31, 2013 and 2012, and for 2013, 2012 and 2011. Certain impaired commercial loans do not have a related allowance as the valuation of these impaired loans exceeded the carrying value, which is net of previously recorded charge-offs.

Impaired Loans – Commercial

(Dollars in millions)	December 31, 2013			December 31, 2012		
	Unpaid Principal Balance	Carrying Value	Related Allowance	Unpaid Principal Balance	Carrying Value	Related Allowance
With no recorded allowance						
U.S. commercial	$ 609	$ 577	$ —	$ 571	$ 476	$ —
Commercial real estate	254	228	—	370	316	—
Non-U.S. commercial	10	10	—	155	36	—
With an allowance recorded						
U.S. commercial	1,581	1,262	164	2,431	1,771	159
Commercial real estate	1,066	731	61	2,920	1,848	201
Non-U.S. commercial	254	64	16	365	117	18
U.S. small business commercial [1]	186	176	36	361	317	97
Total						
U.S. commercial	$ 2,190	$ 1,839	$ 164	$ 3,002	$ 2,247	$ 159
Commercial real estate	1,320	959	61	3,290	2,164	201
Non-U.S. commercial	264	74	16	520	153	18
U.S. small business commercial [1]	186	176	36	361	317	97

	2013		2012		2011	
	Average Carrying Value	Interest Income Recognized [2]	Average Carrying Value	Interest Income Recognized [2]	Average Carrying Value	Interest Income Recognized [2]
With no recorded allowance						
U.S. commercial	$ 442	$ 6	$ 588	$ 9	$ 774	$ 7
Commercial real estate	269	3	1,119	3	1,994	7
Non-U.S. commercial	28	—	104	—	101	—
With an allowance recorded						
U.S. commercial	1,553	47	2,104	55	2,422	13
Commercial real estate	1,148	28	2,126	29	3,309	19
Non-U.S. commercial	109	5	77	4	76	3
U.S. small business commercial [1]	236	6	409	13	666	23
Total						
U.S. commercial	$ 1,995	$ 53	$ 2,692	$ 64	$ 3,196	$ 20
Commercial real estate	1,417	31	3,245	32	5,303	26
Non-U.S. commercial	137	5	181	4	177	3
U.S. small business commercial [1]	236	6	409	13	666	23

(1) Includes U.S. small business commercial renegotiated TDR loans and related allowance.
(2) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the principal is considered collectible.

The table below presents the December 31, 2013, 2012 and 2011 unpaid principal balance and carrying value of commercial loans that were modified as TDRs during 2013, 2012 and 2011, and net charge-offs that were recorded during the period in which the modification occurred. The table below includes loans that were initially classified as TDRs during the period and, beginning in the first quarter of 2013, also loans that had previously been classified as TDRs and were modified again during the period.

Commercial – TDRs Entered into During 2013, 2012 and 2011

(Dollars in millions)	December 31, 2013 Unpaid Principal Balance	December 31, 2013 Carrying Value	2013 Net Charge-offs
U.S. commercial	**$ 926**	**$ 910**	**$ 33**
Commercial real estate	**483**	**425**	**3**
Non-U.S. commercial	**61**	**44**	**7**
U.S. small business commercial (1)	**8**	**9**	**1**
Total	**$ 1,478**	**$ 1,388**	**$ 44**
	December 31, 2012		2012
U.S. commercial	$ 590	$ 558	$ 34
Commercial real estate	793	721	20
Non-U.S. commercial	90	89	1
U.S. small business commercial (1)	22	22	5
Total	$ 1,495	$ 1,390	$ 60
	December 31, 2011		2011
U.S. commercial	$ 1,381	$ 1,211	$ 74
Commercial real estate	1,604	1,333	152
Non-U.S. commercial	44	44	—
U.S. small business commercial (1)	58	59	10
Total	$ 3,087	$ 2,647	$ 236

(1) U.S. small business commercial TDRs are comprised of renegotiated small business card loans.

A commercial TDR is generally deemed to be in payment default when the loan is 90 days or more past due, including delinquencies that were not resolved as part of the modification. U.S. small business commercial TDRs are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows, along with observable market prices or fair value of collateral when measuring the allowance for loan losses. TDRs that were in payment default had a carrying value of $55 million, $130 million and $164 million for U.S. commercial, $128 million, $455 million and $446 million for commercial real estate, and $0, $18 million and $68 million for U.S. small business commercial at December 31, 2013, 2012 and 2011, respectively.

Purchased Credit-impaired Loans

PCI loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. The following table provides details on PCI loans acquired in connection with the January 6, 2013 settlement with FNMA (the FNMA Settlement).

Purchased Loans at Acquisition Date

(Dollars in millions)	
Contractually required payments including interest	$ 8,274
Less: Nonaccretable difference	2,159
Cash flows expected to be collected (1)	6,115
Less: Accretable yield	1,125
Fair value of loans acquired	**$ 4,990**

(1) Represents undiscounted expected principal and interest cash flows at acquisition.

The table below shows activity for the accretable yield on PCI loans, which includes the Countrywide Financial Corporation (Countrywide) portfolio and loans repurchased in connection with the FNMA Settlement. For more information on the FNMA Settlement, see *Note 7 – Representations and Warranties Obligations and Corporate Guarantees*. The amount of accretable yield is affected by changes in credit outlooks, including metrics such as default rates and loss severities, prepayments speeds, which can change the amount and period of time over which interest payments are expected to be received, and the interest rates on variable rate loans. The reclassifications from nonaccretable difference during 2013 were due to increases in expected cash flows driven by improved home prices and lower expected defaults, along with a decrease in forecasted prepayment speeds as a result of rising interest rates. Changes in the prepayment assumption affect the expected remaining life of the portfolio which results in a change to the amount of future interest cash flows.

Rollforward of Accretable Yield

(Dollars in millions)	
Accretable yield, January 1, 2012	$ 4,990
Accretion	(1,034)
Disposals/transfers	(109)
Reclassifications from nonaccretable difference	797
Accretable yield, December 31, 2012	4,644
Accretion	**(1,194)**
Loans purchased	**1,125**
Disposals/transfers	**(361)**
Reclassifications from nonaccretable difference	**2,480**
Accretable yield, December 31, 2013	**$ 6,694**

For more information on PCI loans, see *Note 1 – Summary of Significant Accounting Principles*, and for the carrying value and valuation allowance for PCI loans, see *Note 5 – Allowance for Credit Losses*.

Loans Held-for-sale

The Corporation had LHFS of $11.4 billion and $19.4 billion at December 31, 2013 and 2012. Proceeds, including cash and securities, from sales, securitizations and paydowns of LHFS were $81.0 billion, $58.0 billion and $142.4 billion for 2013, 2012 and 2011, respectively. Amounts used for originations and purchases of LHFS were $65.7 billion, $59.5 billion and $118.2 billion for 2013, 2012 and 2011, respectively.

NOTE 5 Allowance for Credit Losses

The table below summarizes the changes in the allowance for credit losses by portfolio segment for 2013, 2012 and 2011.

(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total Allowance
	2013			
Allowance for loan and lease losses, January 1	$ 14,933	$ 6,140	$ 3,106	$ 24,179
Loans and leases charged off	(3,766)	(5,495)	(1,108)	(10,369)
Recoveries of loans and leases previously charged off	879	1,141	452	2,472
Net charge-offs	(2,887)	(4,354)	(656)	(7,897)
Write-offs of PCI loans	(2,336)	—	—	(2,336)
Provision for loan and lease losses	(1,124)	3,139	1,559	3,574
Other	(68)	(20)	(4)	(92)
Allowance for loan and lease losses, December 31	8,518	4,905	4,005	17,428
Reserve for unfunded lending commitments, January 1	—	—	513	513
Provision for unfunded lending commitments	—	—	(18)	(18)
Other	—	—	(11)	(11)
Reserve for unfunded lending commitments, December 31	—	—	484	484
Allowance for credit losses, December 31	$ 8,518	$ 4,905	$ 4,489	$ 17,912
	2012			
Allowance for loan and lease losses, January 1	$ 21,079	$ 8,569	$ 4,135	$ 33,783
Loans and leases charged off	(7,849)	(7,727)	(2,096)	(17,672)
Recoveries of loans and leases previously charged off	496	1,519	749	2,764
Net charge-offs	(7,353)	(6,208)	(1,347)	(14,908)
Write-offs of PCI loans	(2,820)	—	—	(2,820)
Provision for loan and lease losses	4,073	3,899	338	8,310
Other	(46)	(120)	(20)	(186)
Allowance for loan and lease losses, December 31	14,933	6,140	3,106	24,179
Reserve for unfunded lending commitments, January 1	—	—	714	714
Provision for unfunded lending commitments	—	—	(141)	(141)
Other	—	—	(60)	(60)
Reserve for unfunded lending commitments, December 31	—	—	513	513
Allowance for credit losses, December 31	$ 14,933	$ 6,140	$ 3,619	$ 24,692
	2011			
Allowance for loan and lease losses, January 1	$ 19,252	$ 15,463	$ 7,170	$ 41,885
Loans and leases charged off	(9,291)	(12,247)	(3,204)	(24,742)
Recoveries of loans and leases previously charged off	894	2,124	891	3,909
Net charge-offs	(8,397)	(10,123)	(2,313)	(20,833)
Provision for loan and lease losses	10,300	4,025	(696)	13,629
Other	(76)	(796)	(26)	(898)
Allowance for loan and lease losses, December 31	21,079	8,569	4,135	33,783
Reserve for unfunded lending commitments, January 1	—	—	1,188	1,188
Provision for unfunded lending commitments	—	—	(219)	(219)
Other	—	—	(255)	(255)
Reserve for unfunded lending commitments, December 31	—	—	714	714
Allowance for credit losses, December 31	$ 21,079	$ 8,569	$ 4,849	$ 34,497

In 2013, for the PCI loan portfolio, the Corporation recorded a benefit of $707 million in the provision for credit losses with a corresponding decrease in the valuation allowance included as part of the allowance for loan and lease losses. This compared to a benefit of $103 million in 2012 and expense of $2.2 billion in 2011. Write-offs in the PCI loan portfolio totaled $2.3 billion and $2.8 billion with a corresponding decrease in the PCI valuation allowance during 2013 and 2012. There were no write-offs in the PCI loan portfolio in 2011. Write-offs in 2013 included certain PCI loans that were ineligible for the National Mortgage Settlement, but had characteristics similar to the eligible loans and the expectation of future cash proceeds was considered remote. Write-offs of PCI loans in 2012 primarily related to the National Mortgage Settlement. The valuation allowance associated with the PCI loan portfolio was $2.5 billion, $5.5 billion and $8.5 billion at December 31, 2013, 2012 and 2011, respectively.

The "Other" amount under allowance for loan and lease losses primarily represents the net impact of portfolio sales, consolidations and deconsolidations, and foreign currency translation adjustments. The 2011 amount also includes a $449 million reduction in the allowance for loan and lease losses related to Canadian consumer card loans that were transferred to LHFS.

The "Other" amount under the reserve for unfunded lending commitments primarily represents accretion of the Merrill Lynch & Co., Inc. (Merrill Lynch) purchase accounting adjustment.

The table below presents the allowance and the carrying value of outstanding loans and leases by portfolio segment at December 31, 2013 and 2012.

Allowance and Carrying Value by Portfolio Segment

(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total
	December 31, 2013			
Impaired loans and troubled debt restructurings [(1)]				
Allowance for loan and lease losses [(2)]	$ 1,231	$ 579	$ 277	$ 2,087
Carrying value [(3)]	31,458	2,079	3,048	36,585
Allowance as a percentage of carrying value	3.91%	27.85%	9.09%	5.70%
Loans collectively evaluated for impairment				
Allowance for loan and lease losses	$ 4,794	$ 4,326	$ 3,728	$ 12,848
Carrying value [(3, 4)]	285,015	185,969	385,357	856,341
Allowance as a percentage of carrying value [(4)]	1.68%	2.33%	0.97%	1.50%
Purchased credit-impaired loans				
Valuation allowance	$ 2,493	n/a	n/a	$ 2,493
Carrying value gross of valuation allowance	25,265	n/a	n/a	25,265
Valuation allowance as a percentage of carrying value	9.87%	n/a	n/a	9.87%
Total				
Allowance for loan and lease losses	$ 8,518	$ 4,905	$ 4,005	$ 17,428
Carrying value [(3, 4)]	341,738	188,048	388,405	918,191
Allowance as a percentage of carrying value [(4)]	2.49%	2.61%	1.03%	1.90%
	December 31, 2012			
Impaired loans and troubled debt restructurings [(1)]				
Allowance for loan and lease losses [(2)]	$ 1,700	$ 1,139	$ 475	$ 3,314
Carrying value [(3)]	30,250	3,946	4,881	39,077
Allowance as a percentage of carrying value	5.62%	28.86%	9.73%	8.48%
Loans collectively evaluated for impairment				
Allowance for loan and lease losses	$ 7,697	$ 5,001	$ 2,631	$ 15,329
Carrying value [(3, 4)]	304,701	187,419	341,502	833,622
Allowance as a percentage of carrying value [(4)]	2.53%	2.67%	0.77%	1.84%
Purchased credit-impaired loans				
Valuation allowance	$ 5,536	n/a	n/a	$ 5,536
Carrying value gross of valuation allowance	26,118	n/a	n/a	26,118
Valuation allowance as a percentage of carrying value	21.20%	n/a	n/a	21.20%
Total				
Allowance for loan and lease losses	$ 14,933	$ 6,140	$ 3,106	$ 24,179
Carrying value [(3, 4)]	361,069	191,365	346,383	898,817
Allowance as a percentage of carrying value [(4)]	4.14%	3.21%	0.90%	2.69%

(1) Impaired loans include nonperforming commercial loans and all TDRs, including both commercial and consumer TDRs. Impaired loans exclude nonperforming consumer loans unless they are TDRs, and all consumer and commercial loans accounted for under the fair value option.
(2) Allowance for loan and lease losses includes $36 million and $97 million related to impaired U.S. small business commercial loans at December 31, 2013 and 2012.
(3) Amounts are presented gross of the allowance for loan and lease losses.
(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of $10.0 billion and $9.0 billion at December 31, 2013 and 2012.
n/a = not applicable

NOTE 6 Securitizations and Other Variable Interest Entities

The Corporation utilizes variable interest entities (VIEs) in the ordinary course of business to support its own and its customers' financing and investing needs. The Corporation routinely securitizes loans and debt securities using VIEs as a source of funding for the Corporation and as a means of transferring the economic risk of the loans or debt securities to third parties. The assets are transferred into a trust or other securitization vehicle such that the assets are legally isolated from the creditors of the Corporation and are not available to satisfy its obligations. These assets can only be used to settle obligations of the trust or other securitization vehicle. The Corporation also administers, structures or invests in other VIEs including CDOs, investment vehicles and other entities. For more information on the Corporation's utilization of VIEs, see *Note 1 – Summary of Significant Accounting Principles*.

The tables within this Note present the assets and liabilities of consolidated and unconsolidated VIEs at December 31, 2013 and 2012, in situations where the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE. The tables also present the Corporation's maximum loss exposure at December 31, 2013 and 2012 resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest. The Corporation's maximum loss exposure is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum loss exposure does not include losses previously recognized through write-downs of assets.

The Corporation invests in asset-backed securities (ABS) issued by third-party VIEs with which it has no other form of involvement. These securities are included in *Note 20 – Fair Value Measurements* and *Note 3 – Securities.* In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities. For additional information, see *Note 11 – Long-term Debt*. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio, as described in *Note 4 – Outstanding Loans and Leases*. The Corporation uses VIEs, such as cash funds managed within *Global Wealth & Investment Management (GWIM)*, to provide investment opportunities for clients. These VIEs, which are not consolidated by the Corporation, are not included in the tables within this Note.

Except as described below, the Corporation did not provide financial support to consolidated or unconsolidated VIEs during 2013 or 2012 that it was not previously contractually required to provide, nor does it intend to do so.

Mortgage-related Securitizations

First-lien Mortgages

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originates or purchases from third parties, generally in the form of MBS guaranteed by government-sponsored enterprises, FNMA and FHLMC (collectively the GSEs), or GNMA in the case of FHA-insured and U.S. Department of Veterans Affairs (VA)-guaranteed mortgage loans. Securitization usually occurs in conjunction with or shortly after origination or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages it originates or purchases from other entities. The Corporation typically services the loans it securitizes. Further, the Corporation may retain beneficial interests in the securitization trusts including senior and subordinate securities and equity tranches issued by the trusts. Except as described below and in *Note 7 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties.

The table below summarizes select information related to first-lien mortgage securitizations for 2013 and 2012.

First-lien Mortgage Securitizations

	Residential Mortgage - Agency		Commercial Mortgage	
(Dollars in millions)	**2013**	2012	**2013**	2012
Cash proceeds from new securitizations [1]	**$ 49,888**	$ 39,526	**$ 5,326**	$ 2,664
Gain (loss) on securitizations [2]	**81**	(212)	**119**	65

(1) The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third-party investors for cash proceeds.
(2) Substantially all of the first-lien residential and commercial mortgage loans securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. The Corporation recognized $2.0 billion of gains, net of hedges, on loans securitized during both 2013 and 2012.

In addition to cash proceeds as reported in the table above, the Corporation received securities with an initial fair value of $3.3 billion and $3.2 billion in connection with first-lien mortgage securitizations in 2013 and 2012. All of these securities were initially classified as Level 2 assets within the fair value hierarchy. During 2013 and 2012, there were no changes to the initial classification.

The Corporation recognizes consumer MSRs from the sale or securitization of first-lien mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $2.9 billion and $4.7 billion in 2013 and 2012. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $14.1 billion and $23.2 billion at December 31, 2013 and 2012. The Corporation may have the option to repurchase delinquent loans out of securitization trusts, which reduces the amount of servicing advances it is required to make. During 2013 and 2012, $10.8 billion and $9.2 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or to perform modifications. The majority of these loans repurchased were FHA-insured mortgages collateralizing GNMA securities. For more information on MSRs, see *Note 23 – Mortgage Servicing Rights*.

The table below summarizes select information related to first-lien mortgage securitization trusts in which the Corporation held a variable interest at December 31, 2013 and 2012.

First-lien Mortgage VIEs

	Residential Mortgage									
			Non-agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
	December 31				December 31				December 31	
(Dollars in millions)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Unconsolidated VIEs										
Maximum loss exposure [1]	**$ 21,140**	$ 28,591	**$ 1,527**	$ 2,038	**$ 406**	$ 410	**$ 437**	$ 367	**$ 432**	$ 702
On-balance sheet assets										
Senior securities held [2]:										
Trading account assets	**$ 650**	$ 619	**$ —**	$ 16	**$ 1**	$ 14	**$ 3**	$ —	**$ 14**	$ 12
Debt securities carried at fair value	**19,451**	26,421	**988**	1,388	**220**	210	**109**	128	**306**	581
Subordinate securities held [2]:										
Trading account assets	**—**	—	**—**	—	**8**	3	**—**	—	**13**	13
Debt securities carried at fair value	**—**	—	**15**	21	**6**	9	**—**	—	**53**	—
Residual interests held	**—**	—	**13**	18	**—**	9	**—**	—	**16**	40
All other assets [3]	**1,039**	1,551	**71**	64	**1**	1	**325**	239	**—**	—
Total retained positions	**$ 21,140**	$ 28,591	**$ 1,087**	$ 1,507	**$ 236**	$ 246	**$ 437**	$ 367	**$ 402**	$ 646
Principal balance outstanding [4]	**$ 437,765**	$ 780,202	**$ 25,104**	$ 47,348	**$ 36,854**	$ 63,813	**$ 56,454**	$ 80,860	**$ 19,730**	$ 56,733
Consolidated VIEs										
Maximum loss exposure [1]	**$ 42,420**	$ 46,959	**$ 79**	$ 104	**$ 368**	$ 390	**$ —**	$ —	**$ —**	$ —
On-balance sheet assets										
Trading account assets	**$ 1,640**	$ —	**$ —**	$ —	**$ —**	$ —	**$ —**	$ —	**$ —**	$ —
Loans and leases	**40,316**	45,991	**140**	283	**803**	722	**—**	—	**—**	—
Allowance for loan and lease losses	**(3)**	(4)	**—**	—	**—**	—	**—**	—	**—**	—
Loans held-for-sale	**—**	—	**—**	—	**—**	914	**—**	—	**—**	—
All other assets	**474**	972	**—**	10	**7**	91	**—**	—	**—**	—
Total assets	**$ 42,427**	$ 46,959	**$ 140**	$ 293	**$ 810**	$ 1,727	**$ —**	$ —	**$ —**	$ —
On-balance sheet liabilities										
Short-term borrowings	**$ —**	$ —	**$ —**	$ —	**$ —**	$ 741	**$ —**	$ —	**$ —**	$ —
Long-term debt	**7**	—	**61**	212	**803**	941	**—**	—	**—**	—
All other liabilities	**—**	—	**—**	—	**7**	—	**—**	—	**—**	—
Total liabilities	**$ 7**	$ —	**$ 61**	$ 212	**$ 810**	$ 1,682	**$ —**	$ —	**$ —**	$ —

(1) Maximum loss exposure excludes the liability for representations and warranties obligations and corporate guarantees and also excludes servicing advances and MSRs. For additional information, see *Note 7 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 23 – Mortgage Servicing Rights*.
(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During 2013 and 2012, there were no OTTI losses recorded on those securities classified as AFS debt securities.
(3) Not included in the table above are all other assets of $1.6 billion and $12.1 billion, representing the unpaid principal balance of mortgage loans eligible for repurchase from unconsolidated residential mortgage securitization vehicles, principally guaranteed by GNMA, and all other liabilities of $1.6 billion and $12.1 billion, representing the principal amount that would be payable to the securitization vehicles if the Corporation were to exercise the repurchase option, at December 31, 2013 and 2012.
(4) Principal balance outstanding includes loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loans.

During 2013 and 2012, the Corporation deconsolidated several non-agency residential mortgage trusts with total assets of $871 million and $1.2 billion following the sale of retained interests or the transfer of servicing to a third party.

Home Equity Loans

The Corporation retains interests in home equity securitization trusts to which it transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. In addition, the Corporation may be obligated to provide subordinate funding to the trusts during a rapid amortization event. The Corporation also services the loans in the trusts. Except as described below and in *Note 7 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties. There were no securitizations of home equity loans during 2013 and 2012 and all of the home equity trusts have entered the rapid amortization phase.

The table below summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at December 31, 2013 and 2012.

Home Equity Loan VIEs

	December 31					
	2013			2012		
(Dollars in millions)	Consolidated VIEs	Unconsolidated VIEs	Total	Consolidated VIEs	Unconsolidated VIEs	Total
Maximum loss exposure [1]	$ 1,269	$ 6,217	$ 7,486	$ 2,004	$ 6,707	$ 8,711
On-balance sheet assets						
Trading account assets	$ —	$ 12	$ 12	$ —	$ 8	$ 8
Debt securities carried at fair value	—	25	25	—	14	14
Loans and leases	1,329	—	1,329	2,197	—	2,197
Allowance for loan and lease losses	(80)	—	(80)	(193)	—	(193)
All other assets	20	—	20	—	—	—
Total	$ 1,269	$ 37	$ 1,306	$ 2,004	$ 22	$ 2,026
On-balance sheet liabilities						
Long-term debt	$ 1,450	$ —	$ 1,450	$ 2,331	$ —	$ 2,331
All other liabilities	90	—	90	92	—	92
Total	$ 1,540	$ —	$ 1,540	$ 2,423	$ —	$ 2,423
Principal balance outstanding	$ 1,329	$ 7,542	$ 8,871	$ 2,197	$ 12,644	$ 14,841

(1) For unconsolidated VIEs, the maximum loss exposure includes outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves, and excludes the liability for representations and warranties obligations and corporate guarantees.

The maximum loss exposure in the table above includes the Corporation's obligation to provide subordinated funding to certain consolidated and unconsolidated home equity loan securitizations that have entered a rapid amortization period. During this period, cash payments from borrowers are accumulated to repay outstanding debt securities and the Corporation continues to make advances to borrowers when they draw on their lines of credit. At December 31, 2013 and 2012, home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation, including both consolidated and unconsolidated trusts, had $7.6 billion and $9.0 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the undrawn available credit on the home equity lines, which totaled $82 million and $196 million at December 31, 2013 and 2012, as well as performance of the loans, the amount of subsequent draws and the timing of related cash flows. At December 31, 2013 and 2012, the reserve for losses on expected future draw obligations on the home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation was $12 million and $51 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $47 million and $59 million of servicing fee income related to home equity loan securitizations during 2013 and 2012. The Corporation repurchased $287 million and $87 million of loans from home equity securitization trusts during 2013 and 2012 to perform modifications.

During 2013, the Corporation transferred servicing for consolidated home equity securitization trusts with total assets of $475 million and total liabilities of $616 million to a third party. As the Corporation no longer services the underlying loans, these trusts were deconsolidated, resulting in a gain of $141 million that was recorded in other income (loss) in the Consolidated Statement of Income.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The seller's interest in the trusts, which is pari passu to the investors' interest, and the discount receivables are classified in loans and leases.

The table below summarizes select information related to consolidated credit card securitization trusts in which the Corporation held a variable interest at December 31, 2013 and 2012.

Credit Card VIEs

	December 31	
(Dollars in millions)	**2013**	2012
Consolidated VIEs		
Maximum loss exposure	**$ 49,621**	$ 42,487
On-balance sheet assets		
Derivative assets	**$ 182**	$ 323
Loans and leases [1]	**61,241**	66,427
Allowance for loan and lease losses	**(2,585)**	(3,445)
Loans held-for-sale	**386**	—
All other assets [2]	**2,281**	1,567
Total	**$ 61,505**	$ 64,872
On-balance sheet liabilities		
Long-term debt	**$ 11,822**	$ 22,291
All other liabilities	**62**	94
Total	**$ 11,884**	$ 22,385

(1) At December 31, 2013 and 2012, loans and leases included $41.2 billion and $33.5 billion of seller's interest and $14 million and $124 million of discount receivables.

(2) At December 31, 2013 and 2012, all other assets included restricted cash and short-term investment accounts and unbilled accrued interest and fees.

The Corporation holds subordinate securities with a notional principal amount of $7.9 billion and $10.1 billion at December 31, 2013 and 2012, and a stated interest rate of zero percent issued by certain credit card securitization trusts. In addition, during 2010 and 2009, the Corporation elected to designate a specified percentage of new receivables transferred to the trusts as "discount receivables" such that principal collections thereon are added to finance charges which increases the yield in the trust. Through the designation of newly transferred receivables as discount receivables, the Corporation subordinated a portion of its seller's interest to the investors' interest. These actions were taken to address the decline in the excess spread of the U.S. and U.K. credit card securitization trusts at that time.

During 2012, the Corporation transferred $553 million of credit card receivables to a third-party sponsored securitization vehicle. The Corporation no longer services the credit card receivables and does not consolidate the vehicle. At December 31, 2013 and 2012, the Corporation held a senior interest of $272 million and $309 million in these receivables, classified in loans and leases, that is not included in the table above.

Other Asset-backed Securitizations

Other asset-backed securitizations include resecuritization trusts, municipal bond trusts, and automobile and other securitization trusts. The table below summarizes select information related to other asset-backed securitizations in which the Corporation held a variable interest at December 31, 2013 and 2012.

Other Asset-backed VIEs

(Dollars in millions)	Resecuritization Trusts		Municipal Bond Trusts		Automobile and Other Securitization Trusts	
	December 31		December 31		December 31	
	2013	2012	**2013**	2012	**2013**	2012
Unconsolidated VIEs						
Maximum loss exposure	**$ 11,913**	$ 20,715	**$ 2,192**	$ 3,341	**$ 81**	$ 122
On-balance sheet assets						
Senior securities held [1, 2]:						
Trading account assets	**$ 971**	$ 1,281	**$ 53**	$ 12	**$ 1**	$ 37
Debt securities carried at fair value	**10,866**	19,343	**—**	540	**70**	74
Subordinate securities held [1, 2]:						
Debt securities carried at fair value	**71**	75	**—**	—	**—**	—
Residual interests held [3]	**5**	16	**—**	—	**—**	—
All other assets	**—**	—	**—**	—	**10**	11
Total retained positions	**$ 11,913**	$ 20,715	**$ 53**	$ 552	**$ 81**	$ 122
Total assets of VIEs [4]	**$ 40,924**	$ 42,818	**$ 3,643**	$ 4,980	**$ 1,788**	$ 1,890
Consolidated VIEs						
Maximum loss exposure	**$ 164**	$ 126	**$ 2,667**	$ 2,505	**$ 94**	$ 1,255
On-balance sheet assets						
Trading account assets	**$ 319**	$ 220	**$ 2,684**	$ 2,505	**$ —**	$ —
Loans and leases	**—**	—	**—**	—	**680**	2,523
Allowance for loan and lease losses	**—**	—	**—**	—	**—**	(2)
All other assets	**—**	—	**—**	—	**61**	250
Total assets	**$ 319**	$ 220	**$ 2,684**	$ 2,505	**$ 741**	$ 2,771
On-balance sheet liabilities						
Short-term borrowings	**$ —**	$ —	**$ 1,073**	$ 2,859	**$ —**	$ —
Long-term debt	**155**	94	**17**	—	**646**	1,513
All other liabilities	**—**	—	**—**	—	**1**	82
Total liabilities	**$ 155**	$ 94	**$ 1,090**	$ 2,859	**$ 647**	$ 1,595

(1) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During 2013 and 2012, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(2) The retained senior and subordinate securities were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy).

(3) The retained residual interests are carried at fair value which was derived using model valuations (Level 2 of the fair value hierarchy).

(4) Total assets include loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loan.

Resecuritization Trusts

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also resecuritize securities within its investment portfolio for purposes of improving liquidity and capital, and managing credit or interest rate risk. Generally, there are no significant ongoing activities performed in a resecuritization trust and no single investor has the unilateral ability to liquidate the trust.

The Corporation resecuritized $22.2 billion of securities in 2013 and $37.4 billion in 2012. All of the securities transferred into resecuritization vehicles during 2013 and 2012 were classified as trading account assets. As such, changes in fair value were recorded in trading account profits prior to the resecuritization and no gain or loss on sale was recorded.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third-party investors. The Corporation may transfer assets into the trusts and may also serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates. Should the Corporation be unable to remarket the tendered certificates, it may be obligated to purchase them at par under standby liquidity facilities. The Corporation also provides credit enhancement to investors in certain municipal bond trusts whereby the Corporation guarantees the payment of interest and principal on floating-rate certificates issued by these trusts in the event of default by the issuer of the underlying municipal bond.

During 2013 and 2012, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $188 million and $879 million. The securities transferred into municipal bond trusts during 2013 and 2012 were primarily classified as trading account assets. As such, changes in fair value were recorded in trading account profits prior to the transfer and no gain or loss on sale was recorded.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts, including those for which the Corporation was transferor, totaled $2.1 billion and $2.8 billion at December 31, 2013 and 2012. The weighted-average remaining life of bonds held in the trusts at December 31, 2013 was 8.2 years. There were no material write-downs or downgrades of assets or issuers during 2013 and 2012.

Automobile and Other Securitization Trusts

The Corporation transfers automobile and other loans into securitization trusts, typically to improve liquidity or manage credit risk. During 2012, the Corporation transferred automobile loans into an unconsolidated automobile trust, receiving cash proceeds of $2.4 billion and recording a loss on sale of $7 million. At December 31, 2013 and 2012, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $2.5 billion and $4.7 billion, including trusts collateralized by automobile loans of $877 million and $3.5 billion, student loans of $741 million and $897 million, and other loans of $911 million and $290 million.

Other Variable Interest Entities

The table below summarizes select information related to other VIEs in which the Corporation held a variable interest at December 31, 2013 and 2012.

Other VIEs

	December 31					
	2013			2012		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 9,716**	**$ 12,523**	**$ 22,239**	$ 10,803	$ 9,269	$ 20,072
On-balance sheet assets						
Trading account assets	**$ 3,769**	**$ 1,420**	**$ 5,189**	$ 5,181	$ 356	$ 5,537
Derivative assets	**3**	**739**	**742**	10	1,277	1,287
Debt securities carried at fair value	**—**	**1,944**	**1,944**	—	39	39
Loans and leases	**4,609**	**270**	**4,879**	5,084	67	5,151
Allowance for loan and lease losses	**(6)**	**—**	**(6)**	(14)	—	(14)
Loans held-for-sale	**998**	**85**	**1,083**	1,055	157	1,212
All other assets	**1,734**	**6,167**	**7,901**	1,764	5,844	7,608
Total	**$ 11,107**	**$ 10,625**	**$ 21,732**	$ 13,080	$ 7,740	$ 20,820
On-balance sheet liabilities						
Short-term borrowings	**$ 77**	**$ —**	**$ 77**	$ 131	$ —	$ 131
Long-term debt [1]	**4,487**	**—**	**4,487**	6,874	—	6,874
All other liabilities	**93**	**2,538**	**2,631**	92	2,092	2,184
Total	**$ 4,657**	**$ 2,538**	**$ 7,195**	$ 7,097	$ 2,092	$ 9,189
Total assets of VIEs	**$ 11,107**	**$ 38,505**	**$ 49,612**	$ 13,080	$ 39,700	$ 52,780

(1) Includes $1.3 billion, $1.2 billion and $780 million of long-term debt at December 31, 2013 and $2.8 billion, $1.2 billion and $780 million of long-term debt at December 31, 2012 issued by consolidated CDO vehicles, customer vehicles and investment vehicles, respectively, which has recourse to the general credit of the Corporation.

Customer Vehicles

Customer vehicles include credit-linked, equity-linked and commodity-linked note vehicles, repackaging vehicles, and asset acquisition vehicles, which are typically created on behalf of customers who wish to obtain market or credit exposure to a specific company, index, commodity price or financial instrument. The Corporation may transfer assets to and invest in securities issued by these vehicles. The Corporation typically enters into credit, equity, interest rate, commodity or foreign currency derivatives to synthetically create or alter the investment profile of the issued securities.

The Corporation's maximum loss exposure to consolidated and unconsolidated customer vehicles totaled $5.9 billion and $4.4 billion at December 31, 2013 and 2012, including the notional amount of derivatives to which the Corporation is a counterparty, net of losses previously recorded, and the Corporation's investment, if any, in securities issued by the vehicles. The maximum loss exposure has not been reduced to reflect the benefit of offsetting swaps with the customers or collateral arrangements. The Corporation also had liquidity commitments, including written put options and collateral value guarantees, with certain unconsolidated vehicles of $748 million and $742 million at December 31, 2013 and 2012, that are included in the table above.

Collateralized Debt Obligation Vehicles

The Corporation receives fees for structuring CDO vehicles, which hold diversified pools of fixed-income securities, typically corporate debt or ABS, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of CDS to synthetically create exposure to fixed-income securities. CLOs, which are a subset of CDOs, hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third-party portfolio managers. The Corporation typically transfers assets to these CDOs, holds securities issued by the CDOs and may be a derivative counterparty to the CDOs, including a CDS counterparty for synthetic CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation absorbs the economic returns generated by specified assets held by the CDO.

The Corporation's maximum loss exposure to consolidated and unconsolidated CDOs totaled $2.1 billion and $3.6 billion at December 31, 2013 and 2012. This exposure is calculated on a gross basis and does not reflect any benefit from insurance purchased from third parties.

At December 31, 2013, the Corporation had $1.3 billion of aggregate liquidity exposure, included in the Other VIEs table net of previously recorded losses, to unconsolidated CDOs which hold senior CDO debt securities or other debt securities on the Corporation's behalf. For additional information, see *Note 12 – Commitments and Contingencies*.

Investment Vehicles

The Corporation sponsors, invests in or provides financing, which may be in connection with the sale of assets, to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors or the Corporation. At December 31, 2013 and 2012, the Corporation's consolidated investment vehicles had total assets of $1.2 billion and $1.3 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $5.5 billion and $3.0 billion at December 31, 2013 and 2012. The Corporation's maximum loss exposure associated with both consolidated and unconsolidated investment vehicles totaled $4.2 billion and $2.1 billion at December 31, 2013 and 2012 comprised primarily of on-balance sheet assets less non-recourse liabilities.

During 2013, the Corporation transferred servicing advance receivables to independent third parties in connection with the sale of MSRs. Portions of the receivables were transferred into unconsolidated securitization trusts. The Corporation retained senior interests in such receivables with a maximum loss exposure and funding obligation of $2.5 billion, including a funded balance of $1.9 billion at December 31, 2013, which was classified in other debt securities carried at fair value.

Leveraged Lease Trusts

The Corporation's net investment in consolidated leveraged lease trusts totaled $3.8 billion and $4.4 billion at December 31, 2013 and 2012. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation structures the trusts and holds a significant residual interest. The net investment represents the Corporation's maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is non-recourse to the Corporation.

Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of $5.8 billion and $5.4 billion at December 31, 2013 and 2012, which primarily consisted of investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing and commercial real estate. An unrelated third party is typically the general partner and has control over the significant activities of the partnership. The Corporation earns a return primarily through the receipt of tax credits allocated to the real estate projects. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Other Asset-backed Financing Arrangements

The Corporation transferred pools of securities to certain independent third parties and provided financing for up to 75 percent of the purchase price under asset-backed financing arrangements. At December 31, 2013 and 2012, the Corporation's maximum loss exposure under these financing arrangements was $1.1 billion and $2.5 billion, substantially all of which is classified in loans and leases. All principal and interest payments have been received when due in accordance with their contractual terms. These arrangements are not included in the Other VIEs table because the purchasers are not VIEs.

NOTE 7 Representations and Warranties Obligations and Corporate Guarantees

Background

The Corporation securitizes first-lien residential mortgage loans generally in the form of MBS guaranteed by the GSEs or by GNMA in the case of FHA-insured, VA-guaranteed and Rural Housing Service-guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities) or in the form of whole loans. In connection with these transactions, the Corporation or certain of its subsidiaries or legacy companies make or have made various representations and warranties. These representations and warranties, as set forth in the agreements, related to, among other things, the ownership of the loan, the validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, the process used to select the loan for inclusion in a transaction, the loan's compliance with any applicable loan criteria, including underwriting standards, and the loan's compliance with applicable federal, state and local laws. Breaches of these representations and warranties have resulted in and may continue to result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, HUD with respect to FHA-insured loans, VA, whole-loan investors, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In all such cases, the Corporation would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guarantee payments that it may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan investor, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor, where the contract so provides. In the case of private-label securitizations, the applicable agreements may permit investors, which may include the GSEs, with contractually sufficient holdings to direct or influence action by the securitization trustee. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a

breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, or of the monoline insurer or other financial guarantor (as applicable) in the loan. Contracts with the GSEs do not contain equivalent language. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved promptly. The Corporation believes that the longer a loan performs prior to default, the less likely it is that an alleged underwriting breach of representations and warranties would have a material impact on the loan's performance.

The estimate of the liability for representations and warranties exposures and the corresponding estimated range of possible loss is based upon currently available information, significant judgment, and a number of factors and assumptions, including those discussed in Liability for Representations and Warranties and Corporate Guarantees in this Note, that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on the Corporation's results of operations for any particular period. Given that these factors vary by counterparty, the Corporation analyzes representations and warranties obligations based on the specific counterparty, or type of counterparty, with whom the sale was made.

Settlement Actions

The Corporation has vigorously contested any request for repurchase when it concludes that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, the Corporation has reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been significant, with counterparties in lieu of a loan-by-loan review process. The Corporation may reach other settlements in the future if opportunities arise on terms it believes to be advantageous. However, there can be no assurance that the Corporation will reach future settlements or, if it does, that the terms of past settlements can be relied upon to predict the terms of future settlements. The following provides a summary of the larger bulk settlement actions during the past few years.

Freddie Mac Settlement

On November 27, 2013, the Corporation entered into an agreement with Freddie Mac (FHLMC) under which the Corporation paid FHLMC a total of $404 million (less credits of $13 million) to resolve all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breach of selling representations and warranties related to loans that had been sold directly to FHLMC by entities related to Bank of America, N.A. from January 1, 2000 to December 31, 2009, and to compensate FHLMC for certain past losses and potential future losses relating to denials, rescissions and cancellations of mortgage insurance.

In 2010, the Corporation had entered into an agreement with FHLMC to resolve all outstanding and potential representations and warranties claims related to loans sold by Countrywide to FHLMC through 2008.

With these agreements, combined with prior settlements with Fannie Mae (FNMA), the Corporation has resolved substantially all outstanding and potential representations and warranties claims on whole loans sold by legacy Bank of America and Countrywide to FNMA and FHLMC through 2008 and 2009, respectively, subject to certain exceptions which the Corporation does not believe are material. For further discussion of the settlements with the GSEs, see Fannie Mae Settlement and Government-sponsored Enterprises Experience in this Note.

Fannie Mae Settlement

On January 6, 2013, the Corporation entered into an agreement with FNMA to resolve substantially all outstanding and potential repurchase and certain other claims relating to the origination, sale and delivery of residential mortgage loans originated from January 1, 2000 through December 31, 2008 and sold directly to FNMA by entities related to Countrywide and BANA.

This agreement covers loans with an aggregate original principal balance of approximately $1.4 trillion and an aggregate outstanding principal balance of approximately $300 billion. Unresolved repurchase claims submitted by FNMA for alleged breaches of selling representations and warranties with respect to these loans totaled $12.2 billion of unpaid principal balance at December 31, 2012. This agreement extinguished substantially all of those unresolved repurchase claims, as well as any future representations and warranties repurchase claims associated with such loans, subject to certain exceptions which the Corporation does not expect to be material.

In January 2013, the Corporation made a cash payment to FNMA of $3.6 billion and also repurchased for $6.6 billion certain residential mortgage loans that had previously been sold to FNMA, which the Corporation has valued at less than the purchase price.

This agreement also clarified the parties' obligations with respect to MI including establishing timeframes for certain payments and other actions, setting parameters for potential bulk settlements and providing for cooperation in future dealings with mortgage insurers. For additional information, see Mortgage Insurance Rescission Notices in this Note.

In addition, pursuant to a separate agreement, the Corporation settled substantially all of FNMA's outstanding and future claims for compensatory fees arising out of foreclosure delays through December 31, 2012.

Collectively, these agreements are referred to herein as the FNMA Settlement. The Corporation was fully reserved at December 31, 2012 for the FNMA Settlement.

Monoline Settlements

MBIA Settlement

On May 7, 2013, the Corporation entered into a comprehensive settlement with MBIA Inc. and certain of its affiliates (the MBIA Settlement) which resolved all outstanding litigation between the parties, as well as other claims between the parties, including outstanding and potential claims from MBIA related to alleged representations and warranties breaches and other claims involving certain first- and second-lien RMBS trusts for which MBIA provided financial guarantee insurance, certain of which claims were the subject of litigation. At the time of the settlement, the mortgages (first- and second-lien) in RMBS trusts covered by the MBIA Settlement had an original principal balance of $54.8 billion and an unpaid principal balance of $19.1 billion.

Under the MBIA Settlement, all pending litigation between the parties was dismissed and each party received a global release of those claims. The Corporation made a settlement payment to MBIA of $1.6 billion in cash and transferred to MBIA approximately $95 million in fair market value of notes issued by MBIA and previously held by the Corporation. In addition, MBIA issued to the

Corporation warrants to purchase up to approximately 4.9 percent of MBIA's currently outstanding common stock, at an exercise price of $9.59 per share, which may be exercised at any time prior to May 2018. In addition, the Corporation provided a senior secured $500 million credit facility to an affiliate of MBIA, which has since been closed.

The parties also terminated various CDS transactions entered into between the Corporation and a MBIA-affiliate, LaCrosse Financial Products, LLC, and guaranteed by MBIA, which constituted all of the outstanding CDS protection agreements purchased by the Corporation from MBIA on commercial mortgage-backed securities (CMBS). Collectively, those CDS transactions had a notional amount of $7.4 billion and a fair value of $813 million as of March 31, 2013. The parties also terminated certain other trades in order to close out positions between the parties. The termination of these trades did not have a material impact on the Corporation's financial statements.

Syncora Settlement

On July 17, 2012, the Corporation entered into a settlement with a monoline insurer, Syncora Guarantee Inc. and Syncora Holdings, Ltd. (Syncora), to resolve all of Syncora's outstanding and potential claims related to alleged representations and warranties breaches involving eight first- and six second-lien private-label securitization trusts where it provided financial guarantee insurance. The settlement covers private-label securitization trusts that had an original principal balance of first-lien mortgages of approximately $9.6 billion and second-lien mortgages of approximately $7.7 billion. The settlement provided for a cash payment of $375 million to Syncora and other transactions to terminate certain other relationships among the parties.

Assured Guaranty Settlement

On April 14, 2011, the Corporation, including its Countrywide affiliates, entered into a settlement with Assured Guaranty to resolve all of Assured Guaranty's outstanding and potential repurchase claims related to alleged representations and warranties breaches involving 21 first- and eight second-lien RMBS trusts where Assured Guaranty provided financial guarantee insurance. The settlement resolves historical loan servicing issues and other potential liabilities with respect to those trusts. The settlement covers RMBS trusts that had an original principal balance of approximately $35.8 billion and total unpaid principal balance of approximately $20.2 billion as of April 14, 2011. The settlement provided for cash payments totaling approximately $1.1 billion to Assured Guaranty, a loss-sharing reinsurance arrangement with an expected value of approximately $470 million at the time of the settlement and other terms, including termination of certain derivative contracts.

Settlement with the Bank of New York Mellon, as Trustee

On June 28, 2011, the Corporation, BAC Home Loans Servicing, LP (BAC HLS, which was subsequently merged with and into BANA in July 2011), and its Countrywide affiliates entered into a settlement agreement with Bank of New York Mellon (BNY Mellon) as trustee (the Trustee), to resolve all outstanding and potential claims related to alleged representations and warranties breaches (including repurchase claims), substantially all historical loan servicing claims and certain other historical claims with respect to 525 Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (the Covered Trusts) containing loans principally originated between 2004 and 2008 for which BNY Mellon acts as trustee or indenture trustee (BNY Mellon Settlement). The Covered Trusts had an original principal balance of approximately $424 billion, of which $409 billion was originated between 2004 and 2008, and total outstanding principal and unpaid principal balance of loans that had defaulted (collectively unpaid principal balance) of approximately $220 billion at June 28, 2011, of which $217 billion was originated between 2004 and 2008. The BNY Mellon Settlement is supported by a group of 22 institutional investors (the Investor Group) and is subject to final court approval and certain other conditions.

The BNY Mellon Settlement provides for a cash payment of $8.5 billion (the Settlement Payment) to the Trustee for distribution to the Covered Trusts after final court approval of the BNY Mellon Settlement. In addition to the Settlement Payment, the Corporation is obligated to pay attorneys' fees and costs to the Investor Group's counsel as well as all fees and expenses incurred by the Trustee related to obtaining final court approval of the BNY Mellon Settlement and certain tax rulings.

The BNY Mellon Settlement does not cover a small number of Countrywide-issued first-lien non-GSE RMBS transactions with loans originated principally between 2004 and 2008 for various reasons, including for example, six Countrywide-issued first-lien non-GSE RMBS transactions in which BNY Mellon is not the trustee. The BNY Mellon Settlement also does not cover Countrywide-issued second-lien securitization transactions in which a monoline insurer or other financial guarantor provides financial guaranty insurance. In addition, because the settlement is with the Trustee on behalf of the Covered Trusts and releases rights under the governing agreements for the Covered Trusts, the settlement does not release investors' securities law or fraud claims based upon disclosures made in connection with their decision to purchase, sell or hold securities issued by the Covered Trusts. To date, various investors are pursuing securities law or fraud claims related to one or more of the Covered Trusts. The Corporation is not able to determine whether any additional securities law or fraud claims will be made by investors in the Covered Trusts. For information about mortgage-related securities law or fraud claims, see Litigation and Regulatory Matters in *Note 12 – Commitments and Contingencies*. For those Covered Trusts where a monoline insurer or other financial guarantor has an independent right to assert repurchase claims directly, the BNY Mellon Settlement does not release such insurer's or guarantor's repurchase claims.

Under an order entered by the court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both. On May 3, 2013, pursuant to the court-ordered schedule for filing objections, 13 groups or entities filed five briefs formally objecting to the BNY Mellon Settlement. Several former intervenor-objectors either expressly withdrew from the proceeding or elected not to file an objection at the objection deadline, including the Attorneys General of New York and Delaware, the Federal Deposit Insurance Corporation (FDIC) and the Federal Housing Finance Agency (FHFA). After additional withdrawals, 11 objectors remained in the proceeding at the conclusion of the court approval hearing.

The BNY Mellon Settlement remains subject to final court approval and certain other conditions. It is not currently possible to predict the ultimate outcome or timing of the court approval process, which can include appeals and could take a substantial period of time. The court approval hearing began in the New York Supreme Court, New York County, on June 3, 2013 and concluded on November 21, 2013. On January 31, 2014, the court issued a decision, order and judgment approving the BNY Mellon Settlement. The court overruled the objections to the settlement, holding that the Trustee, BNY Mellon, acted in good faith, within its discretion and within the bounds of reasonableness in determining that the settlement agreement was in the best interests of the covered trusts. The court declined to approve the Trustee's conduct only with respect to the Trustee's consideration of a potential claim that a loan must be repurchased if the servicer modifies its terms. On February 4, 2014, one of the objectors filed a motion to stay entry of judgment and to hold additional proceedings in the trial court on issues it alleged had not been litigated or decided by the court in its January 31, 2014 decision, order and judgment. On February 18, 2014, the same objector also filed a motion for reargument of the trial court's January 31, 2014 decision. The court held a hearing on the motion to stay on February 19, 2014, and rejected the application for stay and for further proceedings in the trial court. The court also ruled it would not hold oral argument on the objector's motion for reargument before April 2014. On February 21, 2014, final judgment was entered and the Trustee filed a notice of appeal regarding the court's ruling on loan modification claims in the settlement. The court's January 31, 2014 decision, order and judgment remain subject to appeal and the motion to reargue, and it is not possible to predict the timetable for appeals or when the court approval process will be completed.

If final court approval is not obtained by December 31, 2015, the Corporation and Countrywide may withdraw from the BNY Mellon Settlement, if the Trustee consents. The BNY Mellon Settlement also provides that if Covered Trusts holding loans with an unpaid principal balance exceeding a specified amount are excluded from the final BNY Mellon Settlement, based on investor objections or otherwise, the Corporation and Countrywide have the option to withdraw from the BNY Mellon Settlement pursuant to the terms of the BNY Mellon Settlement agreement.

There can be no assurance that final court approval of the settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that the Corporation and Countrywide will not withdraw from the settlement. If final court approval is not obtained or if the Corporation and Countrywide withdraw from the BNY Mellon Settlement in accordance with its terms, the Corporation's future representations and warranties losses could be substantially different from existing accruals and the estimated range of possible loss over existing accruals described under Whole-loan Sales and Private-label Securitizations Experience in this Note.

Unresolved Repurchase Claims

Unresolved representations and warranties repurchase claims represent the notional amount of repurchase claims made by counterparties, typically the outstanding principal balance or the unpaid principal balance at the time of default. In the case of first-lien mortgages, the claim amount is often significantly greater than the expected loss amount due to the benefit of collateral and, in some cases, MI or mortgage guarantee payments. Claims received from a counterparty remain outstanding until the underlying loan is repurchased, the claim is rescinded by the counterparty, or the claim is otherwise resolved. When a claim is denied and the Corporation does not receive a response from the counterparty, the claim remains in the unresolved repurchase claims balance until resolution.

The table below presents unresolved repurchase claims at December 31, 2013 and 2012. The unresolved repurchase claims include only claims where the Corporation believes that the counterparty has the contractual right to submit claims. For additional information, see Whole-loan Sales and Private-label Securitizations Experience in this Note and *Note 12 – Commitments and Contingencies*. These repurchase claims do not include any repurchase claims related to the BNY Mellon Settlement regarding the Covered Trusts.

Unresolved Repurchase Claims by Counterparty and Product Type (1, 2)

(Dollars in millions)	December 31 2013	2012
By counterparty		
Private-label securitization trustees, whole-loan investors, including third-party securitization sponsors and other (3)	**$ 17,953**	$ 12,222
Monolines	**1,532**	2,442
GSEs	**170**	13,437
Total unresolved repurchase claims by counterparty (3)	**$ 19,655**	$ 28,101
By product type		
Prime loans	**$ 623**	$ 8,724
Alt-A	**1,536**	5,422
Home equity	**1,889**	2,390
Pay option	**5,776**	5,877
Subprime	**7,502**	4,227
Other	**2,329**	1,461
Total unresolved repurchase claims by product type (3)	**$ 19,655**	$ 28,101

(1) The total notional amount of unresolved repurchase claims does not include any repurchase claims related to the trusts covered by the BNY Mellon Settlement.

(2) At December 31, 2013 and 2012, unresolved repurchase claims did not include repurchase demands of $1.2 billion and $1.6 billion where the Corporation believes the claimants have not satisfied the contractual thresholds as noted on page 206.

(3) Includes $13.8 billion and $11.7 billion of claims based on individual file reviews and $4.1 billion and $519 million of claims submitted without individual file reviews at December 31, 2013 and 2012.

The notional amount of unresolved repurchase claims from private-label securitization trustees, whole-loan investors, including third-party securitization sponsors, and others totaled $18.0 billion at December 31, 2013 compared to $12.2 billion at December 31, 2012, including $13.8 billion and $11.7 billion of claims based on individual file reviews and $4.1 billion and $519 million of claims submitted without individual file reviews. The increase in the notional amount of unresolved repurchase claims during 2013 is primarily due to continued submission of claims by private-label securitization trustees; the level of detail, support and analysis accompanying such claims, which impacts overall claim quality and, therefore, claims resolution; and the lack of an established process to resolve disputes related to these claims. For example, claims submitted without individual file reviews lack the level of detail and analysis of individual loans found in other claims that is necessary for the Corporation to respond to the claim. The Corporation expects unresolved repurchase claims related to private-label securitizations to increase as claims continue to be submitted by private-label securitization trustees

and there is not an established process for the ultimate resolution of claims on which there is a disagreement. For further discussion of the Corporation's experience with whole loans and private-label securitizations, see Whole-loan Sales and Private-label Securitizations Experience in this Note.

The notional amount of unresolved monoline repurchase claims totaled $1.5 billion at December 31, 2013 compared to $2.4 billion at December 31, 2012. As a result of the MBIA Settlement, $945 million of monoline repurchase claims outstanding at December 31, 2012 were resolved in May 2013. Substantially all of the unresolved monoline claims pertain to second-lien loans and are currently the subject of litigation. As a result, the Corporation has had limited loan-level repurchase claims experience with the remaining monoline insurers. In the Corporation's experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a claim. For further discussion of the Corporation's practices regarding litigation accruals and estimated range of possible loss for litigation and regulatory matters, which includes the status of its monoline litigation, see Estimated Range of Possible Loss in this Note and Litigation and Regulatory Matters in *Note 12 – Commitments and Contingencies*.

The notional amount of unresolved GSE repurchase claims totaled $170 million at December 31, 2013 compared to $13.4 billion at December 31, 2012. As of December 31, 2013, the Corporation has resolved substantially all GSE-related claims due primarily to the settlements with FHLMC and FNMA. As a result of the FNMA Settlement, $12.2 billion of GSE repurchase claims outstanding at December 31, 2012 were resolved in January 2013. As a result of the FHLMC Settlement, $646 million of claims were resolved at the time of the settlement, of which $322 million were outstanding at December 31, 2012. For further discussion of the Corporation's experience with the GSEs, see Government-sponsored Enterprises Experience in this Note.

In addition to, and not included in, the total unresolved repurchase claims of $19.7 billion at December 31, 2013, the Corporation has received repurchase demands from private-label securitization investors and a master servicer where it believes the claimants have not satisfied the contractual thresholds to direct the securitization trustee to take action and/or that these demands are otherwise procedurally or substantively invalid. The total amount outstanding of such demands was $1.2 billion, comprised of $945 million of demands received during 2012 and $273 million of demands related to trusts covered by the BNY Mellon Settlement at December 31, 2013 compared to $1.6 billion at December 31, 2012. The Corporation does not believe that the $1.2 billion of demands outstanding at December 31, 2013 are valid repurchase claims and, therefore, it is not possible to predict the resolution with respect to such demands.

During 2013, the Corporation received $8.4 billion in new repurchase claims, including $6.3 billion submitted by private-label securitization trustees and a financial guarantee provider, $1.8 billion submitted by the GSEs for both Countrywide and legacy Bank of America originations not covered by the bulk settlements with the GSEs, $222 million submitted by whole-loan investors and $50 million submitted by monoline insurers. During 2013, $16.7 billion in claims were resolved, primarily with the GSEs and through the MBIA Settlement. Of the remaining claims that were resolved, $1.7 billion were resolved through rescissions and $1.2 billion were resolved through mortgage repurchases and make-whole payments, primarily with the GSEs.

Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income (loss) in the Consolidated Statement of Income. The liability for representations and warranties is established when those obligations are both probable and reasonably estimable.

The Corporation's estimated liability at December 31, 2013 for obligations under representations and warranties given to the GSEs and the corresponding estimated range of possible loss considers, and is necessarily dependent on, and limited by, a number of factors, including the Corporation's experience related to actual defaults, projected future defaults, historical loss experience, estimated home prices and other economic conditions. The methodology also considers such factors as the number of payments made by the borrower prior to default as well as certain other assumptions and judgmental factors.

The Corporation's estimate of the non-GSE representations and warranties liability and the corresponding estimated range of possible loss at December 31, 2013 considers, among other things, repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. Since the non-GSE securitization trusts that were included in the BNY Mellon Settlement differ from those that were not included in the BNY Mellon Settlement, the Corporation adjusted the repurchase experience implied in the settlement in order to determine the estimated non-GSE representations and warranties liability and the corresponding estimated range of possible loss. The judgmental adjustments made include consideration of the differences in the mix of products in the subject securitizations, loan originator, likelihood of claims expected, the differences in the number of payments that the borrower has made prior to default and the sponsor of the securitizations. Where relevant, the Corporation also takes into account more recent experience, such as increased claim activity, its experience with various counterparties and other facts and circumstances, such as bulk settlements, as the Corporation believes appropriate.

Additional factors that impact the non-GSE representations and warranties liability and the portion of the estimated range of possible loss corresponding to non-GSE representations and warranties exposures include: (1) contractual material adverse effect requirements, (2) the representations and warranties provided, and (3) the requirement to meet certain presentation thresholds. The first factor is based on the Corporation's belief that a non-GSE contractual liability to repurchase a loan generally arises only if the counterparties prove there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all investors, or of the monoline insurer or other financial guarantor (as applicable), in a securitization trust and, accordingly, the Corporation believes that the repurchase claimants must prove that the alleged representations and warranties breach was the cause of the loss. The second factor is based on the differences in the types of representations and warranties given in non-GSE securitizations from those provided to the GSEs. The Corporation believes the non-GSE securitizations' representations and warranties are less rigorous and actionable than the explicit provisions of comparable agreements with the GSEs without regard to any variations that may have arisen as a result of dealings with the GSEs. The third factor is related to certain presentation thresholds that need to be met in order for any repurchase claim to be asserted on the initiative of investors under the non-GSE agreements. A securitization trustee may investigate or demand repurchase on its own action, and most agreements contain a presentation threshold, for example 25 percent of the voting rights per trust, that allows investors to declare a servicing event of default under certain circumstances or to request certain action, such as requesting loan files, that the trustee may choose to accept and follow, exempt from liability, provided the trustee is acting in good faith. If there is an uncured servicing event of default and the trustee fails to bring suit during a 60-day period, then, under most agreements, investors may file suit. In addition to this, most agreements also allow investors to direct the securitization trustee to investigate loan files or demand the repurchase of loans if security holders hold a specified percentage, for example, 25 percent, of the voting rights of each tranche of the outstanding securities. Although the Corporation continues to believe that presentation thresholds are a factor in the determination of probable loss, given the BNY Mellon Settlement, the estimated range of possible loss assumes that the presentation threshold can be met for all of the non-GSE securitization transactions. The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all Countrywide first-lien private-label securitizations including loans originated principally between 2004 and 2008. For the remainder of the population of private-label securitizations, other claimants have come forward and the Corporation believes it is probable that other claimants in certain types of securitizations may continue to come forward with claims that meet the requirements of the terms of the securitizations. See Estimated Range of Possible Loss in this Note for additional discussion of the representations and warranties liability and the corresponding estimated range of possible loss.

The table below presents a rollforward of the liability for representations and warranties and corporate guarantees.

Representations and Warranties and Corporate Guarantees

(Dollars in millions)	2013	2012
Liability for representations and warranties and corporate guarantees, January 1	**$ 19,021**	$ 15,858
Additions for new sales	**36**	28
Net reductions	**(6,615)**	(804)
Provision	**840**	3,939
Liability for representations and warranties and corporate guarantees, December 31	**$ 13,282**	$ 19,021

For 2013, the provision for representations and warranties and corporate guarantees was $840 million compared to $3.9 billion for 2012. The provision in 2012 included $2.5 billion in provision related to the FNMA Settlement and $500 million for obligations to FNMA related to MI rescissions.

The representations and warranties liability represents the Corporation's best estimate of probable incurred losses as of December 31, 2013. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. Although the Corporation has not recorded any representations and warranties liability for certain potential private-label securitization and whole-loan exposures where it has had little to no claim activity, these exposures are included in the estimated range of possible loss.

Government-sponsored Enterprises Experience

The various settlements with the GSEs have resolved substantially all outstanding and potential mortgage repurchase and make-whole claims relating to the origination, sale and delivery of residential mortgage loans that were sold directly to FNMA through December 31, 2008 and to FHLMC through December 31, 2009, subject to certain exclusions, which the Corporation does not believe are material.

Private-label Securitizations and Whole-loan Sales Experience

In private-label securitizations, certain presentation thresholds need to be met in order for investors to direct a trustee to assert repurchase claims. Continued high levels of new private-label claims are primarily related to repurchase requests received from trustees and third-party sponsors for private-label securitization transactions not included in the BNY Mellon Settlement, including claims related to first-lien third-party sponsored securitizations that include monoline insurance. Over time, there has been an increase in requests for loan files from certain private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statute of limitations relating to representations and warranties repurchase claims and the Corporation believes it is likely that these requests will lead to an increase in repurchase claims for private-label securitization trustees with standing to bring such claims. In addition, private-label securitization trustees may have obtained loan files through other means, including litigation and administrative subpoenas, which may increase the Corporation's total exposure. A recent decision by the New York intermediate appellate court held that, under New York law, which governs many RMBS trusts, the six-year statute of limitations starts to run at the time the representations and warranties are made (i.e., the date the transaction closed and not when the repurchase demand was denied). If upheld, this decision may impact the timeliness of representations and warranties claims and/or lawsuits, where these claims have not already been tolled by agreement. The Corporation believes this ruling may lead to an increase in requests for tolling agreements as well as an increase in the pace of representations and warranties claims and/or the filing of lawsuits by private-label securitization trustees prior to the expiration of the statute of limitations.

The representations and warranties, as governed by the private-label securitization agreements, generally require that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. While the Corporation believes the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on claimants seeking repurchases than the express provisions of comparable agreements with the GSEs, without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary. In the case of private-label securitization trustees and third-party sponsors, there is currently no established process in place for the parties to reach a conclusion on an individual loan if there is a disagreement on the resolution of the claim. For more information on repurchase demands, see Unresolved Repurchase Claims in this Note.

The majority of the repurchase claims that the Corporation has received and resolved outside of those from the GSEs and monolines are from third-party whole-loan investors. The Corporation provided representations and warranties and the whole-loan investors may retain those rights even when the loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The Corporation reviews properly presented repurchase claims for these whole loans on a loan-by-loan basis. If, after the Corporation's review, it does not believe a claim is valid, it will deny the claim and generally indicate a reason for the denial. When the whole-loan investor agrees with the Corporation's denial of the claim, the whole-loan investor may rescind the claim. When there is disagreement as to the resolution of the claim, meaningful dialogue and negotiation between the parties are generally necessary to reach a resolution on an individual claim. Generally, a whole-loan investor is engaged in the repurchase process and the Corporation and the whole-loan investor reach resolution, either through loan-by-loan negotiation or at times, through a bulk settlement. As of December 31, 2013, 16 percent of the whole-loan claims that the Corporation initially denied have subsequently been resolved through repurchase or make-whole payments and 44 percent have been resolved through rescission or repayment in full by the borrower. Although the timeline for resolution varies, once an actionable breach is identified on a given loan, settlement is generally reached as to that loan within 60 days. When a claim has been denied and the Corporation does not have communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution.

At December 31, 2013, for loans originated between 2004 and 2008, the notional amount of unresolved repurchase claims submitted by private-label securitization trustees, a financial guarantee provider and whole-loan investors was $17.9 billion. The Corporation has performed an initial review with respect to $14.6 billion of these claims and does not believe a valid basis for repurchase has been established by the claimant and is still in the process of reviewing the remaining $3.3 billion of these claims.

Monoline Insurers Experience

The Corporation has had limited representations and warranties repurchase claims experience with the monoline insurers due to ongoing litigation against Countrywide and/or Bank of America. To the extent the Corporation received repurchase claims from the monolines that are properly presented, it generally reviews them on a loan-by-loan basis. Where a breach of representations and warranties given by the Corporation or subsidiaries or legacy companies is confirmed on a given loan, settlement is generally reached as to that loan within 60 to 90 days. For more information related to the monolines, see *Note 12 – Commitments and Contingencies*.

The MBIA Settlement resolved outstanding and potential claims between the parties to the settlement involving 31 first- and 17 second-lien RMBS trusts for which MBIA provided financial guarantee insurance, including $945 million of monoline repurchase claims outstanding at December 31, 2012. The first- and second-lien mortgages in the covered RMBS trusts had an original principal balance of $29.3 billion and $25.5 billion, and an unpaid principal balance of $9.8 billion and $9.3 billion at the time of the settlement.

During 2013, there was minimal loan-level repurchase claim activity with the monolines and the monolines did not request any loan files for review through the representations and warranties process.

Open Mortgage Insurance Rescission Notices

In addition to repurchase claims, the Corporation receives notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices). Although the number of such open notices has remained elevated, they have decreased over the last several quarters as

the resolution of open notices exceeded new notices. By way of background, MI compensates lenders or investors for certain losses resulting from borrower default on a mortgage loan. When there is disagreement with the mortgage insurer as to the resolution of a MI rescission notice, meaningful dialogue and negotiation between the mortgage insurance company and the Corporation are generally necessary to reach a resolution on an individual notice. The level of engagement of the mortgage insurance companies varies and ongoing litigation involving some of the mortgage insurance companies over individual and bulk rescissions or claims for rescission limits the ability of the Corporation to engage in constructive dialogue leading to resolution.

For loans sold to GSEs or private-label securitization trusts (including those wrapped by the monoline bond insurers), when the Corporation receives a MI rescission notice from a mortgage insurance company, it may give rise to a claim for breach of the applicable representations and warranties from the GSEs or private-label securitization trusts, depending on the governing sales contracts and on whether the loan in question is subject to a settlement. In those cases where the governing contract contains MI-related representations and warranties, which upon rescission requires the Corporation to repurchase the affected loan or indemnify the investor for the related loss, the Corporation realizes the loss without the benefit of MI. See below for a discussion of the impact of the FNMA and FHLMC Settlements. In addition, mortgage insurance companies have in some cases asserted the ability to curtail MI payments as a result of alleged foreclosure delays, which if successful, would reduce the MI proceeds available to reduce the loss on the loan.

At December 31, 2013, the Corporation had approximately 101,000 open MI rescission notices compared to 110,000 at December 31, 2012. Open MI rescission notices at December 31, 2013 included 39,000 pertaining principally to first-lien mortgages serviced for others, 10,000 pertaining to loans held-for-investment and 52,000 pertaining to ongoing litigation for second-lien mortgages. Approximately 28,000 of the open MI rescission notices pertaining to first-lien mortgages serviced for others are related to loans sold to the GSEs. As of December 31, 2013, 43 percent of the MI rescission notices received have been resolved. Of those resolved, 16 percent were resolved through the Corporation's acceptance of the MI rescission, 59 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 25 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of December 31, 2013, 57 percent of the MI rescission notices the Corporation has received have not yet been resolved. Of those not yet resolved, 52 percent are implicated by ongoing litigation where no loan-level review is currently contemplated nor required to preserve the Corporation's legal rights. In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. The Corporation is in the process of reviewing eight percent of the remaining open MI rescission notices, and it has reviewed and is contesting the MI rescission with respect to 92 percent of these remaining open MI rescission notices. Of the remaining open MI rescission notices, 42 percent are also the subject of ongoing litigation; although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation.

Although the GSE settlements did not resolve underlying MI rescission notices, the FNMA Settlement clarified the parties' obligations with respect to MI rescission notices pertaining to loans covered by the settlement, including establishing timeframes for certain payments and other actions, setting parameters for potential bulk settlements and providing for cooperation in future dealings with mortgage insurers while the FHLMC Settlement clarified the requirements of their guidelines. As a result, the Corporation is required to pay or has paid the amount of MI coverage to the GSEs for 26,200 MI claims rescissions pertaining to loans covered by the settlements, which are included in the 28,000 open MI rescission notices referenced in the paragraph above, in advance of collection from the mortgage insurance companies. In certain cases, the Corporation may not ultimately collect all such amounts from the mortgage insurance companies.

Estimated Range of Possible Loss

The Corporation currently estimates that the range of possible loss for representations and warranties exposures could be up to $4 billion over existing accruals at December 31, 2013. The estimated range of possible loss reflects principally non-GSE exposures. It represents a reasonably possible loss, but does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions that are subject to change.

The liability for representations and warranties exposures and the corresponding estimated range of possible loss do not consider any losses related to litigation matters, including RMBS litigation or litigation brought by monoline insurers, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any other possible losses related to potential claims for breaches of performance of servicing obligations except as such losses are included as potential costs of the BNY Mellon Settlement, potential securities law or fraud claims or potential indemnity or other claims against the Corporation, including claims related to loans insured by the FHA. The Corporation is not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law, fraud or other claims against the Corporation, except to the extent reflected in existing accruals or the estimated range of possible loss for litigation and regulatory matters disclosed in *Note 12 – Commitments and Contingencies*; however, such loss could be material.

Future provisions and/or ranges of possible loss for representations and warranties may be significantly impacted if actual experiences are different from the Corporation's assumptions in its predictive models, including, without limitation, ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, estimated MI rescission rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. For example, an appellate court, in the context of claims brought by a monoline insurer, disagreed with the Corporation's interpretation that a loan must be in default in order to satisfy the underlying agreements' requirement that a breach have a material and adverse effect. If that decision is

extended to non-monoline contexts, it could significantly impact the Corporation's provision and/or the estimated range of possible loss. Additionally, if court rulings, including one related to the Corporation, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred, are followed generally by the courts, private-label securitization counterparties may view litigation as a more attractive alternative compared to a loan-by-loan review. Finally, although the Corporation believes that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, the Corporation does not have significant experience resolving loan-level claims in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

Cash Payments

The table below presents first-lien and home equity loan repurchases and indemnification payments for 2013 and 2012. During 2013 and 2012, the Corporation paid $1.2 billion and $1.8 billion to resolve $1.5 billion and $2.1 billion of repurchase claims through repurchase or reimbursement to the investor or securitization trust for losses they incurred, resulting in a loss on the related loans at the time of repurchase or reimbursement of $609 million and $847 million. Cash paid for loan repurchases includes the unpaid principal balance of the loan plus past due interest. The amount of loss for loan repurchases is reduced by the fair value of the underlying loan collateral. The repurchase of loans and indemnification payments related to first-lien and home equity repurchase claims generally resulted from material breaches of representations and warranties related to the loans' material compliance with the applicable underwriting standards, including borrower misrepresentation, credit exceptions without sufficient compensating factors and non-compliance with underwriting procedures. The actual representations and warranties made in a sales transaction and the resulting repurchase and indemnification activity can vary by transaction or investor. A direct relationship between the type of defect that causes the breach of representations and warranties and the severity of the realized loss has not been observed. Transactions to repurchase loans or make indemnification payments related to first-lien residential mortgages primarily involved the GSEs while transactions to repurchase loans or make indemnification payments for home equity loans primarily involved the monoline insurers. The amounts in the table below exclude a cash payment of $391 million paid to FHLMC for the FHLMC Settlement. The amounts in the table also exclude a cash payment of $3.6 billion made in 2013 to FNMA and the repurchase for $6.6 billion of certain residential mortgage loans which the Corporation valued at less than the purchase price, both of which were part of the FNMA Settlement. Additionally, the amounts shown in the table below exclude $1.8 billion and $669 million paid in monoline settlements during 2013 and 2012.

Loan Repurchases and Indemnification Payments

	December 31					
	2013			2012		
(Dollars in millions)	Unpaid Principal Balance	Cash Paid for Repurchases	Loss	Unpaid Principal Balance	Cash Paid for Repurchases	Loss
First-lien						
Repurchases	$ 746	$ 784	$ 149	$ 1,184	$ 1,273	$ 389
Indemnification payments	661	383	383	831	425	425
Total first-lien	1,407	1,167	532	2,015	1,698	814
Home equity						
Repurchases	—	—	—	24	24	—
Indemnification payments	74	77	77	36	33	33
Total home equity	74	77	77	60	57	33
Total first-lien and home equity	$ 1,481	$ 1,244	$ 609	$ 2,075	$ 1,755	$ 847

NOTE 8 Goodwill and Intangible Assets

Goodwill

The table below presents goodwill balances by business segment at December 31, 2013 and 2012. The reporting units utilized for goodwill impairment testing are the operating segments or one level below.

Goodwill

	December 31	
(Dollars in millions)	**2013**	2012
Consumer & Business Banking	**$ 31,681**	$ 31,681
Global Wealth & Investment Management	**9,698**	9,698
Global Banking	**22,377**	22,377
Global Markets	**5,197**	5,181
All Other	**891**	1,039
Total goodwill	**$ 69,844**	$ 69,976

Effective January 1, 2013, on a prospective basis, the Corporation adjusted the amount of capital being allocated to the business segments. The adjustment reflects a refinement to the prior-year methodology (economic capital), which focused solely on internal risk-based economic capital models. The refined methodology (allocated capital) now also considers the effect of regulatory capital requirements in addition to internal risk-based economic capital models. For purposes of goodwill impairment testing, the Corporation utilizes allocated equity as a proxy for the carrying value of its reporting units. Allocated equity in the reporting units is comprised of allocated capital plus capital for the portion of goodwill and intangibles specifically assigned to the reporting unit.

There was no goodwill in *Consumer Real Estate Services (CRES)* at December 31, 2013 and 2012.

In 2013, the consumer Dealer Financial Services (DFS) business, including $1.7 billion of goodwill, was moved from *Global Banking* to *CBB* in order to align this business more closely with the Corporation's consumer lending activity and better serve the needs of its customers. In 2012, the International Wealth Management businesses within *GWIM*, including $230 million of goodwill, were moved to *All Other* in connection with the Corporation's agreement to sell these businesses in a series of transactions. Certain of the sales transactions were completed in 2013 and most of the remaining sales transactions are expected to close over the next year. The decrease in goodwill in 2013 was related to the completed sales transactions. Prior periods were reclassified to conform to current period presentation.

Annual Impairment Tests

During the three months ended September 30, 2013 and 2012, the Corporation completed its annual goodwill impairment test as of June 30 for all applicable reporting units. Based on the results of the annual goodwill impairment test, the Corporation determined there was no impairment.

Intangible Assets

The table below presents the gross carrying value and accumulated amortization for intangible assets at December 31, 2013 and 2012.

Intangible Assets [1]

	December 31					
	2013			2012		
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Purchased credit card relationships	**$ 6,160**	**$ 4,849**	**$ 1,311**	$ 6,184	$ 4,494	$ 1,690
Core deposit intangibles	**3,592**	**3,055**	**537**	3,592	2,858	734
Customer relationships	**4,025**	**2,281**	**1,744**	4,025	1,884	2,141
Affinity relationships	**1,575**	**1,197**	**378**	1,572	1,087	485
Other intangibles	**2,045**	**441**	**1,604**	2,139	505	1,634
Total intangible assets	**$ 17,397**	**$ 11,823**	**$ 5,574**	$ 17,512	$ 10,828	$ 6,684

[1] Excludes fully amortized intangible assets.

At December 31, 2013 and 2012, none of the intangible assets were impaired. Amortization of intangibles expense was $1.1 billion, $1.3 billion and $1.5 billion in 2013, 2012 and 2011, respectively.

The Corporation estimates aggregate amortization expense will be $938 million, $836 million, $739 million, $647 million and $567 million for 2014 through 2018, respectively.

NOTE 9 Deposits

The Corporation had U.S. certificates of deposit and other U.S. time deposits of $100 thousand or more totaling $38.3 billion and $41.9 billion at December 31, 2013 and 2012. Non-U.S. certificates of deposit and other non-U.S. time deposits of $100 thousand or more totaled $26.2 billion and $29.1 billion at December 31, 2013 and 2012. The table below presents the contractual maturities for time deposits of $100 thousand or more at December 31, 2013.

Time Deposits of $100 Thousand or More

(Dollars in millions)	Three Months or Less	Over Three Months to Twelve Months	Thereafter	Total
U.S. certificates of deposit and other time deposits	$ 16,246	$ 17,943	$ 4,155	**$ 38,344**
Non-U.S. certificates of deposit and other time deposits	23,726	1,983	481	**26,190**

The scheduled contractual maturities for total time deposits at December 31, 2013 are presented in the table below.

Contractual Maturities of Total Time Deposits

(Dollars in millions)	U.S.	Non-U.S.	Total
Due in 2014	$ 71,895	$ 26,306	**$ 98,201**
Due in 2015	6,523	227	**6,750**
Due in 2016	1,719	315	**2,034**
Due in 2017	1,308	14	**1,322**
Due in 2018	649	1	**650**
Thereafter	2,274	4	**2,278**
Total time deposits	$ 84,368	$ 26,867	**$ 111,235**

NOTE 10 Federal Funds Sold or Purchased, Securities Financing Agreements and Short-term Borrowings

The table below presents federal funds sold or purchased, securities financing agreements which include securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase, and short-term borrowings.

	2013		2012		2011	
(Dollars in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
Federal funds sold						
At December 31	**$ —**	**—%**	$ 600	0.54%	$ 100	0.71%
Average during year	**7**	**0.69**	351	0.43	273	0.39
Maximum month-end balance during year	**550**	**n/a**	600	n/a	782	n/a
Securities borrowed or purchased under agreements to resell						
At December 31	**190,328**	**0.60**	219,324	0.92	211,083	0.76
Average during year	**224,324**	**0.55**	235,691	0.64	244,796	0.88
Maximum month-end balance during year	**249,791**	**n/a**	252,985	n/a	270,201	n/a
Federal funds purchased						
At December 31	**186**	**—**	1,151	0.17	243	0.06
Average during year	**192**	**0.06**	384	0.11	1,658	0.08
Maximum month-end balance during year	**1,272**	**n/a**	1,211	n/a	4,133	n/a
Securities loaned or sold under agreements to repurchase						
At December 31	**197,920**	**0.92**	292,108	1.11	214,621	1.08
Average during year	**257,409**	**0.81**	281,516	0.98	270,718	1.31
Maximum month-end balance during year	**319,608**	**n/a**	319,401	n/a	293,519	n/a
Short-term borrowings						
At December 31	**45,999**	**1.55**	30,731	3.08	35,698	2.36
Average during year	**43,816**	**1.89**	36,500	2.22	51,893	2.00
Maximum month-end balance during year	**48,387**	**n/a**	40,129	n/a	62,621	n/a

n/a = not applicable

Bank of America, N.A. maintains a global program to offer up to a maximum of $75 billion outstanding at any one time, of bank notes with fixed or floating rates and maturities of at least seven days from the date of issue. Short-term bank notes outstanding under this program totaled $15.1 billion and $3.9 billion at December 31, 2013 and 2012. These short-term bank notes, along with Federal Home Loan Bank (FHLB) advances, U.S. Treasury tax and loan notes, and term federal funds purchased, are included in short-term borrowings on the Consolidated Balance Sheet. For information regarding the long-term notes that have been issued under the $75 billion bank note program, see *Note 11 – Long-term Debt*.

Offsetting of Securities Financing Agreements

Substantially all of the Corporation's repurchase and resale activities are transacted under legally enforceable master repurchase agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets repurchase and resale transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

Substantially all securities borrowing and lending activities are transacted under legally enforceable master securities lending agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets securities borrowing and lending transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master netting agreement and the transactions have the same maturity date.

The Securities Financing Agreements table presents securities financing agreements included on the Consolidated Balance Sheet in federal funds sold and securities borrowed or purchased under agreements to resell, and in federal funds purchased and securities loaned or sold under agreements to repurchase at December 31, 2013 and 2012. Balances are presented on a gross basis, prior to the application of counterparty netting. Gross assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements. For more information on the offsetting of derivatives, see *Note 2 – Derivatives*.

The "Other" amount in the Securities Financing Agreements table relates to transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral. In these transactions, the Corporation recognizes an asset at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities. The "other" amount is included on the Consolidated Balance Sheet in other assets and in accrued expenses and other liabilities.

Gross assets and liabilities include activity where uncertainty exists as to the enforceability of certain master netting agreements under bankruptcy laws in some countries or industries and, accordingly, these are reported on a gross basis.

The column titled "Financial Instruments" in the Securities Financing Agreements table includes securities collateral received or pledged under repurchase or securities lending agreements where there is a legally enforceable master netting agreement. These amounts are not offset on the Consolidated Balance Sheet, but are shown as a reduction to the net balance sheet amount in the table to derive a net asset or liability. Securities collateral received or pledged where the legal enforceability of the master netting agreements is not certain is not included.

Securities Financing Agreements

	December 31, 2013				
(Dollars in millions)	Gross Assets/ Liabilities	Amounts Offset	Net Balance Sheet Amount	Financial Instruments	Net Assets/ Liabilities
Securities borrowed or purchased under agreements to resell	$ 272,296	$ (81,968)	$ 190,328	$ (157,132)	$ 33,196
Securities loaned or sold under agreements to repurchase	$ 279,888	$ (81,968)	$ 197,920	$ (160,111)	$ 37,809
Other	10,871	—	10,871	(10,871)	—
Total	$ 290,759	$ (81,968)	$ 208,791	$ (170,982)	$ 37,809
	December 31, 2012				
Securities borrowed or purchased under agreements to resell	$ 366,238	$ (146,914)	$ 219,324	$ (173,593)	$ 45,731
Securities loaned or sold under agreements to repurchase	$ 439,022	$ (146,914)	$ 292,108	$ (217,817)	$ 74,291
Other	12,306	—	12,306	(12,302)	4
Total	$ 451,328	$ (146,914)	$ 304,414	$ (230,119)	$ 74,295

NOTE 11 Long-term Debt

Long-term debt consists of borrowings having an original maturity of one year or more. The table below presents the balance of long-term debt at December 31, 2013 and 2012, and the related contractual rates and maturity dates as of December 31, 2013.

(Dollars in millions)	December 31 2013	December 31 2012
Notes issued by Bank of America Corporation [1]		
Senior notes:		
Fixed, with a weighted-average rate of 4.99%, ranging from 1.25% to 8.83%, due 2014 to 2042	**$ 109,845**	$ 114,493
Floating, with a weighted-average rate of 0.99%, ranging from 0.05% to 4.99%, due 2014 to 2044	**22,268**	24,698
Senior structured notes	**30,575**	33,962
Subordinated notes:		
Fixed, with a weighted-average rate of 5.83%, ranging from 2.40% to 10.20%, due 2014 to 2038	**22,379**	24,118
Floating, with a weighted-average rate of 1.13%, ranging from 0.57% to 2.97%, due 2016 to 2026	**1,798**	1,767
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 6.84%, ranging from 5.25% to 8.05%, due 2027 to perpetual	**6,685**	6,655
Floating, with a weighted-average rate of 0.92%, ranging from 0.79% to 1.24%, due 2027 to 2056	**553**	567
Total notes issued by Bank of America Corporation	**194,103**	206,260
Notes issued by Bank of America, N.A.		
Senior notes:		
Fixed, with a weighted-average rate of 2.97%, ranging from 0.07% to 7.72%, due 2014 to 2187	**1,670**	181
Floating, with a weighted-average rate of 0.70%, ranging from 0.35% to 0.75%, due 2016 to 2041	**3,684**	2,686
Subordinated notes:		
Fixed, with a weighted-average rate of 5.68%, ranging from 5.30% to 6.10%, due 2016 to 2036	**4,876**	5,230
Floating, with a weighted-average rate of 0.53%, ranging from 0.25% to 0.54%, due 2016 to 2019	**1,401**	1,401
Advances from Federal Home Loan Banks:		
Fixed, with a weighted-average rate of 4.91%, ranging from 0.01% to 7.72%, due 2014 to 2034	**1,441**	6,225
Floating, with a weighted-average rate of 0.28%, ranging from 0.27% to 0.29%, due 2015 to 2016	**3,001**	—
Total notes issued by Bank of America, N.A.	**16,073**	15,723
Other debt		
Senior notes:		
Fixed, with a weighted-average rate of 5.01%, ranging from 4.00% to 5.50%, due 2014 to 2021	**194**	262
Floating, with a weighted-average rate of 2.55%, ranging from 1.93% to 2.71%, due 2014 to 2015	**115**	705
Structured liabilities	**16,913**	16,127
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 7.14%, ranging from 7.00% to 7.28%, perpetual	**340**	340
Floating, with a weighted-average rate of 0.87%, due 2027	**66**	979
Other	**2,422**	933
Total other debt	**20,050**	19,346
Total long-term debt excluding consolidated VIEs	**230,226**	241,329
Long-term debt of consolidated VIEs	**19,448**	34,256
Total long-term debt	**$ 249,674**	$ 275,585

[1] On October 1, 2013, the merger of Merrill Lynch & Co., Inc. into Bank of America Corporation was completed. Effective with this merger, Bank of America Corporation assumed outstanding Merrill Lynch & Co., Inc. debt including trust preferred securities.

Bank of America Corporation and Bank of America, N.A. maintain various U.S. and non-U.S. debt programs to offer both senior and subordinated notes. The notes may be denominated in U.S. dollars or foreign currencies. At December 31, 2013 and 2012, the amount of foreign currency-denominated debt translated into U.S. dollars included in total long-term debt was $73.4 billion and $95.3 billion. Foreign currency contracts may be used to convert certain foreign currency-denominated debt into U.S. dollars.

At December 31, 2013, long-term debt of consolidated VIEs in the table above included debt of credit card, home equity and all other VIEs of $11.8 billion, $1.5 billion and $6.2 billion, respectively. Long-term debt of VIEs is collateralized by the assets of the VIEs. For additional information, see *Note 6 – Securitizations and Other Variable Interest Entities.*

At December 31, 2013 and 2012, Bank of America Corporation had approximately $131.3 billion and $154.9 billion of authorized, but unissued corporate debt and other securities under its existing U.S. shelf registration statements. At December 31, 2013 and 2012, Bank of America, N.A. had $51.8 billion and $65.5 billion of authorized, but unissued bank notes under its existing $75 billion bank note program. Long-term bank notes issued and outstanding under the program totaled $8.1 billion and $5.6 billion at December 31, 2013 and 2012. At both December 31, 2013 and 2012, Bank of America, N.A. had $20.6 billion of authorized, but unissued mortgage notes under its $30 billion mortgage bond program.

The weighted-average effective interest rates for total long-term debt (excluding senior structured notes), total fixed-rate debt and total floating-rate debt were 4.37 percent, 5.14 percent and 0.92 percent, respectively, at December 31, 2013 and 4.71 percent, 5.52 percent and 0.93 percent, respectively, at December 31, 2012. The Corporation's ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital.

The weighted-average rates are the contractual interest rates on the debt and do not reflect the impacts of derivative transactions.

Certain senior structured notes are accounted for under the fair value option. For more information on these senior structured notes, see *Note 21 – Fair Value Option.*

The table below shows the carrying value for aggregate annual contractual maturities of long-term debt as of December 31, 2013. Included in the table are certain structured notes issued by the Corporation that contain provisions whereby the borrowings are redeemable at the option of the holder (put options) at specified dates prior to maturity. Other structured notes have coupon or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities and the maturity may be accelerated based on the value of a referenced index or security. In both cases, the Corporation or a subsidiary may be required to settle the obligation for cash or other securities prior to the contractual maturity date. These borrowings are reflected in the table as maturing at their contractual maturity date.

In 2013 and 2012, in a combination of tender offers, calls and open-market transactions, the Corporation purchased senior and subordinated long-term debt with a carrying value of $9.2 billion and $12.4 billion, and recorded net losses of $59 million and net gains of $1.3 billion in connection with these transactions. During 2013, the Corporation had total long-term debt maturities and purchases of $65.6 billion consisting of $39.3 billion for Bank of America Corporation, $4.8 billion for Bank of America, N.A., $7.0 billion of other debt and $14.5 billion for consolidated VIEs.

Long-term Debt by Maturity

(Dollars in millions)	2014	2015	2016	2017	2018	Thereafter	Total
Bank of America Corporation [1]							
Senior notes	$ 24,820	$ 15,365	$ 18,164	$ 18,273	$ 20,311	$ 35,180	**$ 132,113**
Senior structured notes	6,360	5,561	3,429	1,421	1,989	11,815	**30,575**
Subordinated notes	4	1,263	5,247	5,676	3,312	8,675	**24,177**
Junior subordinated notes	—	—	—	—	—	7,238	**7,238**
Total Bank of America Corporation	31,184	22,189	26,840	25,370	25,612	62,908	**194,103**
Bank of America, N.A.							
Senior notes	19	—	2,492	2,664	—	179	**5,354**
Subordinated notes	—	—	1,082	3,664	—	1,531	**6,277**
Advances from Federal Home Loan Banks	1,263	1,503	1,504	11	11	150	**4,442**
Total Bank of America, N.A.	1,282	1,503	5,078	6,339	11	1,860	**16,073**
Other debt							
Senior notes	284	24	—	1	—	—	**309**
Structured liabilities	3,614	2,049	1,520	1,723	1,281	6,726	**16,913**
Junior subordinated notes	—	—	—	—	—	406	**406**
Other	200	56	930	743	37	456	**2,422**
Total other debt	4,098	2,129	2,450	2,467	1,318	7,588	**20,050**
Total long-term debt excluding consolidated VIEs	36,564	25,821	34,368	34,176	26,941	72,356	**230,226**
Long-term debt of consolidated VIEs	9,512	1,255	1,797	1,522	191	5,171	**19,448**
Total long-term debt	**$ 46,076**	**$ 27,076**	**$ 36,165**	**$ 35,698**	**$ 27,132**	**$ 77,527**	**$ 249,674**

[1] On October 1, 2013, the merger of Merrill Lynch & Co., Inc. into Bank of America Corporation was completed. Effective with this merger, Bank of America Corporation assumed outstanding Merrill Lynch & Co., Inc. debt including trust preferred securities.

Trust Preferred and Hybrid Securities

Trust preferred securities (Trust Securities) are primarily issued by trust companies (the Trusts) that are not consolidated. These Trust Securities are mandatorily redeemable preferred security obligations of the Trusts. The sole assets of the Trusts generally are junior subordinated deferrable interest notes of the Corporation or its subsidiaries (the Notes). The Trusts generally are 100 percent-owned finance subsidiaries of the Corporation. Obligations associated with the Notes are included in the long-term debt table on page 215.

Certain of the Trust Securities were issued at a discount and may be redeemed prior to maturity at the option of the Corporation. The Trusts generally have invested the proceeds of such Trust Securities in the Notes. Each issue of the Notes has an interest rate equal to the corresponding Trust Securities distribution rate. The Corporation has the right to defer payment of interest on the Notes at any time or from time to time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the relevant Notes. During any such extension period, distributions on the Trust Securities will also be deferred and the Corporation's ability to pay dividends on its common and preferred stock will be restricted.

The Trust Securities generally are subject to mandatory redemption upon repayment of the related Notes at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Corporation upon concurrent repayment of the related Notes.

Periodic cash payments and payments upon liquidation or redemption with respect to Trust Securities are guaranteed by the Corporation or its subsidiaries to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations including its obligations under the Notes, generally will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the Trust Securities.

In 2013, the Corporation entered into various agreements with certain Trust Securities holders pursuant to which the Corporation paid $933 million in cash in exchange for $934 million aggregate liquidation amount of previously issued Trust Securities. Upon the exchange, the Corporation immediately surrendered the Trust Securities to the unconsolidated Trusts for cancellation, resulting in the cancellation of an equal amount of junior subordinated notes that had a carrying value of $934 million, resulting in an insignificant gain.

In 2012, as described in *Note 13 – Shareholders' Equity*, the Corporation entered into separate agreements with certain Trust Securities holders pursuant to which the Corporation issued 19 million shares of common stock valued at $159 million and paid $9.4 billion in cash in exchange for $9.8 billion aggregate liquidation amount of previously issued Trust Securities. Upon the exchange, the Corporation immediately surrendered the Trust Securities to the unconsolidated Trusts for cancellation, resulting in the cancellation of an equal amount of junior subordinated notes that had a carrying value of $9.9 billion, resulting in a gain on extinguishment of debt of $282 million.

During 2012, the Corporation remarketed the remaining outstanding $141 million in aggregate principal amount of its BAC Capital Trust XIII Floating-Rate Preferred Hybrid Income Term Securities (HITS) and the remaining outstanding $493 million in aggregate principal amount of its BAC Capital Trust XIV Fixed-to-Floating Rate Preferred HITS. The Corporation repurchased and retired all of the remarketable notes in the remarketings. The net proceeds from the remarketing of the BAC Capital Trust XIII Floating-Rate Preferred HITS were used to satisfy the obligations of Trust XIII under a stock purchase contract agreement, pursuant to which Trust XIII was obligated to purchase, and the Corporation was obligated to sell, 1,409 shares of the Corporation's Series F Floating Rate Non-Cumulative Preferred Stock (Series F Preferred Stock). The net proceeds from the remarketing of the BAC Capital Trust XIV Fixed-to-Floating Rate Preferred HITS were used to satisfy the obligations of Trust XIV under a stock purchase contract agreement, pursuant to which Trust XIV was obligated to purchase, and the Corporation was obligated to sell, 4,926 shares of the Corporation's Series G Adjustable Rate Non-Cumulative Preferred Stock (Series G Preferred Stock). Following the remarketing of the notes and the subsequent purchase of the Corporation's preferred stock under the stock purchase contracts, the preferred stock constitutes the sole asset of the applicable trust.

On May 25, 2012, the Corporation completed the repurchase of $134 million aggregate liquidation amount of capital securities of BAC Capital Trust VI, pursuant to a previously announced tender offer for such securities, and the related cancellation and retirement of the underlying 5.625% Junior Subordinated Notes, due 2035 of the Corporation issued to and held by BAC Capital Trust VI. As a result of this repurchase of capital securities and the related cancellation and retirement of the underlying 5.625% Junior Subordinated Notes, the series of covered debt benefiting from the Corporation's replacement capital covenant, executed February 16, 2007 in connection with the issuance by BAC Capital Trust XIV of its 5.63% Fixed-to-Floating Rate Preferred Hybrid Income Term Securities (the Replacement Capital Covenant), was redesignated. Effective as of May 25, 2012, the 5.625% Junior Subordinated Notes ceased being the covered debt under the Replacement Capital Covenant. Also effective as of May 25, 2012, the Corporation's 6.875% Junior Subordinated Notes, due 2055 underlying the capital securities of BAC Capital Trust XII, became the covered debt with respect to and in accordance with the terms of the Replacement Capital Covenant.

The Trust Securities Summary table details the outstanding Trust Securities and the related Notes previously issued which remained outstanding at December 31, 2013. For more information on Trust Securities for regulatory capital purposes, see *Note 16 – Regulatory Requirements and Restrictions*.

Trust Securities Summary

(Dollars in millions)		December 31, 2013					
Issuer	Issuance Date	Aggregate Principal Amount of Trust Securities	Aggregate Principal Amount of the Notes	Stated Maturity of the Trust Securities	Per Annum Interest Rate of the Notes	Interest Payment Dates	Redemption Period
Bank of America							
Capital Trust VI	March 2005	$ 36	$ **37**	March 2035	5.63%	Semi-Annual	Any time
Capital Trust VII [1]	August 2005	7	**7**	August 2035	5.25	Semi-Annual	Any time
Capital Trust VIII	August 2005	524	**540**	August 2035	6.00	Quarterly	On or after 8/25/10
Capital Trust XI	May 2006	658	**678**	May 2036	6.63	Semi-Annual	Any time
Capital Trust XV	May 2007	2	**2**	June 2056	3-mo. LIBOR +80 bps	Quarterly	On or after 6/01/37
NationsBank							
Capital Trust III	February 1997	131	**136**	January 2027	3-mo. LIBOR +55 bps	Quarterly	On or after 1/15/07
BankAmerica							
Capital III	January 1997	103	**106**	January 2027	3-mo. LIBOR +57 bps	Quarterly	On or after 1/15/02
Barnett							
Capital III	January 1997	64	**66**	February 2027	3-mo. LIBOR +62.5 bps	Quarterly	On or after 2/01/07
Fleet							
Capital Trust V	December 1998	79	**82**	December 2028	3-mo. LIBOR +100 bps	Quarterly	On or after 12/18/03
BankBoston							
Capital Trust III	June 1997	53	**55**	June 2027	3-mo. LIBOR +75 bps	Quarterly	On or after 6/15/07
Capital Trust IV	June 1998	102	**106**	June 2028	3-mo. LIBOR +60 bps	Quarterly	On or after 6/08/03
MBNA							
Capital Trust B	January 1997	70	**73**	February 2027	3-mo. LIBOR +80 bps	Quarterly	On or after 2/01/07
Countrywide							
Capital III	June 1997	200	**206**	June 2027	8.05	Semi-Annual	Only under special event
Capital IV	April 2003	500	**515**	April 2033	6.75	Quarterly	On or after 4/11/08
Capital V	November 2006	1,495	**1,496**	November 2036	7.00	Quarterly	On or after 11/01/11
Merrill Lynch							
Preferred Capital Trust III	January 1998	750	**901**	Perpetual	7.00	Quarterly	On or after 3/08
Preferred Capital Trust IV	June 1998	400	**480**	Perpetual	7.12	Quarterly	On or after 6/08
Preferred Capital Trust V	November 1998	850	**1,021**	Perpetual	7.28	Quarterly	On or after 9/08
Capital Trust I	December 2006	1,050	**1,051**	December 2066	6.45	Quarterly	On or after 12/11
Capital Trust II	May 2007	950	**951**	June 2067	6.45	Quarterly	On or after 6/12
Capital Trust III	August 2007	750	**751**	September 2067	7.375	Quarterly	On or after 9/12
Total		$ 8,774	$ **9,260**				

(1) Notes are denominated in British Pound. Presentation currency is U.S. Dollar.

NOTE 12 Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Consolidated Balance Sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of its customers. The table below includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated) to other financial institutions of $21.9 billion and $23.9 billion at December 31, 2013 and 2012.

At December 31, 2013, the carrying value of these commitments, excluding commitments accounted for under the fair value option, was $503 million, including deferred revenue of $19 million and a reserve for unfunded lending commitments of $484 million. At December 31, 2012, the comparable amounts were $534 million, $21 million and $513 million, respectively. The carrying value of these commitments is classified in accrued expenses and other liabilities on the Consolidated Balance Sheet.

The table below also includes the notional amount of commitments of $13.0 billion and $18.3 billion at December 31, 2013 and 2012 that are accounted for under the fair value option. However, the table below excludes cumulative net fair value adjustments of $354 million and $528 million on these commitments, which are classified in accrued expenses and other liabilities. For more information regarding the Corporation's loan commitments accounted for under the fair value option, see *Note 21 – Fair Value Option.*

Credit Extension Commitments

(Dollars in millions)	Expire in One Year or Less	Expire After One Year Through Three Years	Expire After Three Years Through Five Years	Expire After Five Years	Total
	December 31, 2013				
Notional amount of credit extension commitments					
Loan commitments	**$ 80,799**	**$ 105,175**	**$ 133,290**	**$ 21,864**	**$ 341,128**
Home equity lines of credit	**4,580**	**16,855**	**21,074**	**14,301**	**56,810**
Standby letters of credit and financial guarantees (1)	**21,994**	**8,843**	**2,876**	**3,967**	**37,680**
Letters of credit	**1,263**	**899**	**4**	**403**	**2,569**
Legally binding commitments	**108,636**	**131,772**	**157,244**	**40,535**	**438,187**
Credit card lines (2)	**377,846**	**—**	**—**	**—**	**377,846**
Total credit extension commitments	**$ 486,482**	**$ 131,772**	**$ 157,244**	**$ 40,535**	**$ 816,033**
	December 31, 2012				
Notional amount of credit extension commitments					
Loan commitments	$ 103,791	$ 83,885	$ 130,805	$ 19,942	$ 338,423
Home equity lines of credit	2,134	13,584	23,344	21,856	60,918
Standby letters of credit and financial guarantees (1)	24,593	11,387	3,094	4,751	43,825
Letters of credit	2,003	70	10	546	2,629
Legally binding commitments	132,521	108,926	157,253	47,095	445,795
Credit card lines (2)	397,862	—	—	—	397,862
Total credit extension commitments	$ 530,383	$ 108,926	$ 157,253	$ 47,095	$ 843,657

(1) The notional amounts of SBLCs and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $27.6 billion and $9.6 billion at December 31, 2013, and $31.5 billion and $11.6 billion at December 31, 2012. Amounts include consumer SBLCs of $453 million and $669 million at December 31, 2013 and 2012.

(2) Includes business card unused lines of credit.

Legally binding commitments to extend credit generally have specified rates and maturities. Certain of these commitments have adverse change clauses that help to protect the Corporation against deterioration in the borrower's ability to pay.

Other Commitments

At December 31, 2013 and 2012, the Corporation had unfunded equity investment commitments of $195 million and $307 million. At December 31, 2013, the Corporation had a commitment to purchase $1.4 billion of equity securities and, in the event the commitment is funded, intends to sell the underlying securities purchased under this commitment.

At December 31, 2013 and 2012, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $1.5 billion and $1.3 billion, which upon settlement will be included in loans or LHFS.

At December 31, 2013 and 2012, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $75.5 billion and $67.3 billion, and commitments to enter into forward-dated repurchase and securities lending agreements of $38.3 billion and $42.3 billion. These commitments expire within the next 12 months.

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $2.8 billion, $2.4 billion, $2.1 billion, $1.7 billion and $1.3 billion for 2014 through 2018, respectively, and $5.7 billion in the aggregate for all years thereafter.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed-income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At both December 31, 2013 and 2012, the notional amount of these guarantees totaled $13.4 billion and the Corporation's maximum exposure related to these guarantees totaled $3.0 billion with estimated maturity dates between 2030 and 2045. The net fair value including the fee receivable associated with these guarantees was $39 million and $52 million at December 31, 2013 and 2012, and reflects the probability of surrender as well as the multiple structural protection features in the contracts.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of the Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401 (k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed-income securities and is intended to cover any shortfall in the event that plan participants continue to make qualified withdrawals after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the investment manager will either terminate the contract or convert the portfolio into a high-quality fixed-income portfolio, typically all government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with significant structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2013 and 2012, the notional amount of these guarantees totaled $4.6 billion and $18.4 billion with estimated maturity dates up to 2017 if the exit option is exercised on all deals. The decline in notional amount in 2013 was primarily the result of plan sponsors terminating contracts pursuant to exit options. As of December 31, 2013, the Corporation had not made a payment under these products.

Indemnifications

In the ordinary course of business, the Corporation enters into various agreements that contain indemnifications, such as tax indemnifications, whereupon payment may become due if certain external events occur, such as a change in tax law. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. These agreements typically contain an early termination clause that permits the Corporation to exit the agreement upon these events. The maximum potential future payment under indemnification agreements is difficult to assess for several reasons, including the occurrence of an external event, the inability to predict future changes in tax and other laws, the difficulty in determining how such laws would apply to parties in contracts, the absence of exposure limits contained in standard contract language and the timing of the early termination clause. Historically, any payments made under these guarantees have been de minimis. The Corporation has assessed the probability of making such payments in the future as remote.

Merchant Services

In accordance with credit and debit card association rules, the Corporation sponsors merchant processing servicers that process credit and debit card transactions on behalf of various merchants. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor. If the merchant defaults on its obligation to reimburse the cardholder, the cardholder, through its issuing bank, generally has until six months after the date of the transaction to present a chargeback to the merchant processor, which is primarily liable for any losses on covered transactions. However, if the merchant processor fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation, as the sponsor, could be held liable for the disputed amount. In 2013 and 2012, the sponsored entities processed and settled $623.7 billion and $604.2 billion of transactions and recorded losses of $15 million and $10 million. A significant portion of this activity was processed by a joint venture in which the Corporation holds a 49 percent ownership. At December 31, 2013 and 2012, the sponsored merchant processing servicers held as collateral $203 million and $202 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants.

The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of December 31, 2013 and 2012, the maximum potential exposure for sponsored transactions totaled $258.5 billion and $263.9 billion. However, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure and does not expect to make material payments in connection with these guarantees.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and VIEs that are not consolidated by the Corporation. The total notional amount of these derivative contracts was $1.8 billion and $2.9 billion with commercial banks and $1.3 billion and $1.4 billion with VIEs at December 31, 2013 and 2012. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation has entered into additional guarantee agreements and commitments, including lease-end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps, divested business commitments and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $6.9 billion and $6.8 billion at December 31, 2013 and 2012. The estimated maturity dates of these obligations extend up to 2033. The Corporation has made no material payments under these guarantees.

In the normal course of business, the Corporation periodically guarantees the obligations of its affiliates in a variety of transactions including ISDA-related transactions and non-ISDA related transactions such as commodities trading, repurchase agreements, prime brokerage agreements and other transactions.

Payment Protection Insurance Claims Matter

In the U.K., the Corporation previously sold payment protection insurance (PPI) through its international card services business to credit card customers and consumer loan customers. PPI covers a consumer's loan or debt repayment if certain events occur such as loss of job or illness. In response to an elevated level of customer complaints across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Services Authority, which has subsequently been replaced by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), investigated and raised concerns about the way some companies have handled complaints related to the sale of these insurance policies. In connection with this matter, the Corporation established a reserve for PPI. The reserve was $381 million and $510 million at December 31, 2013 and 2012. The Corporation recorded expense of $258 million and $692 million in 2013 and 2012. It is reasonably possible that the Corporation will incur additional expense related to PPI claims; however, the amount of such additional expense cannot be reasonably estimated.

Litigation and Regulatory Matters

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of consumer protection, securities, environmental, banking, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries. In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority, the European Commission, the PRA, the FCA and other international, federal and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation, regulatory and governmental matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation, regulatory and governmental matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a litigation, regulatory or governmental matter develops, the Corporation, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. If, at the time of evaluation, the loss contingency related to a litigation, regulatory or governmental matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation, regulatory or governmental matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Corporation continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding expenses of internal or external legal service providers, litigation-related expense of $6.1 billion was recognized for 2013 compared to $4.2 billion for 2012.

For a limited number of the matters disclosed in this Note for which a loss, whether in excess of a related accrued liability or where there is no accrued liability, is reasonably possible in future periods, the Corporation is able to estimate a range of possible loss. In determining whether it is possible to estimate a range of possible loss, the Corporation reviews and evaluates its material litigation, regulatory and governmental matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. These may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, and other rulings by courts, arbitrators or others. In cases in which the Corporation possesses sufficient appropriate information to estimate a range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate of the range of possible loss may not be possible. For those matters where an estimate of the range of possible loss is possible, management currently estimates the aggregate range of possible loss is $0 to $6.1 billion in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents

what the Corporation believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Corporation's maximum loss exposure.

Information is provided below regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Corporation's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Bond Insurance Litigation

Ambac Countrywide Litigation

The Corporation, Countrywide and other Countrywide entities are named as defendants in an action filed on September 29, 2010 and as amended on May 28, 2013, by Ambac Assurance Corporation and the Segregated Account of Ambac Assurance Corporation (together, Ambac), entitled *Ambac Assurance Corporation and The Segregated Account of Ambac Assurance Corporation v. Countrywide Home Loans, Inc., et al.* This action, currently pending in New York Supreme Court, New York County, relates to bond insurance policies provided by Ambac on certain securitized pools of second-lien (and in one pool, first-lien) home equity lines of credit (HELOCs), first-lien subprime home equity loans and fixed-rate second-lien mortgage loans. Plaintiffs allege that they have paid claims as a result of defaults in the underlying loans and assert that the Countrywide defendants misrepresented the characteristics of the underlying loans and breached certain contractual representations and warranties regarding the underwriting and servicing of the loans. Plaintiffs also allege that the Corporation is liable based on successor liability theories. Damages claimed by Ambac are in excess of $2.5 billion and include the amount of payments for current and future claims it has paid or claims it will be obligated to pay under the policies, increasing over time as it pays claims under relevant policies, plus unspecified punitive damages.

Ambac First Franklin Litigation

On April 16, 2012, Ambac sued First Franklin Financial Corp., BANA, Merrill Lynch, Pierce, Fenner & Smith (MLPF&S), Merrill Lynch Mortgage Lending, Inc. (MLML), and Merrill Lynch Mortgage Investors, Inc. in New York Supreme Court, New York County. Plaintiffs' claims relate to guaranty insurance Ambac provided on a First Franklin securitization (Franklin Mortgage Loan Trust, Series 2007-FFC). The securitization was sponsored by MLML, and certain certificates in the securitization were insured by Ambac. The complaint alleges that defendants breached representations and warranties concerning the origination of the underlying mortgage loans and asserts claims for fraudulent inducement, breach of contract and indemnification. Plaintiffs also assert breach of contract claims against BANA based upon its servicing of the loans in the securitization. The complaint does not specify the amount of damages sought.

On July 19, 2013, the court denied defendants' motion to dismiss Ambac's contract and fraud causes of action but granted dismissal of Ambac's indemnification cause of action. In addition, the court denied defendants' motion to dismiss Ambac's claims for attorneys' fees and punitive damages.

FGIC

The Corporation, Countrywide and other Countrywide entities are named as defendants in an action filed on December 11, 2009 by Financial Guaranty Insurance Company (FGIC) entitled *Financial Guaranty Insurance Co. v. Countrywide Home Loans, Inc., et al*. This action, currently pending in New York Supreme Court, New York County, relates to bond insurance policies provided by FGIC on securitized pools of HELOCs and fixed-rate second-lien mortgage loans. Plaintiff alleges that it has paid claims as a result of defaults in the underlying loans and asserts that the Countrywide defendants misrepresented the characteristics of the underlying loans and breached certain contractual representations and warranties regarding the underwriting and servicing of the loans. Plaintiffs also allege that the Corporation is liable based on successor liability theories. Damages claimed by FGIC are in excess of $1.8 billion and include the amount of payments for current and future claims it has paid or claims it will be obligated to pay under the policies, increasing over time as it pays claims under relevant policies, plus unspecified punitive damages.

Credit Card Debt Cancellation and Identity Theft Protection Products

FIA has received inquiries from and has been in discussions with regulatory authorities to address concerns regarding the sale and marketing of certain optional credit card debt cancellation products. The Corporation may be subject to a regulatory enforcement action and will be required to pay restitution or provide other relief to customers, and pay penalties to one or more regulators.

In addition, BANA and FIA have been in discussions with regulatory authorities to address concerns that some customers may have paid for but did not receive certain benefits of optional identity theft protection services from third-party vendors of BANA and FIA, including whether appropriate oversight of such vendors existed. The Corporation has issued and will continue to issue refund checks to impacted customers and may be subject to regulatory enforcement actions and penalties.

European Commission – Credit Default Swaps Antitrust Investigation

On July 1, 2013, the European Commission (Commission) announced that it had addressed a Statement of Objections (SO) to the Corporation, BANA and Banc of America Securities LLC (together, the Bank of America Entities); a number of other financial institutions; Markit Group Limited; and the International Swaps and Derivatives Association (together, the Parties). The SO sets forth the Commission's preliminary conclusion that the Parties infringed European Union competition law by participating in alleged collusion to prevent exchange trading of CDS and futures. According to the SO, the conduct of the Bank of America Entities took place between August 2007 and April 2009. As part of the Commission's procedures, the Parties have been given the opportunity to review the evidence in the investigative file, respond to the Commission's preliminary conclusions and request a hearing before the Commission. If the Commission is satisfied

that its preliminary conclusions are proved, the Commission has stated that it intends to impose a fine and require appropriate remedial measures.

Fontainebleau Las Vegas Litigation

On June 9, 2009, *Avenue CLO Fund Ltd., et al. v. Bank of America, N.A., Merrill Lynch Capital Corporation, et al*. was filed in the U.S. District Court for the District of Nevada by certain Fontainebleau Las Vegas, LLC (FBLV) project lenders. Plaintiffs alleged that, among other things, BANA breached its duties as disbursement agent under the agreement governing the disbursement of loaned funds to FBLV, then a Chapter 11 debtor-in-possession. Plaintiffs seek monetary damages of more than $700 million, plus interest. This action was subsequently transferred by the U.S. Judicial Panel on Multidistrict Litigation (JPML) to the U.S. District Court for the Southern District of Florida.

On March 19, 2012, the district court granted BANA's motion for summary judgment on all causes of action against it in its capacity as disbursement agent and denied plaintiffs' motion for summary judgment on those claims. On July 26, 2013, the U.S. Court of Appeals for the Eleventh Circuit affirmed in part and reversed in part the district court's dismissal of the disbursement agent claims against BANA, holding that there were factual disputes that could not be resolved on a summary judgment motion, and remanded the case to the district court for further proceedings.

Dismissal of the other claims was affirmed on a separate appeal. On December 13, 2013, the JPML remanded the action to the District of Nevada for trial.

In re Bank of America Securities, Derivative and Employee Retirement Income Security Act (ERISA) Litigation

Beginning in January 2009, the Corporation, as well as certain current and former officers and directors, among others, were named as defendants in a variety of actions filed in state and federal courts. The actions generally concern alleged material misrepresentations and/or omissions with respect to certain securities filings by the Corporation. The securities filings contained information with respect to events that took place from September 2008 through January 2009 contemporaneous with the Corporation's acquisition of Merrill Lynch. Certain federal court actions were consolidated and/or coordinated in the U.S. District Court for the Southern District of New York under the caption *In re Bank of America Securities, Derivative and Employee Retirement Income Security Act (ERISA) Litigation*.

Securities Actions

Plaintiffs in the consolidated securities class action (the Consolidated Securities Class Action) asserted claims under Sections 14(a), 10(b) and 20(a) of the Securities Exchange Act of 1934, and Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 and asserted damages based on the drop in the stock price upon subsequent disclosures.

On April 5, 2013, the U.S. District Court for the Southern District of New York granted final approval to the settlement of the Consolidated Securities Class Action. Certain class members have appealed the district court's final approval of the settlement to the U.S. Court of Appeals for the Second Circuit.

Certain shareholders opted to pursue their claims apart from the Consolidated Securities Class Action. These individual plaintiffs asserted substantially the same facts and claims as the class action plaintiffs. Following settlements in an aggregate amount that was fully accrued as of December 31, 2013, the court has dismissed the claims of these plaintiffs with prejudice.

New York Attorney General (NYAG) Action

On February 4, 2010, the NYAG filed a civil complaint in New York Supreme Court, New York County, entitled *People of the State of New York v. Bank of America, et al*. The complaint named as defendants the Corporation and the Corporation's former CEO and CFO, and alleges violations of Sections 352, 352-c(1)(a), 352-c(1)(c) and 353 of the Martin Act, and Section 63(12) of the New York Executive Law. The complaint sought an unspecified amount in disgorgement, penalties, restitution, and damages and other equitable relief. The NYAG has stated publicly that it has withdrawn its demand for damages, but continues to pursue other relief under the Martin Act and New York Executive Law.

Interchange and Related Litigation

In 2005, a group of merchants filed a series of putative class actions and individual actions directed at interchange fees associated with Visa and MasterCard payment card transactions. These actions, which were consolidated in the U.S. District Court for the Eastern District of New York under the caption *In Re Payment Card Interchange Fee and Merchant Discount Anti-Trust Litigation* (Interchange), named Visa, MasterCard and several banks and bank holding companies, including the Corporation, as defendants. Plaintiffs allege that defendants conspired to fix the level of default interchange rates, which represent the fee an issuing bank charges an acquiring bank on every transaction. Plaintiffs also challenged as unreasonable restraints of trade under Section 1 of the Sherman Act, certain rules of Visa and MasterCard related to merchant acceptance of payment cards at the point of sale. Plaintiffs sought unspecified damages and injunctive relief based on their assertion that interchange would be lower or eliminated absent the alleged conduct.

In addition, plaintiffs filed supplemental complaints against certain defendants, including the Corporation, relating to initial public offerings (IPOs) of MasterCard and Visa. Plaintiffs alleged that the IPOs violated Section 7 of the Clayton Act and Section 1 of the Sherman Act. Plaintiffs also asserted that the MasterCard IPO was a fraudulent conveyance. Plaintiffs sought unspecified damages and to undo the IPOs.

On October 19, 2012, defendants entered an agreement to settle the class plaintiffs' claims. The defendants also separately agreed to resolve the claims brought by a group of individual retailers that opted out of the class to pursue independent litigation. The settlement agreements provide for, among other things, (i) payments by defendants to the class and individual plaintiffs totaling approximately $6.6 billion, allocated proportionately to each defendant based upon various loss-sharing agreements; (ii) distribution to class merchants of an amount equal to 10 bps of default interchange across all Visa and MasterCard credit card transactions for a period of eight consecutive months, to begin by July 29, 2013, which otherwise would have been paid to issuers and which effectively reduces credit interchange for that period of time; and (iii) modifications to certain Visa and MasterCard rules regarding merchant point of sale practices.

The court granted final approval of the class settlement agreement on December 13, 2013. Several class members have appealed to the U.S. Court of Appeals for the Second Circuit. In addition, a number of class members opted out of the settlement of their past damages claims. The cash portion of the settlement will be adjusted downward as a result of these opt outs, subject to certain conditions.

Twenty-seven actions have been filed by merchant class members who opted out of the settlement. The Corporation has been named as a defendant in two of these opt out suits and, as a result of various sharing agreements from the main Interchange litigation, remains liable for any settlement or judgment in opt out suits where it is not named as a defendant. All but one of the opt-out suits filed to date have been consolidated in the U.S. District Court for the Eastern District of New York.

LIBOR, Other Reference Rate and Foreign Exchange (FX) Inquiries and Litigation

The Corporation has received subpoenas and information requests from government authorities in North America, Europe and Asia, including the DOJ, the U.S. Commodity Futures Trading Commission and the U.K. Financial Conduct Authority, concerning submissions made by panel banks in connection with the setting of London interbank offered rates (LIBOR) and other reference rates. The Corporation is cooperating with these inquiries.

Government authorities in North America, Europe and Asia are conducting investigations and making inquiries of a significant number of FX market participants, including the Corporation, regarding conduct and practices in certain FX markets over multiple years. The Corporation is cooperating with these investigations and inquiries.

In addition, the Corporation and BANA have been named as defendants along with most of the other LIBOR panel banks in a series of individual and class actions in various U.S. federal and state courts relating to defendants' LIBOR contributions. All cases naming the Corporation have been or are in the process of being consolidated for pre-trial purposes in the U.S. District Court for the Southern District of New York by the JPML. The Corporation expects that any future cases naming the Corporation will similarly be consolidated for pre-trial purposes. Plaintiffs allege that they held or transacted in U.S. dollar LIBOR-based derivatives or other financial instruments and sustained losses as a result of collusion or manipulation by defendants regarding the setting of U.S. dollar LIBOR. Plaintiffs assert a variety of claims, including antitrust and Racketeer Influenced and Corrupt Organizations claims, and seek compensatory, treble and punitive damages, and injunctive relief.

On March 29, 2013, the court dismissed the antitrust, RICO and related state law claims and, based on the statute of limitations, substantially limited the manipulation claims under the Commodities Exchange Act that are allowed to proceed. The court's rulings will be applicable to later filed actions to the extent they assert similar claims. The court is continuing to consider motions regarding the remaining claims.

On June 14, 2013, the Monetary Authority of Singapore (MAS) announced the results of its review of the submission processes of panel banks, including BANA (Singapore Branch), relating to reference rates set in Singapore, including the Singapore Interbank Offered Rates (SIBOR), Swap Offered Rates (SOR) and reference rates used to settle non-deliverable forward contracts. All of the banks, including BANA (Singapore Branch), were found to have deficiencies in governance, risk management, internal controls and surveillance systems from 2007 to 2011 related to their submission processes. All of the banks, including BANA (Singapore Branch), were required to adopt measures to address these deficiencies, report their progress in addressing these deficiencies on a quarterly basis, and conduct independent reviews to ensure the robustness of their remedial measures. Nineteen of the 20 banks were also required to deposit increased statutory reserves with the MAS at zero percent interest for one year; BANA (Singapore Branch) was required to deposit 700 million Singapore Dollars (approximately $551 million U.S. dollars).

Montgomery

The Corporation, several current and former officers and directors, Banc of America Securities LLC (BAS), MLPF&S and other unaffiliated underwriters have been named as defendants in a putative class action filed in the U.S. District Court for the Southern District of New York entitled *Montgomery v. Bank of America, et al*. Plaintiff filed an amended complaint on January 14, 2011. Plaintiff seeks to sue on behalf of all persons who acquired certain series of preferred stock offered by the Corporation pursuant to a shelf registration statement dated May 5, 2006. Plaintiff's claims arise from three offerings dated January 24, 2008, January 28, 2008 and May 20, 2008, from which the Corporation allegedly received proceeds of $15.8 billion. The amended complaint asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, and alleges that the prospectus supplements associated with the offerings: (i) failed to disclose that the Corporation's loans, leases, CDOs and commercial MBS were impaired to a greater extent than disclosed; (ii) misrepresented the extent of the impaired assets by failing to establish adequate reserves or properly record losses for its impaired assets; (iii) misrepresented the adequacy of the Corporation's internal controls in light of the alleged impairment of its assets; (iv) misrepresented the Corporation's capital base and Tier 1 leverage ratio for risk-based capital in light of the allegedly impaired assets; and (v) misrepresented the thoroughness and adequacy of the Corporation's due diligence in connection with its acquisition of Countrywide. The amended complaint seeks rescission, compensatory and other damages. On March 16, 2012, the district court granted defendants' motion to dismiss the first amended complaint. On December 3, 2013, the district court denied plaintiffs' motion to file a second amended complaint. On February 6, 2014, plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit as to the district court's denial of their motion to amend.

Mortgage-backed Securities Litigation and Other Government Mortgage Origination Investigations

The Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates have been named as defendants in a number of cases relating to their various roles as issuer, originator, seller, depositor, sponsor, underwriter and/or controlling entity in MBS offerings, pursuant to which the MBS investors were entitled to a portion of the cash flow from the underlying pools of mortgages. These cases generally include purported class action suits, actions by individual MBS purchasers and governmental actions. Although the allegations vary by lawsuit, these cases generally allege that the registration statements, prospectuses and prospectus supplements for securities issued by securitization trusts contained material misrepresentations and omissions, in violation of the Securities Act of 1933, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989

(FIRREA) and/or state securities laws and other state statutory and common laws.

These cases generally involve allegations of false and misleading statements regarding: (i) the process by which the properties that served as collateral for the mortgage loans underlying the MBS were appraised; (ii) the percentage of equity that mortgage borrowers had in their homes; (iii) the borrowers' ability to repay their mortgage loans; (iv) the underwriting practices by which those mortgage loans were originated; (v) the ratings given to the different tranches of MBS by rating agencies; and (vi) the validity of each issuing trust's title to the mortgage loans comprising the pool for that securitization (collectively, MBS Claims). Plaintiffs in these cases generally seek unspecified compensatory damages, unspecified costs and legal fees and, in some instances, seek rescission. A number of other entities have threatened legal actions against the Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates concerning MBS offerings.

The Corporation, Countrywide, Merrill Lynch and/or their affiliates may have claims for and/or may be subject to claims for contractual indemnification in connection with their various roles in regard to MBS.

On August 15, 2011, the JPML ordered multiple federal court cases involving Countrywide MBS consolidated for pretrial purposes in the U.S. District Court for the Central District of California in a multi-district litigation entitled *In re Countrywide Financial Corp. Mortgage-Backed Securities Litigation* (the Countrywide RMBS MDL).

AIG Litigation

On August 8, 2011, American International Group, Inc. and certain of its affiliates (collectively, AIG) filed a complaint in New York Supreme Court, New York County, in a case entitled *American International Group, Inc., et al. v. Bank of America Corporation, et al.* AIG has named the Corporation, Merrill Lynch, Countrywide Home loans, Inc. (CHL) and a number of related entities as defendants. AIG's complaint asserts certain MBS Claims pertaining to 347 MBS offerings and two private placements in which it alleges that it purchased securities between 2005 and 2007. AIG seeks rescission of its purchases or a rescissory measure of damages or, in the alternative, compensatory damages of no less than $10 billion, punitive damages and other unspecified relief. Defendants removed the case to the U.S. District Court for the Southern District of New York and the district court denied AIG's motion to remand. On April 19, 2013, the U.S. Court of Appeals for the Second Circuit issued a decision vacating the order denying AIG's motion to remand, and remanded the case to the district court for further proceedings concerning whether the court will exercise its jurisdiction on other grounds.

On December 21, 2011, the JPML transferred the Countrywide MBS claims to the Countrywide RMBS MDL in the Central District of California. The non-Countrywide MBS claims remain in the U.S. District Court for the Southern District of New York.

On May 23, 2012, the district court in the Central District of California dismissed with prejudice plaintiffs' federal securities claims and certain of the state law common law claims. On August 31, 2012, AIG filed an amended complaint, which among other things, added claims against the Corporation and certain related entities for constructive fraudulent conveyance and intentional fraudulent conveyance. On May 6, 2013, the district court dismissed the fraudulent conveyance and successor liability claims against the Corporation and related entities. On October 10, 2013, AIG filed a Third Amended Complaint, which is limited to the claims transferred to the Countrywide RMBS MDL. It concerns 159 offerings and asserts damages of approximately $5 billion only with respect to the RMBS at issue in the Countrywide RMBS MDL.

Civil RMBS Matters Filed by the DOJ and the SEC

On August 6, 2013, the DOJ and the SEC filed separate civil actions in the U.S. District Court for the Western District of North Carolina against MLPF&S, BANA and Banc of America Mortgage Securities, Inc. (and, in the DOJ case, the Corporation). Both cases allege generally that the offering materials for a single 2008 RMBS offering contained material misstatements and omissions regarding, *inter alia*, the concentration of loans originated in the wholesale loan channel. The DOJ case asserts violations of FIRREA and the SEC case asserts claims under Sections 17(a)(2) and (3) and Section 5(b)(1) of the Securities Act of 1933. The complaints demand unspecified damages and other relief. Defendants moved to dismiss both complaints on November 8, 2013.

FHFA Litigation

FHFA, as conservator for FNMA and FHLMC, filed an action on September 2, 2011 against the Corporation and related entities, Countrywide and related entities, certain former officers of these entities, and NB Holdings Corporation in New York Supreme Court, New York County, entitled *Federal Housing Finance Agency v. Countrywide Financial Corporation, et al.* (the FHFA Countrywide Litigation). FHFA's complaint asserts certain MBS Claims in connection with allegations that FNMA and FHLMC purchased MBS issued by Countrywide-related entities in 86 MBS offerings between 2005 and 2008. FHFA seeks, among other relief, rescission of the consideration paid for the securities or, in the alternative, unspecified compensatory damages allegedly incurred by FNMA and FHLMC, including consequential damages. FHFA also seeks recovery of punitive damages.

On September 30, 2011, Countrywide removed the FHFA Countrywide Litigation from New York Supreme Court to the U.S. District Court for the Southern District of New York. On February 7, 2012, the JPML transferred the matter to the Countrywide RMBS MDL. On October 18, 2012, the court dismissed as untimely FHFA's Section 11 claims as to 24 of the 86 MBS allegedly purchased by FNMA and FHLMC, but otherwise denied the motion to dismiss on statute of limitations and statute of repose grounds. On February 6, 2013, FHFA agreed to voluntarily dismiss certain of its Virginia blue sky claims. On March 15, 2013, the court dismissed the negligent misrepresentation and aiding and abetting claims as to all defendants, and the Securities Act of 1933 and Washington, D.C. blue sky claims as to certain defendants. The court also dismissed FHFA's successor liability claims but permitted FHFA leave to amend its fraudulent conveyance claims. The court otherwise denied defendants' motions to dismiss. On June 7, 2013, the court denied with prejudice FHFA's motion for leave to amend its successor liability claims, based upon fraudulent conveyance theories, against the Corporation.

Also on September 2, 2011, FHFA, as conservator for FNMA and FHLMC, filed complaints in the U.S. District Court for the Southern District of New York against the Corporation and Merrill Lynch-related entities, and certain current and former officers and directors of these entities. The actions are entitled *Federal Housing Finance Agency v. Bank of America Corporation, et al.* (the FHFA Bank of America Litigation) and *Federal Housing Finance Agency v.*

Merrill Lynch & Co., Inc., et al. (the FHFA Merrill Lynch Litigation). The complaints assert certain MBS Claims relating to MBS issued and/or underwritten by the Corporation, Merrill Lynch and related entities in 23 MBS offerings and in 72 MBS offerings, respectively, between 2005 and 2008 and allegedly purchased by either FNMA or FHLMC in their investment portfolio. FHFA seeks, among other relief, rescission of the consideration paid for the securities or alternatively damages allegedly incurred by FNMA and FHLMC, including consequential damages. FHFA also seeks recovery of punitive damages in the FHFA Merrill Lynch Litigation.

On November 8, 2012 and November 28, 2012, the court denied motions to dismiss in the FHFA Merrill Lynch Litigation and the FHFA Bank of America Litigation, respectively.

On December 16, 2013, the district court granted FHFA's motion for partial summary judgment, ruling that loss causation is not an element of, or a defense to, FHFA's claims under Virginia or Washington, D.C. blue sky laws. The FHFA Merrill Lynch Litigation is set for trial in June 2014; the FHFA Bank of America Litigation is set for trial in January 2015.

Federal Home Loan Bank Litigation

On January 18, 2011, the Federal Home Loan Bank of Atlanta (FHLB Atlanta) filed a complaint asserting certain MBS Claims against the Corporation, Countrywide and other Countrywide entities in Georgia State Court, Fulton County, entitled *Federal Home Loan Bank of Atlanta v. Countrywide Financial Corporation, et al*. FHLB Atlanta sought rescission of its purchases or a rescissory measure of damages, unspecified punitive damages and other unspecified relief in connection with its alleged purchase of 16 MBS offerings issued and/or underwritten by Countrywide-related entities between 2004 and 2007. Pursuant to a settlement that was fully accrued as of December 31, 2013 and is not material to the Corporation's results of operations, FHLB Atlanta voluntarily dismissed its claims with prejudice on December 9, 2013.

On March 15, 2010, the Federal Home Loan Bank of San Francisco (FHLB San Francisco) filed an action in California Superior Court, San Francisco County, entitled *Federal Home Loan Bank of San Francisco v. Credit Suisse Securities (USA) LLC, et al.* FHLB San Francisco's complaint asserts certain MBS Claims against BAS, Countrywide and several related entities in connection with its alleged purchase of 51 MBS offerings and one private placement issued and/or underwritten by those defendants between 2004 and 2007 and seeks rescission and unspecified damages. FHLB San Francisco dismissed the federal claims with prejudice on August 11, 2011. On September 8, 2011, the court denied defendants' motions to dismiss the state law claims. On December 20, 2013, FHLB San Francisco voluntarily dismissed its negligent misrepresentation claims with prejudice.

Luther Class Action Litigation and Related Actions

Beginning in 2007, a number of pension funds and other investors filed putative class action lawsuits alleging certain MBS Claims against Countrywide, several of its affiliates, MLPF&S, the Corporation, NB Holdings Corporation and certain other defendants. Those class action lawsuits concerned a total of 429 MBS offerings involving over $350 billion in securities issued by subsidiaries of Countrywide between 2005 and 2007. The actions, entitled *Luther v. Countrywide Financial Corporation, et al., Maine State Retirement System v. Countrywide Financial Corporation, et al.*, *Western Conference of Teamsters Pension Trust Fund v. Countrywide Financial Corporation, et al.*, and *Putnam Bank v. Countrywide Financial Corporation, et al.*, were all eventually assigned to the Countrywide RMBS MDL court. On December 6, 2013, the court granted final approval to a settlement of these actions in the amount of $500 million. Beginning on January 14, 2014, a number of class members filed notices of appeal in the U.S. Court of Appeals for the Ninth Circuit.

Prudential Insurance Litigation

On March 14, 2013, The Prudential Insurance Company of America and certain of its affiliates (collectively Prudential) filed a complaint in the U.S. District Court for the District of New Jersey, in a case entitled *Prudential Insurance Company of America, et al. v. Bank of America, N.A., et al*. Prudential has named the Corporation, Merrill Lynch and a number of related entities as defendants. Prudential's complaint asserts certain MBS Claims pertaining to 54 MBS offerings in which Prudential alleges that it purchased securities between 2004 and 2007. Prudential seeks, among other relief, compensatory damages, rescission or a rescissory measure of damages, treble damages, punitive damages and other unspecified relief.

Regulatory and Governmental Investigations

The Corporation has received a number of subpoenas and other requests for information from regulators and governmental authorities regarding MBS and other mortgage-related matters, including inquiries, investigations and potential proceedings related to a number of transactions involving the underwriting and issuance of MBS by the Corporation (including legacy entities the Corporation acquired) and participation in certain CDO and structured investment vehicle offerings. These inquiries and investigations include, among others, investigations by the RMBS Working Group of the Financial Fraud Enforcement Task Force, including the DOJ and state Attorneys General, concerning the purchase, securitization and underwriting of mortgage loans and RMBS. The Corporation has provided documents and testimony, and continues to cooperate fully with these inquiries and investigations.

The staff of the NYAG has advised that they intend to recommend filing an action against MLPF&S as a result of their RMBS investigation. In addition, the staff of a U.S. Attorney's office advised that they intend to recommend that the DOJ file a civil action against affiliates of the Corporation related to the securitization of RMBS.

The Civil Division of the U.S. Attorney's office for the Eastern District of New York is conducting an investigation concerning the Corporation's compliance with the requirements of the Federal Housing Administration's Direct Endorsement Program. The Corporation is cooperating with this investigation.

On December 12, 2013, the SEC and MLPF&S resolved the SEC's investigation related to risk control, valuation, structuring, marketing and purchase of CDOs by MLPF&S. Without admitting or denying the SEC's allegations in the settlement order, MLPF&S agreed to pay disgorgement, prejudgment interest and a civil penalty totaling approximately $132 million relating to MLPF&S's role in the structuring and marketing of three CDOs that closed in late 2006 and early 2007.

Mortgage Repurchase Litigation

U.S. Bank Litigation

On August 29, 2011, U.S. Bank, National Association (U.S. Bank), as trustee for the HarborView Mortgage Loan Trust 2005-10 (the Trust), a mortgage pool backed by loans originated by CHL, filed a complaint in New York Supreme Court, New York County, in a case entitled *U.S. Bank National Association, as Trustee for HarborView Mortgage Loan Trust, Series 2005-10 v. Countrywide Home Loans, Inc. (dba Bank of America Home Loans), Bank of America Corporation, Countrywide Financial Corporation, Bank of America, N.A. and NB Holdings Corporation.* U.S. Bank asserts that, as a result of alleged misrepresentations by CHL in connection with its sale of the loans, defendants must repurchase all the loans in the pool, or in the alternative that it must repurchase a subset of those loans as to which U.S. Bank alleges that defendants have refused specific repurchase demands. U.S. Bank asserts claims for breach of contract and seeks specific performance of defendants' alleged obligation to repurchase the entire pool of loans (alleged to have an original aggregate principal balance of $1.75 billion) or alternatively the aforementioned subset (alleged to have an aggregate principal balance of "over $100 million"), together with reimbursement of costs and expenses and other unspecified relief. On May 29, 2013, New York Supreme Court dismissed U.S. Bank's claim for repurchase of all the mortgage loans in the Trust. The court granted U.S. Bank leave to amend this claim. The court denied defendants' motion to dismiss U.S. Bank's claim that CHL allegedly refused to repurchase specific mortgage loans which were the subject of prior repurchase demands. On June 18, 2013, U.S. Bank filed its second amended complaint seeking to replead its claim for repurchase of all loans in the Trust. By order dated February 13, 2014, the court granted defendants' motion to dismiss the repleaded claim seeking repurchase of all mortgage loans in the Trust; the same order denied plaintiff's motion for "resettlement and/or clarification" seeking permission to pursue, under its alternative claim, a remedy with respect to mortgage loans beyond the subset identified in the complaint.

Ocala Litigation

Ocala Investor Actions

On November 25, 2009, BNP Paribas Mortgage Corporation and Deutsche Bank AG each filed claims (the 2009 Actions) against BANA in the U.S. District Court for the Southern District of New York entitled *BNP Paribas Mortgage Corporation v. Bank of America, N.A* and *Deutsche Bank AG v. Bank of America, N.A*. Plaintiffs allege that BANA failed to properly perform its duties as indenture trustee, collateral agent, custodian and depositary for Ocala Funding, LLC (Ocala), a home mortgage warehousing facility, resulting in the loss of plaintiffs' investment in Ocala. Ocala was a wholly-owned subsidiary of Taylor, Bean & Whitaker Mortgage Corp. (TBW), a home mortgage originator and servicer which is alleged to have committed fraud that led to its eventual bankruptcy. Ocala provided funding for TBW's mortgage origination activities by issuing notes, the proceeds of which were to be used by TBW to originate home mortgages. Such mortgages and other Ocala assets in turn were pledged to BANA, as collateral agent, to secure the notes. Plaintiffs lost most or all of their investment in Ocala when, as the result of the alleged fraud committed by TBW, Ocala was unable to repay the notes purchased by plaintiffs and there was insufficient collateral to satisfy Ocala's debt obligations. Plaintiffs allege that BANA breached its contractual, fiduciary and other duties to Ocala, thereby permitting TBW's alleged fraud to go undetected. Plaintiffs seek compensatory damages and other relief from BANA, including interest and attorneys' fees, in an unspecified amount, but which plaintiffs allege exceeds $1.6 billion.

On March 23, 2011, the court issued an order granting in part and denying in part BANA's motions to dismiss the 2009 Actions.

Plaintiffs filed amended complaints on October 1, 2012 that included additional contractual, tort and equitable claims. On June 6, 2013, the court issued an order granting BANA's motion to dismiss plaintiffs' claims for failure to sue, negligence, negligent misrepresentation and equitable relief. On December 9, 2013, the court issued an order denying plaintiffs' motion for leave to amend to include additional failure to sue claims.

In connection with the Ocala bankruptcy proceeding, the bankruptcy trustee is pursuing litigation against third parties to mitigate the investor losses at issue in the 2009 Actions.

FDIC Action

On October 1, 2010, BANA filed suit in the U.S. District Court for the District of Columbia against the FDIC as receiver of Colonial Bank, TBW's primary bank, and Platinum Community Bank (Platinum, a wholly-owned subsidiary of TBW) entitled *Bank of America, National Association as indenture trustee, custodian and collateral agent for Ocala Funding, LLC v. Federal Deposit Insurance Corporation* (the FDIC Action). The suit seeks judicial review of the FDIC's denial of the administrative claims brought by BANA in the FDIC's Colonial and Platinum receivership proceedings. BANA's claims allege that Ocala's losses were in whole or in part the result of Colonial and Platinum's participation in TBW's alleged fraud. BANA seeks a court order requiring the FDIC to allow BANA's claims in an amount equal to Ocala's losses and, accordingly, to permit BANA, as trustee, collateral agent, custodian and depositary for Ocala, to share appropriately in distributions of any receivership assets that the FDIC makes to creditors of the two failed banks.

On August 5, 2011, the FDIC answered and moved to dismiss the amended complaint, and asserted counterclaims against BANA in BANA's individual capacity seeking approximately $900 million in damages. The counterclaims allege that Colonial sent 4,808 loans to BANA as bailee, that BANA converted the loans into Ocala collateral without first ensuring that Colonial was paid, and that Colonial was never paid for these loans.

On December 10, 2012, the U.S. District Court for the District of Columbia granted in part and denied in part the FDIC's motion to dismiss BANA's amended complaint. The court dismissed BANA's claims to the extent they were brought on behalf of Ocala, holding that those claims were not administratively exhausted, and also dismissed three equitable claims, but allowed BANA to continue to pursue claims in its individual capacity and on behalf of Ocala's secured parties, principally plaintiffs in the 2009 Actions. The court also granted in part and denied in part BANA's motion to dismiss the FDIC's counterclaims, allowing all but one of the FDIC's 16 counterclaims to go forward.

On February 5, 2013, BANA filed a motion for clarification of the court's December 10, 2012 ruling on BANA's motion to dismiss the FDIC's counterclaims. On March 6, 2013, the court ruled that certain language in the custodial agreement between BANA and Colonial Bank purporting to limit BANA's liability is unenforceable due to ambiguity, and that BANA is foreclosed from introducing extrinsic evidence to resolve the ambiguity. On June 17, 2013, the court denied BANA's motion seeking certification for interlocutory appeal of the court's December 10, 2012 ruling as so clarified. On February 5, 2014, the U.S. Court of Appeals for the District of

Columbia Circuit denied BANA's petition for writ of mandamus that sought to vacate the December 10, 2012 and March 6, 2013 rulings.

On May 3, 2013, the FDIC filed a motion to dismiss BANA's claims against the FDIC in its capacity as receiver for Colonial Bank, citing a Notice of No Value Determination, dated April 15, 2013, published by the FDIC in the Federal Register, 78 Fed. Reg. 76, 23565 (the No Value Determination). On July 22, 2013, BANA filed a complaint against the FDIC in the U.S. District Court for the District of Columbia entitled *Bank of America, N.A. v. Federal Deposit Insurance Corporation*, challenging the FDIC's No Value Determination pursuant to the Administrative Procedure Act (the APA Action). On August 26, 2013, the U.S. District Court for the District of Columbia granted the FDIC's motion to dismiss BANA's claims against the FDIC in its capacity as receiver for Colonial Bank. The court ruled that the order of judgment would be held in abeyance pending resolution of the APA Action.

O'Donnell Litigation

On February 24, 2012, Edward O'Donnell filed a sealed *qui tam* complaint against the Corporation, individually, and as successor to Countrywide, CHL and a Countrywide business division known as Full Spectrum Lending. On October 24, 2012, the DOJ filed a complaint-in-intervention to join the matter, adding BANA, Countrywide and CHL as defendants. The action is entitled *United States of America, ex rel, Edward O'Donnell, appearing Qui Tam v. Bank of America Corp, et al.*, and was filed in the U.S. District Court for the Southern District of New York. The complaint-in-intervention asserts certain fraud claims in connection with the sale of loans to FNMA and FHLMC by Full Spectrum Lending and by the Corporation and BANA from 2006 continuing through 2009 and also asserts successor liability against the Corporation and BANA. Plaintiff originally sought treble damages pursuant to the False Claims Act and civil penalties pursuant to FIRREA. On January 11, 2013, the government filed an amended complaint which added Countrywide Bank, FSB (CFSB) and a former officer of the Corporation as defendants. The court dismissed the False Claims Act counts on May 8, 2013. On September 24, 2013, the government dismissed the Corporation as a defendant.

Following a trial, on October 23, 2013, a verdict of liability was returned against CHL, CFSB and BANA. The court may impose civil monetary penalties under FIRREA.

Pennsylvania Public School Employees' Retirement System

The Corporation and several current and former officers were named as defendants in a putative class action filed in the U.S. District Court for the Southern District of New York entitled *Pennsylvania Public School Employees' Retirement System v. Bank of America, et al*.

Following the filing of a complaint on February 2, 2011, plaintiff subsequently filed an amended complaint on September 23, 2011 in which plaintiff sought to sue on behalf of all persons who acquired the Corporation's common stock between February 27, 2009 and October 19, 2010 and "Common Equivalent Securities" sold in a December 2009 offering. The amended complaint asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 15 of the Securities Act of 1933, and alleged that the Corporation's public statements: (i) concealed problems in the Corporation's mortgage servicing business resulting from the widespread use of the Mortgage Electronic Recording System; (ii) failed to disclose the Corporation's exposure to mortgage repurchase claims; (iii) misrepresented the adequacy of internal controls; and (iv) violated certain Generally Accepted Accounting Principles. The amended complaint sought unspecified damages.

On July 11, 2012, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. All claims under the Securities Act were dismissed against all defendants, with prejudice. The motion to dismiss the claim against the Corporation under Section 10(b) of the Exchange Act was denied. All claims under the Exchange Act against the officers were dismissed, with leave to replead. Defendants moved to dismiss a second amended complaint in which plaintiff sought to replead claims against certain current and former officers under Sections 10(b) and 20(a). On April 17, 2013, the court granted in part and denied in part the motion to dismiss, sustaining Sections 10(b) and 20(a) claims against the current and former officers.

Policemen's Annuity Litigation

On April 11, 2012, the Policemen's Annuity & Benefit Fund of the City of Chicago, on its own behalf and on behalf of a proposed class of purchasers of 41 RMBS trusts collateralized mostly by Washington Mutual-originated (WaMu) mortgages, filed a proposed class action complaint against BANA and other unrelated parties in the United States District Court for the Southern District of New York, entitled *Policemen's Annuity and Benefit Fund of the City of Chicago v. Bank of America, N.A. and U.S. Bank National Association*. BANA and U.S. Bank are named as defendants in their capacities as trustees, with BANA (formerly LaSalle Bank National Association) having served as the original trustee and U.S. Bank having replaced BANA as trustee. Plaintiff asserted claims under the federal Trust Indenture Act as well as state common law claims. Plaintiff alleged that, in light of the performance of the RMBS at issue, and in the wake of publicly-available information about the quality of loans originated by WaMu, the trustees were required to take certain steps to protect plaintiff's interest in the value of the securities, and that plaintiff was damaged by defendants' failures to notify it of deficiencies in the loans and of defaults under the relevant agreements, to ensure that the underlying mortgages could properly be foreclosed, and to enforce remedies available for loans that contained breaches of representations and warranties. Plaintiff sought unspecified compensatory damages and/or equitable relief, and costs and expenses. On December 7, 2012, the court granted in part and denied in part defendants' motion to dismiss, and granted plaintiff leave to replead some of the dismissed claims. The court ruled, among other things, that plaintiff had standing to pursue claims on behalf of purchasers of certificates in certain tranches of five trusts, but not on behalf of purchasers of certificates in the other 36 trusts, in which plaintiff had not invested. Plaintiffs filed a second amended complaint on January 13, 2013, which added plaintiffs and asserted claims concerning 19 trusts in which at least one named plaintiff had invested. On May 6, 2013, the court denied defendants' motion to dismiss the second amended complaint.

On August 23, 2013, the Vermont Pension Investment Committee and the Washington State Investment Board brought a new putative class action against BANA and other unrelated parties in the U.S. District Court for the Southern District of New York entitled *Vermont Pension Investment Committee and the Washington State Investment Board v. Bank of America, N.A. and U.S. Bank National Association* (Vermont Pension). The Vermont Pension action was based on similar factual allegations and the same claims and legal theories as the Policemen's Annuity action, but concerned six different RMBS trusts collateralized mostly by WaMu-originated mortgages for which BANA is the former trustee and U.S. Bank is the current trustee. As in Policemen's Annuity, plaintiffs sought unspecified compensatory damages and/or equitable relief, and costs and expenses. The case was marked as related to Policemen's Annuity and assigned to the same judge.

On October 21, 2013, the court consolidated the two cases through summary judgment. On October 31, 2013, plaintiffs filed a consolidated Third Amended Complaint, which asserted materially identical claims concerning the 25 trusts previously at issue in the two consolidated cases, as well as 10 new trusts (also mostly collateralized by WaMu-originated mortgages), bringing the total number of trusts at issue to 35. The new complaint also added four new plaintiffs, bringing the total number of named plaintiffs to 10.

NOTE 13 Shareholders' Equity

Common Stock

Declared Quarterly Cash Dividends on Common Stock

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 11, 2014	March 7, 2014	March 28, 2014	$ 0.01
October 24, 2013	December 6, 2013	December 27, 2013	0.01
July 24, 2013	September 6, 2013	September 27, 2013	0.01
April 30, 2013	June 7, 2013	June 28, 2013	0.01
January 23, 2013	March 1, 2013	March 22, 2013	0.01

On March 14, 2013, the Corporation announced that its Board of Directors (Board) authorized the repurchase of up to $5.0 billion of common stock over four quarters beginning in the second quarter of 2013. The timing and amount of common stock repurchases have been and will continue to be consistent with the Corporation's 2013 capital plan and will be subject to various factors, including the Corporation's capital position, liquidity, applicable legal considerations, financial performance and alternative uses of capital, stock trading price, and general market conditions, and may be suspended at any time. The remaining common stock repurchases may be effected through open market purchases or privately negotiated transactions, including repurchase plans that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934.

In 2013, the Corporation repurchased and retired 231.7 million shares of common stock, which reduced shareholders' equity by $3.2 billion.

In 2012 and 2011, in connection with the exchanges described in Preferred Stock in this Note, the Corporation issued 50 million and 400 million shares of common stock.

On September 1, 2011, the Corporation closed the sale to Berkshire Hathaway, Inc. (Berkshire) of 50,000 shares of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (Series T Preferred Stock) and a warrant (the Warrant) to purchase 700 million shares of the Corporation's common stock for an aggregate purchase price of $5.0 billion in cash. Of the $5.0 billion in cash proceeds, $2.9 billion was allocated to preferred stock and $2.1 billion to the Warrant on a relative fair value basis. The discount on the Series T Preferred Stock is not subject to accretion. The portion of proceeds allocated to the Warrant was recorded as additional paid-in capital. The Warrant is exercisable at the holder's option at any time, in whole or in part, until September 1, 2021, at an exercise price of $7.142857 per share of common stock. The Warrant may be settled in cash or by exchanging all or a portion of the Series T Preferred Stock. For more information on the Berkshire investment and Series T Preferred Stock, see Preferred Stock in this Note.

At December 31, 2013, the Corporation had warrants outstanding and exercisable to purchase 121.8 million shares of common stock at an exercise price of $30.79 per share expiring on October 28, 2018, and warrants outstanding and exercisable to purchase 150.4 million shares of common stock at an exercise price of $13.30 per share expiring on January 16, 2019. These warrants were originally issued in connection with preferred stock issuances to the U.S. Department of the Treasury in 2010 and are listed on the New York Stock Exchange.

In connection with employee stock plans, in 2013, the Corporation issued approximately 74 million shares and repurchased approximately 29 million shares of its common stock to satisfy tax withholding obligations. At December 31, 2013, the Corporation had reserved 1.8 billion unissued shares of common stock for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

Preferred Stock

The cash dividends declared on preferred stock were $1.2 billion, $1.5 billion and $1.3 billion for 2013, 2012 and 2011.

In 2013, the Corporation redeemed for $6.6 billion its Non-Cumulative Preferred Stock, Series H, J, 6, 7 and 8. The $100 million difference between the carrying value of $6.5 billion and the redemption price of the preferred stock was recorded as a preferred stock dividend. In addition, the Corporation issued $1.0 billion of its Fixed-to-Floating Rate Semi-annual Non-Cumulative Preferred Stock, Series U.

In 2012, the Corporation entered into various agreements with certain preferred stock and Trust Securities holders pursuant to which the Corporation and the holders of these securities agreed to exchange shares of various series of non-convertible preferred stock with a carrying value of $296 million and Trust Securities with a carrying value of $760 million for 50 million shares of the Corporation's common stock with a fair value of $412 million, and $398 million in cash. The $246 million difference between the carrying value of the preferred stock and Trust Securities retired and the fair value of consideration issued was a $44 million reduction to preferred stock dividends recorded in retained earnings and a $202 million gain recorded in noninterest income. In 2012, the Corporation issued shares of the Corporation's Series F Preferred Stock and Series G Preferred Stock for $633 million under stock purchase contracts. For additional information, see the Preferred Stock Summary table in this Note and *Note 11 – Long-term Debt*.

In 2011, the Corporation entered into separate agreements with certain institutional preferred stock and Trust Securities holders (the Exchange Agreements) pursuant to which the Corporation and the holders of these securities agreed to exchange shares, or depository shares representing fractional interests in shares, of various series of the Corporation's preferred stock, par value $0.01 per share, or Trust Securities for an aggregate of 400 million shares of the Corporation's common stock valued at $2.2 billion and $2.3 billion aggregate principal amount of senior notes. The Exchange Agreements related to Trust Securities are described in *Note 11 – Long-term Debt* and the Exchange Agreements related to preferred stock are described below.

As part of the Exchange Agreements, the Corporation exchanged non-convertible preferred stock, with an aggregate liquidation preference of $815 million and carrying value of $814 million, for 72 million shares of common stock valued at $399 million and senior notes valued at $231 million. The $184 million difference between the carrying value of the non-convertible preferred stock and the fair value of the consideration issued to the holders of the non-convertible preferred stock was recorded in retained earnings as a non-cash reduction to preferred stock dividends.

Additionally, as a part of the Exchange Agreements, a portion of the Series L 7.25% Non-Cumulative Perpetual Convertible Preferred Stock (Series L Preferred Stock) with an aggregate liquidation preference and carrying value of $269 million was exchanged for 20 million shares of the Corporation's common stock valued at $123 million and senior notes valued at $129 million. The $17 million difference between the carrying value of the Series L Preferred Stock and the fair value of the consideration issued to holders of the Series L Preferred Stock was reclassified from preferred stock to common stock and additional paid-in capital. Because the number of common shares issued to the Series L Preferred Stock holders was in excess of the number of common shares issuable pursuant to the original conversion terms, the $220 million fair value of consideration transferred to the Series L Preferred Stock holders in excess of the $32 million fair value of securities issuable pursuant to the original conversion terms was recorded as a non-cash preferred stock dividend. The dividend did not impact total shareholders' equity since it reduced retained earnings and increased common stock and additional paid-in capital by the same amount.

The Series T Preferred Stock issued as part of the Berkshire investment has a liquidation value of $100,000 per share and dividends on the Series T Preferred Stock accrue on the liquidation value at a rate per annum of six percent but will be paid only when and if declared by the Board out of legally available funds. Subject to the approval of the Board of Governors of the Federal Reserve System (Federal Reserve), the Series T Preferred Stock may be redeemed by the Corporation at any time at a redemption price of $105,000 per share plus any accrued, unpaid dividends. The Series T Preferred Stock has no maturity date and ranks senior to the outstanding common stock with respect to the payment of dividends and distributions in liquidation. At any time when dividends on the Series T Preferred Stock have not been paid in full, the unpaid amounts will accrue dividends at a rate per annum of eight percent and the Corporation will not be permitted to pay dividends or other distributions on, or to repurchase, any outstanding common stock or any of the Corporation's outstanding preferred stock of any series. Following payment in full of accrued but unpaid dividends on the Series T Preferred Stock, the dividend rate remains at eight percent per annum.

The table below presents a summary of perpetual preferred stock previously issued by the Corporation and outstanding at December 31, 2013.

Preferred Stock Summary

(Dollars in millions, except as noted)

Series	Description	Initial Issuance Date	Total Shares Outstanding	Liquidation Preference per Share (in dollars)	Carrying Value [1]	Per Annum Dividend Rate	Redemption Period
Series B [2]	7% Cumulative Redeemable	June 1997	7,571	$ 100	$ 1	7.00%	n/a
Series D [3, 4]	6.204% Non-Cumulative	September 2006	26,174	25,000	654	6.204%	On or after September 14, 2011
Series E [3, 4]	Floating Rate Non-Cumulative	November 2006	12,691	25,000	317	3-mo. LIBOR + 35 bps [5]	On or after November 15, 2011
Series F [3, 4]	Floating Rate Non-Cumulative	March 2012	1,409	100,000	141	3-mo. LIBOR + 40 bps [5]	On or after March 15, 2012
Series G [3, 4]	Adjustable Rate Non-Cumulative	March 2012	4,926	100,000	493	3-mo. LIBOR + 40 bps [5]	On or after March 15, 2012
Series I [3, 4]	6.625% Non-Cumulative	September 2007	14,584	25,000	365	6.625%	On or after October 1, 2017
Series K [3, 6]	Fixed-to-Floating Rate Non-Cumulative	January 2008	61,773	25,000	1,544	8.00% through 1/29/18; 3-mo. LIBOR + 363 bps thereafter	On or after January 30, 2018
Series L	7.25% Non-Cumulative Perpetual Convertible	January 2008	3,080,182	1,000	3,080	7.25%	n/a
Series M [3, 6]	Fixed-to-Floating Rate Non-Cumulative	April 2008	52,399	25,000	1,310	8.125% through 5/14/18; 3-mo. LIBOR + 364 bps thereafter	On or after May 15, 2018
Series T	6% Cumulative	September 2011	50,000	100,000	2,918	6.00%	See description in Preferred Stock in this Note
Series U	Fixed-to-Floating Rate Non-Cumulative	May 2013	40,000	25,000	1,000	5.2% through 6/1/23; 3-mo. LIBOR + 313.5 bps thereafter	On or after June 1, 2023
Series 1 [3, 7]	Floating Rate Non-Cumulative	November 2004	3,275	30,000	98	3-mo. LIBOR + 75 bps [8]	On or after November 28, 2009
Series 2 [3, 7]	Floating Rate Non-Cumulative	March 2005	9,967	30,000	299	3-mo. LIBOR + 65 bps [8]	On or after November 28, 2009
Series 3 [3, 7]	6.375% Non-Cumulative	November 2005	21,773	30,000	653	6.375%	On or after November 28, 2010
Series 4 [3, 7]	Floating Rate Non-Cumulative	November 2005	7,010	30,000	210	3-mo. LIBOR + 75 bps [5]	On or after November 28, 2010
Series 5 [3, 7]	Floating Rate Non-Cumulative	March 2007	14,056	30,000	422	3-mo. LIBOR + 50 bps [5]	On or after May 21, 2012
Total			**3,407,790**		**$ 13,505**		

(1) Amounts shown are before certain GAAP accounting adjustments of $153 million.
(2) Series B Preferred Stock does not have early redemption/call rights.
(3) The Corporation may redeem series of preferred stock on or after the redemption date, in whole or in part, at its option, at the liquidation preference plus declared and unpaid dividends.
(4) Ownership is held in the form of depositary shares, each representing a 1/1,000th interest in a share of preferred stock, paying a quarterly cash dividend, if and when declared.
(5) Subject to 4.00% minimum rate per annum.
(6) Ownership is held in the form of depositary shares, each representing a 1/25th interest in a share of preferred stock, paying a semi-annual cash dividend, if and when declared, until the redemption date at which time, it adjusts to a quarterly cash dividend, if and when declared, thereafter.
(7) Ownership is held in the form of depositary shares, each representing a 1/1,200th interest in a share of preferred stock, paying a quarterly cash dividend, if and when declared.
(8) Subject to 3.00% minimum rate per annum.
n/a = not applicable

Series L Preferred Stock listed in the Preferred Stock Summary table does not have early redemption/call rights. Each share of the Series L Preferred Stock may be converted at any time, at the option of the holder, into 20 shares of the Corporation's common stock plus cash in lieu of fractional shares. The Corporation may cause some or all of the Series L Preferred Stock, at its option, at any time or from time to time, to be converted into shares of common stock at the then-applicable conversion rate if, for 20 trading days during any period of 30 consecutive trading days, the closing price of common stock exceeds 130 percent of the then-applicable conversion price of the Series L Preferred Stock. If a conversion of Series L Preferred Stock occurs subsequent to a dividend record date but prior to the dividend payment date, the Corporation will still pay any accrued dividends payable.

All series of preferred stock in the Preferred Stock Summary table have a par value of $0.01 per share, are not subject to the operation of a sinking fund, have no participation rights, and with the exception of the Series L Preferred Stock, are not convertible. The holders of the Series B Preferred Stock and Series 1 through 5 Preferred Stock have general voting rights, and the holders of the other series included in the table have no general voting rights. All outstanding series of preferred stock of the Corporation have preference over the Corporation's common stock with respect to the payment of dividends and distribution of the Corporation's assets in the event of a liquidation or dissolution. With the exception of the Series T Preferred Stock, if any dividend payable on these series is in arrears for three or more semi-annual or six or more quarterly dividend periods, as applicable (whether consecutive or not), the holders of these series and any other class or series of preferred stock ranking equally as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class) will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on these series for at least two semi-annual or four quarterly dividend periods, as applicable, following the dividend arrearage.

NOTE 14 Accumulated Other Comprehensive Income (Loss)

The table below presents the changes in accumulated OCI after-tax for 2011, 2012 and 2013.

(Dollars in millions)	Available-for-Sale Debt Securities	Available-for-Sale Marketable Equity Securities	Derivatives	Employee Benefit Plans [1]	Foreign Currency [2]	Total
Balance, December 31, 2010	$ 714	$ 6,659	$ (3,236)	$ (3,947)	$ (256)	$ (66)
Net change	2,386	(6,656)	(549)	(444)	(108)	(5,371)
Balance, December 31, 2011	$ 3,100	$ 3	$ (3,785)	$ (4,391)	$ (364)	$ (5,437)
Net change	1,343	459	916	(65)	(13)	2,640
Balance, December 31, 2012	$ 4,443	$ 462	$ (2,869)	$ (4,456)	$ (377)	$ (2,797)
Net change	**(7,700)**	**(466)**	**592**	**2,049**	**(135)**	**(5,660)**
Balance, December 31, 2013	**$ (3,257)**	**$ (4)**	**$ (2,277)**	**$ (2,407)**	**$ (512)**	**$ (8,457)**

(1) During 2013, the Corporation merged certain pension plans into one plan. For more information on employee benefit plans, see *Note 17 – Employee Benefit Plans*.
(2) The net change in fair value represents the impact of changes in spot foreign exchange rates on the Corporation's net investment in non-U.S. operations, and related hedges.

The table below presents the net change in fair value recorded in accumulated OCI, net realized gains and losses reclassified into earnings and other changes for each component of OCI before- and after-tax for 2013, 2012 and 2011.

Changes in OCI Components Before- and After-tax

	2013			2012			2011		
(Dollars in millions)	**Before-tax**	**Tax effect**	**After-tax**	Before-tax	Tax effect	After-tax	Before-tax	Tax effect	After-tax
Available-for-sale debt securities:									
Net change in fair value	**$ (10,989)**	**$ 4,077**	**$ (6,912)**	$ 3,676	$ (1,319)	$ 2,357	$ 6,913	$ (2,590)	$ 4,323
Net realized gains reclassified into earnings	**(1,251)**	**463**	**(788)**	(1,609)	595	(1,014)	(3,075)	1,138	(1,937)
Net change	**(12,240)**	**4,540**	**(7,700)**	2,067	(724)	1,343	3,838	(1,452)	2,386
Available-for-sale marketable equity securities:									
Net change in fair value	**32**	**(12)**	**20**	748	(277)	471	(4,114)	1,575	(2,539)
Net realized gains reclassified into earnings	**(771)**	**285**	**(486)**	(19)	7	(12)	(6,501)	2,384	(4,117)
Net change	**(739)**	**273**	**(466)**	729	(270)	459	(10,615)	3,959	(6,656)
Derivatives:									
Net change in fair value	**156**	**(51)**	**105**	430	(166)	264	(2,490)	923	(1,567)
Net realized losses reclassified into earnings	**773**	**(286)**	**487**	1,035	(383)	652	1,617	(599)	1,018
Net change	**929**	**(337)**	**592**	1,465	(549)	916	(873)	324	(549)
Employee benefit plans:									
Net change in fair value	**2,985**	**(1,128)**	**1,857**	(1,891)	660	(1,231)	(1,171)	457	(714)
Net realized losses reclassified into earnings	**237**	**(79)**	**158**	490	(192)	298	437	(167)	270
Settlements and curtailments	**46**	**(12)**	**34**	1,378	(510)	868	—	—	—
Net change	**3,268**	**(1,219)**	**2,049**	(23)	(42)	(65)	(734)	290	(444)
Foreign currency:									
Net change in fair value	**244**	**(384)**	**(140)**	(226)	233	7	145	(179)	(34)
Net realized (gains) losses reclassified into earnings	**138**	**(133)**	**5**	(30)	10	(20)	(65)	(9)	(74)
Net change	**382**	**(517)**	**(135)**	(256)	243	(13)	80	(188)	(108)
Total other comprehensive income (loss)	**$ (8,400)**	**$ 2,740**	**$ (5,660)**	$ 3,982	$ (1,342)	$ 2,640	$ (8,304)	$ 2,933	$ (5,371)

The table below presents impacts on net income of significant amounts reclassified out of each component of accumulated OCI before- and after-tax for 2013, 2012 and 2011.

Reclassifications Out of Accumulated OCI

(Dollars in millions)

Accumulated OCI Components	Income Statement Line Item Impacted	2013	2012	2011
Available-for-sale debt securities:				
	Gains on sales of debt securities	$ 1,271	$ 1,662	$ 3,374
	Other-than-temporary impairment	(20)	(53)	(299)
	Income before income taxes	1,251	1,609	3,075
	Income tax expense	463	595	1,138
	Reclassification to net income	788	1,014	1,937
Available-for-sale marketable equity securities:				
	Equity investment income	771	19	6,501
	Income before income taxes	771	19	6,501
	Income tax expense	285	7	2,384
	Reclassification to net income	486	12	4,117
Derivatives:				
Interest rate contracts	Net interest income	(1,119)	(956)	(1,393)
Commodity contracts	Trading account profits	(1)	(1)	7
Interest rate contracts	Other income	18	—	—
Equity compensation contracts	Personnel	329	(78)	(231)
	Loss before income taxes	(773)	(1,035)	(1,617)
	Income tax benefit	(286)	(383)	(599)
	Reclassification to net income	(487)	(652)	(1,018)
Employee benefit plans:				
Prior service cost	Personnel	(4)	(6)	(16)
Transition obligation	Personnel	—	(32)	(31)
Net actuarial losses	Personnel	(225)	(443)	(387)
Settlements and curtailments	Personnel	(8)	(58)	(3)
	Loss before income taxes	(237)	(539)	(437)
	Income tax benefit	(79)	(212)	(167)
	Reclassification to net income	(158)	(327)	(270)
Foreign currency:				
	Other income (loss)	(138)	30	65
	Income (loss) before income taxes	(138)	30	65
	Income tax expense (benefit)	(133)	10	(9)
	Reclassification to net Income	(5)	20	74
Total reclassification adjustments		$ 624	$ 67	$ 4,840

NOTE 15 Earnings Per Common Share

The calculation of earnings per common share (EPS) and diluted EPS for 2013, 2012 and 2011 is presented below. For more information on the calculation of EPS, see *Note 1 – Summary of Significant Accounting Principles*.

(Dollars in millions, except per share information; shares in thousands)	2013	2012	2011
Earnings per common share			
Net income	**$ 11,431**	$ 4,188	$ 1,446
Preferred stock dividends	**(1,349)**	(1,428)	(1,361)
Net income applicable to common shareholders	**10,082**	2,760	85
Dividends and undistributed earnings allocated to participating securities	**(2)**	(2)	(1)
Net income allocated to common shareholders	**$ 10,080**	$ 2,758	$ 84
Average common shares issued and outstanding	**10,731,165**	10,746,028	10,142,625
Earnings per common share	**$ 0.94**	$ 0.26	$ 0.01
Diluted earnings per common share			
Net income applicable to common shareholders	**$ 10,082**	$ 2,760	$ 85
Add preferred stock dividends due to assumed conversions	**300**	—	—
Dividends and undistributed earnings allocated to participating securities	**(2)**	(2)	(1)
Net income allocated to common shareholders	**$ 10,380**	$ 2,758	$ 84
Average common shares issued and outstanding	**10,731,165**	10,746,028	10,142,625
Dilutive potential common shares [1]	**760,253**	94,826	112,199
Total diluted average common shares issued and outstanding	**11,491,418**	10,840,854	10,254,824
Diluted earnings per common share	**$ 0.90**	$ 0.25	$ 0.01

(1) Includes incremental shares from restricted stock units, restricted stock, stock options and warrants.

The Corporation previously issued a warrant to purchase 700 million shares of the Corporation's common stock to the holder of the Series T Preferred Stock. For 2013, 700 million average dilutive potential common shares associated with the Series T Preferred Stock were included in the diluted share count under the "if-converted" method. For 2012 and 2011, 700 million and 234 million average dilutive potential common shares associated with the Series T Preferred Stock were not included in the diluted share count because the result would have been antidilutive under the "if-converted" method. For additional information, see *Note 13 – Shareholders' Equity.*

For both 2013 and 2012, 62 million average dilutive potential common shares associated with the Series L Preferred Stock were not included in the diluted share count because the result would have been antidilutive under the "if-converted" method compared to 66 million for 2011. For 2013, 2012 and 2011, average options to purchase 126 million, 163 million and 217 million shares of common stock, respectively, were outstanding but not included in the computation of EPS because the result would have been antidilutive under the treasury stock method. For 2013, 2012 and 2011, average warrants to purchase 272 million shares of common stock were outstanding but not included in the computation of EPS because the result would have been antidilutive under the treasury stock method.

In connection with the preferred stock actions described in *Note 13 – Shareholders' Equity*, the Corporation recorded a $100 million non-cash preferred stock dividend in 2013, a $44 million reduction to preferred stock dividends in 2012 and a net $36 million non-cash preferred stock dividend in 2011, all of which are included in the calculation of net income allocated to common shareholders.

NOTE 16 Regulatory Requirements and Restrictions

The Corporation manages regulatory capital to adhere to internal capital guidelines and regulatory standards of capital adequacy based on its current understanding of the rules and the application of such rules to its business as currently conducted.

The Federal Reserve, Office of the Comptroller of the Currency (OCC) and FDIC (collectively, joint agencies) establish regulatory capital guidelines for U.S. banking organizations. The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. Under the current regulatory capital guidelines, Total capital consists of three tiers of capital. Tier 1 capital includes the sum of "core capital elements," the principal components of which are qualifying common shareholders' equity and qualifying non-cumulative perpetual preferred stock. Also included in Tier 1 capital are qualifying trust preferred securities (Trust Securities), hybrid securities and qualifying noncontrolling interests in subsidiaries which are subject to the rules governing "restricted core capital elements." Goodwill, other disallowed intangible assets, disallowed deferred tax assets and the cumulative changes in fair value of all financial liabilities accounted for under the fair value option that are included in retained earnings and are attributable to changes in the company's own creditworthiness are excluded from the sum of core capital elements. Tier 2 capital consists of qualifying subordinated debt, a limited portion of the allowance for loan and lease losses, a portion of net unrealized gains on AFS marketable equity securities and other adjustments. The Corporation's total capital is the total of Tier 1 capital plus supplementary Tier 2 capital. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. Tier 3 capital can only be used to satisfy the Corporation's market risk capital requirement and may not be used to support its credit risk requirement. At December 31, 2013 and 2012, the Corporation had no subordinated debt that qualified as Tier 3 capital.

To meet minimum, adequately capitalized regulatory requirements, an institution must maintain a Tier 1 capital ratio of four percent and a Total capital ratio of eight percent. A "well-capitalized" institution must generally maintain capital ratios 200 bps higher than the minimum guidelines. The risk-based capital rules have been further supplemented by a Tier 1 leverage ratio, defined as Tier 1 capital divided by quarterly average total assets, after certain adjustments. Bank holding companies (BHCs) must have a minimum Tier 1 leverage ratio of at least four percent. National banks must maintain a Tier 1 leverage ratio of at least five percent to be classified as "well-capitalized." Failure to meet the capital requirements established by the joint agencies can lead to certain mandatory and discretionary actions by regulators that could have a material adverse effect on the Corporation's financial position. At December 31, 2013, the Corporation's Tier 1 capital, Total capital and Tier 1 leverage ratios were 12.44 percent, 15.44 percent and 7.86 percent, respectively.

Current guidelines restrict certain core capital elements to 15 percent of total core capital elements for internationally active BHCs. Internationally active BHCs are those that have significant activities in non-U.S. markets with consolidated assets greater than $250 billion or on-balance sheet non-U.S. exposure greater than $10 billion, which includes the Corporation. In addition, the Federal Reserve revised the qualitative standards for capital instruments included in regulatory capital. At December 31, 2013, the Corporation's restricted core capital elements comprised 3.3 percent of total core capital elements. The Corporation is in compliance with the revised guidelines.

Tier 1 common capital is not an official regulatory ratio, but was introduced by the Federal Reserve during the Supervisory Capital Assessment Program in 2009. Tier 1 common capital is Tier 1 capital less preferred stock, Trust Securities, hybrid securities and qualifying noncontrolling interests in subsidiaries. The Corporation's Tier 1 common capital was $145.2 billion and the Tier 1 common capital ratio was 11.19 percent at December 31, 2013.

The table below presents actual and minimum required regulatory capital amounts at December 31, 2013 and 2012.

Regulatory Capital

	December 31					
	2013			2012		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required [(1)]	Ratio	Amount	Minimum Required [(1)]
Risk-based capital						
Tier 1 common capital						
Bank of America Corporation	**11.19%**	**$ 145,235**	**n/a**	11.06%	$ 133,403	n/a
Tier 1 capital						
Bank of America Corporation	**12.44**	**161,456**	**$ 77,852**	12.89	155,461	$ 72,359
Bank of America, N.A.	**12.34**	**125,886**	**61,208**	12.44	118,431	57,099
FIA Card Services, N.A.	**16.83**	**20,135**	**7,177**	17.34	22,061	7,632
Total capital						
Bank of America Corporation	**15.44**	**200,281**	**129,753**	16.31	196,680	120,598
Bank of America, N.A.	**13.84**	**141,232**	**102,013**	14.76	140,434	95,165
FIA Card Services, N.A.	**18.12**	**21,672**	**11,962**	18.64	23,707	12,719
Tier 1 leverage						
Bank of America Corporation	**7.86**	**161,456**	**82,125**	7.37	155,461	84,429
Bank of America, N.A.	**9.21**	**125,886**	**68,379**	8.59	118,431	68,957
FIA Card Services, N.A.	**12.91**	**20,135**	**7,801**	13.67	22,061	8,067

(1) Dollar amount required to meet guidelines to be considered well-capitalized.
n/a = not applicable

The Federal Reserve requires BHCs to submit a capital plan and requests for capital actions on an annual basis, consistent with the rules governing the Comprehensive Capital Analysis and Review (CCAR). The CCAR is the central element of the Federal Reserve's approach to ensure that large BHCs have adequate capital and robust processes for managing their capital. In January 2013, the Corporation submitted its 2013 capital plan and the Federal Reserve did not object to the Corporation's 2013 capital plan. In January 2014, the Corporation submitted its 2014 CCAR plan and related supervisory stress tests to the Federal Reserve. The Federal Reserve announced that it will release summary results, including supervisory projections of capital ratios, losses and revenues under stress scenarios, and publish the results of stress tests conducted under the supervisory adverse scenario in March 2014.

Regulatory Capital Developments

Market Risk Final Rule

Effective January 1, 2013, Basel 1 was amended by the Market Risk Final Rule, and is referred to herein as the Basel 1 – 2013 Rules. At December 31, 2013, the Corporation measured and reported its capital ratios and related information in accordance with the Basel 1 – 2013 Rules, which introduced new measures of market risk including a charge related to stressed Value-at-Risk (VaR), an incremental risk charge and the comprehensive risk measure (CRM), as well as other technical modifications, all of which were effective January 1, 2013. The CRM is used to determine the risk-weighted assets for correlation trading positions. With approval from U.S. banking regulators, but not sooner than one year following compliance with the Market Risk Final Rule, the Corporation may remove a surcharge applicable to the CRM.

In December 2013, U.S. banking regulators issued an amendment to the Market Risk Final Rule, effective on April 1, 2014, to reflect certain aspects of the final Basel 3 Regulatory Capital rules (Basel 3). Revisions were made to the treatment of sovereign exposures and certain traded securitization positions as well as clarification as to the timing of required disclosures.

Basel 3 Regulatory Capital Rules

The final Basel 3 regulatory capital rules (Basel 3) became effective on January 1, 2014. Various aspects of Basel 3 will be subject to multi-year transition periods ending December 31, 2018 and Basel 3 generally continues to be subject to interpretation by the U.S. banking regulators. Basel 3 will materially change the Corporation's Tier 1 common, Tier 1 and Total capital calculations. Basel 3 introduces new minimum capital ratios and buffer requirements and a supplementary leverage ratio; changes the composition of regulatory capital; revises the adequately capitalized minimum requirements under the Prompt Corrective Action framework; expands and modifies the calculation of risk-weighted assets for credit and market risk (the Advanced approach); and introduces a Standardized approach for the calculation of risk-weighted assets. This will replace the Basel 1 – 2013 Rules effective January 1, 2015.

Under Basel 3, the Corporation is required to calculate regulatory capital ratios and risk-weighted assets under both the Standardized approach and, upon notification of approval by U.S. banking regulators anytime on or after January 1, 2014, the Advanced approach. For 2014, the Standardized approach uses risk-weighted assets as measured under the Basel 1 – 2013 Rules and Basel 3 capital in the determination of the Basel 3 Standardized approach capital ratios. The approach that yields the lower ratio is to be used to assess capital adequacy including under the Prompt Corrective Action framework. Prior to receipt of notification of approval, the Corporation is required to assess its capital adequacy under the Standardized approach only. The Prompt Corrective Action framework establishes categories of capitalization, including "well capitalized," based on regulatory ratio requirements. U.S. banking regulators are required to take certain mandatory actions depending on the category of

capitalization, with no mandatory actions required for "well-capitalized" banking entities.

In November 2011, the Basel Committee on Banking Supervision (Basel Committee) published a methodology to identify global systematically important banks (G-SIBs) and impose an additional loss absorbency requirement through the introduction of a buffer of up to 3.5 percent for systemically important financial institutions (SIFIs). The assessment methodology relies on an indicator-based measurement approach to determine a score relative to the global banking industry. The chosen indicators are size, complexity, cross-jurisdictional activity, interconnectedness and substitutability/financial institution infrastructure. Institutions with the highest scores are designated as G-SIBs and are assigned to one of four loss absorbency buckets from one percent to 2.5 percent, in 0.5 percent increments based on each institution's relative score and supervisory judgment. The fifth loss absorbency bucket of 3.5 percent is currently empty and serves to discourage banks from becoming more systemically important.

In July 2013, the Basel Committee updated the November 2011 methodology to recalibrate the substitutability/financial institution infrastructure indicator by introducing a cap on the weighting of that component, and require the annual publication by the Financial Stability Board (FSB) of key information necessary to permit each G-SIB to calculate its score and observe its position within the buckets and relative to the industry total for each indicator. Every three years, beginning on January 1, 2016, the Basel Committee will reconsider and recalibrate the bucket thresholds. The Basel Committee and FSB expect banks to change their behavior in response to the incentives of the G-SIB framework, as well as other aspects of Basel 3 and jurisdiction-specific regulations.

The SIFI buffer requirement will begin to phase in effective January 2016, with full implementation in January 2019. Data from 2013, measured as of December 31, 2013, will be used to determine the SIFI buffer that will be effective for the Corporation in 2016. U.S. banking regulators have not yet issued proposed or final rules related to the SIFI buffer or disclosure requirements.

Regulatory Capital Transitions

Important differences in determining the composition of regulatory capital between Basel 1 – 2013 Rules and Basel 3 include changes in capital deductions related to MSRs, deferred tax assets and defined benefit pension assets, and the inclusion of unrealized gains and losses on AFS debt and certain marketable equity securities recorded in accumulated OCI, each of which will be impacted by future changes in interest rates, overall earnings performance or other corporate actions.

Changes to the composition of regulatory capital under Basel 3, such as recognizing the impact of unrealized gains or losses on AFS debt securities in Tier 1 common capital, are subject to a transition period where the impact is recognized in 20 percent annual increments. These regulatory capital adjustments and deductions will be fully implemented in 2018. The phase-in period for the new minimum capital ratio requirements and related buffers under Basel 3 is from January 1, 2014 through December 31, 2018. When presented on a fully phased-in basis, capital, risk-weighted assets and the capital ratios assume all regulatory capital adjustments and deductions are fully recognized.

In addition, Basel 3 revised the regulatory capital treatment for Trust Securities, requiring them to be partially transitioned from Tier 1 capital into Tier 2 capital in 2014 and 2015, until fully excluded from Tier 1 capital in 2016, and partially transitioned and excluded from Tier 2 capital beginning in 2016. The exclusion from Tier 2 capital starts at 40 percent on January 1, 2016, increasing 10 percent each year until the full amount is excluded from Tier 2 capital beginning on January 1, 2022.

Standardized Approach

The Basel 3 Standardized approach measures risk-weighted assets primarily for market risk and credit risk exposures. Exposures subject to market risk, as defined under the rules, are measured on the same basis as the Market Risk Final Rule, described previously. Credit risk exposures are measured by applying fixed risk weights to the exposure, determined based on the characteristics of the exposure, such as type of obligor, Organization for Economic Cooperation and Development (OECD) country risk code and maturity, among others. Under the Standardized approach, no distinction is made for variations in credit quality for corporate exposures, and the economic benefit of collateral is restricted to a limited list of eligible securities and cash. Some key differences between the Standardized and Advanced approaches are that the Advanced approach includes a measure of operational risk and a credit valuation adjustment capital charge in credit risk and relies on internal analytical models to measure credit risk-weighted assets, as more fully described below.

Advanced Approach

Under the Basel 3 Advanced approach, risk-weighted assets are determined primarily for market risk, credit risk and operational risk. Market risk capital measurements are consistent with the Standardized approach, except for securitization exposures, where the Supervisory Formula Approach is also permitted, and certain differences arising from the inclusion of the CVA capital charge in the credit risk capital measurement. Credit risk exposures are measured using advanced internal ratings-based models to determine the applicable risk weight by estimating the probability of default, LGD and, in certain instances, exposure at default. The analytical models primarily rely on internal historical default and loss experience. Operational risk is measured using advanced internal models which rely on both internal and external operational loss experience and data. The Basel 3 Advanced approach requires approval by the U.S. regulatory agencies of the Corporation's internal analytical models used to calculate risk-weighted assets.

Supplementary Leverage Ratio

Basel 3 also will require the Corporation to calculate a supplementary leverage ratio, determined by dividing Tier 1 capital by total leverage exposure for each month-end during a fiscal quarter, and then calculating the simple average. Total leverage exposure is comprised of all on-balance sheet assets, plus a measure of certain off-balance sheet exposures, including, among others, lending commitments, letters of credit, over-the-counter (OTC) derivatives, repo-style transactions and margin loan commitments. The minimum supplementary leverage ratio requirement of three percent is not effective until January 1, 2018. The Corporation will be required to disclose its supplementary leverage ratio effective January 1, 2015.

In July 2013, U.S. banking regulators issued a notice of proposed rulemaking to modify the supplementary leverage ratio minimum requirements under Basel 3 effective in 2018. This proposal would only apply to BHCs with more than $700 billion in total assets or more than $10 trillion in total assets under custody. If adopted, it would require the Corporation to maintain a minimum supplementary leverage ratio of three percent, plus a supplementary leverage buffer of two percent, for a total of five percent. If the Corporation's supplementary leverage buffer is not greater than or equal to two percent, then the Corporation would be subject to mandatory limits on its ability to make distributions of capital to shareholders, whether through dividends, stock repurchases or otherwise. In addition, the insured depository institutions of such BHCs, which for the Corporation would include primarily BANA and FIA, would be required to maintain a minimum six percent leverage ratio to be considered "well capitalized." The proposal is not yet final and, when finalized, could have provisions significantly different from those currently proposed.

On January 12, 2014, the Basel Committee issued final guidance introducing changes to the method of calculating total leverage exposure under the international Basel 3 framework. The total leverage exposure was revised to measure derivatives on a gross basis with cash variation margin reducing the exposure if certain conditions are met, include off-balance sheet commitments measured using the notional amount multiplied by conversion factors between 10 percent and 100 percent consistent with the general risk-based capital rules and a change to measure written credit derivatives using a notional-based approach capped at the maximum loss with limited netting permitted. U.S. banking regulators may consider the Basel Committee's final guidance in connection with the July 2013 NPR.

Basel 3 Liquidity Standards

The Basel Committee has issued two liquidity risk-related standards that are considered part of the Basel 3 liquidity standards: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR is calculated as the amount of a financial institution's unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under a 30-day period of significant liquidity stress, expressed as a percentage. The Basel Committee's liquidity risk-related standards do not directly apply to U.S. financial institutions currently, and would only apply once U.S. rules are finalized by the U.S. banking regulators.

On October 24, 2013, the U.S. banking regulators jointly proposed regulations that would implement LCR requirements for the largest U.S. financial institutions on a consolidated basis and for their subsidiary depository institutions with total assets greater than $10 billion. Under the proposal, an initial minimum LCR of 80 percent would be required in January 2015, and would thereafter increase in 10 percentage point increments annually through January 2017. These minimum requirements would be applicable to the Corporation on a consolidated basis and at its insured depository institutions, including BANA, FIA and Bank of America California, N.A.

On January 12, 2014, the Basel Committee issued for comment a revised NSFR, the standard that is intended to reduce funding risk over a longer time horizon. The NSFR is designed to ensure an appropriate amount of stable funding, generally capital and liabilities maturing beyond one year, given the mix of assets and off-balance sheet items. The revised proposal would align the NSFR to some of the 2013 revisions to the LCR and give more credit to a wider range of funding. The proposal also includes adjustments to the stable funding required for certain types of assets, some of which reduce the stable funding requirement and some of which increase it. The Basel Committee expects to complete the NSFR recalibration in 2014 and expects the minimum standard to be in place by 2018.

Other Regulatory Matters

On February 18, 2014, the Federal Reserve approved a final rule implementing certain enhanced supervisory and prudential requirements established under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The final rule formalizes risk management requirements primarily related to governance and liquidity risk management and reiterates the provisions of previously issued final rules related to risk-based and leverage capital and stress test requirements. Also, a debt-to-equity limit may be enacted for an individual BHC if determined to pose a grave threat to the financial stability of the U.S., at the discretion of the Financial Stability Oversight Council (FSOC) or the Federal Reserve on behalf of the FSOC.

The Federal Reserve requires the Corporation's banking subsidiaries to maintain reserve balances based on a percentage of certain deposits. Average daily reserve balance requirements for the Corporation by the Federal Reserve were $16.6 billion and $16.3 billion for 2013 and 2012. Currency and coin residing in branches and cash vaults (vault cash) are used to partially satisfy the reserve requirement. The average daily reserve balances, in excess of vault cash, held with the Federal Reserve amounted to $7.8 billion and $7.9 billion for 2013 and 2012. As of December 31, 2013 and 2012, the Corporation had cash in the amount of $6.0 billion and $8.5 billion, and securities with a fair value of $8.4 billion and $5.9 billion that were segregated in compliance with securities regulations or deposited with clearing organizations.

The primary sources of funds for cash distributions by the Corporation to its shareholders are capital distributions received from its banking subsidiaries, BANA and FIA. In 2013, the Corporation received $8.5 billion in dividends from BANA. BANA and FIA returned capital of $8.7 billion to the Corporation in 2013. In 2014, BANA can declare and pay dividends of $8.0 billion to the Corporation plus an additional amount equal to its retained net profits for 2014 up to the date of any dividend declaration. The other subsidiary national banks returned capital of $1.4 billion to the Corporation in 2013. Bank of America California, N.A. can pay dividends of $396 million in 2014 plus an additional amount equal to its retained net profits for 2014 up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year is the subsidiary bank's net profits for that year combined with its retained net profits for the preceding two years. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period.

NOTE 17 Employee Benefit Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed pension plans, a number of noncontributory nonqualified pension plans, and postretirement health and life plans that cover eligible employees. As discussed below, certain of the pension plans were amended, effective June 30, 2012, to freeze benefits earned. The pension plans provide defined benefits based on an employee's compensation and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, generally based on years of service. In 2013, the Corporation merged a defined benefit pension plan, which covered eligible employees of certain legacy companies, into the Bank of America Pension Plan. This plan is referred to as the Qualified Pension Plan (Qualified Pension Plans prior to this merger). For account balances based on compensation credits prior to January 1, 2008, the Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a periodic basis subject to the provisions of the Pension Plan. For account balances based on compensation credits subsequent to December 31, 2007, the account balance earnings rate is based on a benchmark rate. For eligible employees in the Pension Plan on or after January 1, 2008, the benefits become vested upon completion of three years of service. It is the policy of the Corporation to fund no less than the minimum funding amount required by ERISA.

The Pension Plan has a balance guarantee feature for account balances with participant-selected earnings, applied at the time a benefit payment is made from the plan that effectively provides principal protection for participant balances transferred and certain compensation credits. The Corporation is responsible for funding any shortfall on the guarantee feature.

As a result of acquisitions, the Corporation assumed the obligations related to the pension plans of certain legacy companies. The benefit structures under these acquired plans have not changed and remain intact in the merged plan. Certain benefit structures are substantially similar to the Pension Plan discussed above; however, certain of these structures do not allow participants to select various earnings measures; rather the earnings rate is based on a benchmark rate. In addition, these structures include participants with benefits determined under formulas based on average or career compensation and years of service rather than by reference to a pension account. Certain of the other structures provide a participant's retirement benefits based on the number of years of benefit service and a percentage of the participant's average annual compensation during the five highest paid consecutive years of the last 10 years of employment.

The 2013 merger of the defined benefit pension plan into the Qualified Pension Plan required a remeasurement of the qualified pension obligations and plan assets at fair value as of the merger date in addition to the required December 31 remeasurement. The 2013 remeasurements resulted in an increase in accumulated OCI of $2.0 billion, net-of-tax.

In 2012, in connection with a redesign of the Corporation's retirement plans, the Compensation and Benefits Committee of the Board approved amendments to freeze benefits earned in the Qualified Pension Plans effective June 30, 2012. As a result of freezing the Qualified Pension Plans, a curtailment was triggered and a remeasurement of the qualified pension obligations and plan assets occurred. As of the remeasurement date, the plan assets had increased in value from the prior measurement date resulting in an increase in the funded status of the plan and the curtailment impact reduced the projected benefit obligation. The combined impact resulted in a $1.3 billion increase to the net pension assets recognized in other assets and a corresponding increase in accumulated OCI of $832 million, net-of-tax. The impact of the immediate recognition of the prior service cost of $58 million was recorded in personnel expense as a curtailment loss in 2012. All economic assumptions were consistent with the prior year end including the weighted-average discount rate of 4.95 percent used for remeasurement of the Qualified Pension Plans.

As a result of freezing the Qualified Pension Plans, the amortization period for actuarial gains and losses was changed from the average working life to the estimated average lifetime of benefits being paid. In addition, in 2014, the long-term expected return on assets assumption for the Qualified Pension Plan was reduced to 6.0 percent from 6.5 percent in 2013 and 8.0 percent in 2012 to reflect current market conditions and long-term financial goals.

The Corporation assumed the obligations related to the plans of Merrill Lynch. These plans include a terminated U.S. pension plan (the Other Pension Plan), non-U.S. pension plans, nonqualified pension plans and postretirement plans. The non-U.S. pension plans vary based on the country and local practices.

The Corporation has an annuity contract, previously purchased by Merrill Lynch, that guarantees the payment of benefits vested under the Other Pension Plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from actual experience and investment performance of the annuity assets. The Corporation made no contribution under this agreement in 2013 or 2012. Contributions may be required in the future under this agreement.

The Corporation sponsors a number of noncontributory, nonqualified pension plans (the Nonqualified Pension Plans). As a result of acquisitions, the Corporation assumed the obligations related to the noncontributory, nonqualified pension plans of certain legacy companies including Merrill Lynch. These plans, which are unfunded, provide defined pension benefits to certain employees.

In addition to retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of these benefits partially paid by the Corporation. The obligations assumed as a result of acquisitions are substantially similar to the Corporation's postretirement health and life plans, except for Countrywide which did not have a postretirement health and life plan. Collectively, these plans are referred to as the Postretirement Health and Life Plans.

The Pension and Postretirement Plans table summarizes the changes in the fair value of plan assets, changes in the projected benefit obligation (PBO), the funded status of both the accumulated benefit obligation (ABO) and the PBO, and the weighted-average assumptions used to determine benefit obligations for the pension plans and postretirement plans at December 31, 2013 and 2012. Amounts recognized at December 31, 2013 and 2012 are reflected in other assets, and in accrued expenses and other liabilities on the Consolidated Balance Sheet.

The discount rate assumption is based on a cash flow matching technique and is subject to change each year. This technique utilizes yield curves that are based on Aa-rated corporate bonds with cash flows that match estimated benefit payments of each of the plans to produce the discount rate assumptions. The asset valuation method for the Qualified Pension Plan recognizes 60 percent of the prior year's market gains or losses at the next measurement date with the remaining 40 percent spread equally over the subsequent four years.

The Corporation's best estimate of its contributions to be made to the Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans in 2014 is $83 million, $103 million and $106 million, respectively. The Corporation does not expect to make a contribution to the Qualified Pension Plan in 2014.

Pension and Postretirement Plans

(Dollars in millions)	Qualified Pension Plan (1) 2013	Qualified Pension Plan (1) 2012	Non-U.S. Pension Plans (1) 2013	Non-U.S. Pension Plans (1) 2012	Nonqualified and Other Pension Plans (1) 2013	Nonqualified and Other Pension Plans (1) 2012	Postretirement Health and Life Plans (1) 2013	Postretirement Health and Life Plans (1) 2012
Change in fair value of plan assets								
Fair value, January 1	**$ 16,274**	$ 15,070	**$ 2,306**	$ 2,022	**$ 3,063**	$ 3,061	**$ 86**	$ 91
Actual return on plan assets	**2,873**	2,020	**146**	115	**(217)**	126	**9**	10
Company contributions	**—**	—	**131**	152	**98**	112	**61**	117
Plan participant contributions	**—**	—	**1**	3	**—**	—	**138**	139
Settlements and curtailments	**—**	—	**(80)**	—	**(7)**	—	**—**	—
Benefits paid	**(871)**	(816)	**(80)**	(77)	**(217)**	(236)	**(237)**	(290)
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**15**	19
Foreign currency exchange rate changes	**n/a**	n/a	**33**	91	**n/a**	n/a	**n/a**	n/a
Fair value, December 31	**$ 18,276**	$ 16,274	**$ 2,457**	$ 2,306	**$ 2,720**	$ 3,063	**$ 72**	$ 86
Change in projected benefit obligation								
Projected benefit obligation, January 1	**$ 15,655**	$ 14,891	**$ 2,460**	$ 1,984	**$ 3,334**	$ 3,137	**$ 1,574**	$ 1,619
Service cost	**—**	236	**32**	40	**1**	1	**9**	13
Interest cost	**623**	681	**98**	97	**120**	138	**54**	71
Plan participant contributions	**—**	—	**1**	3	**—**	—	**138**	139
Plan amendments	**—**	—	**2**	2	**—**	—	**—**	—
Settlements and curtailments	**17**	(889)	**(116)**	—	**(7)**	—	**—**	—
Actuarial loss (gain)	**(1,279)**	1,552	**156**	328	**(161)**	294	**(197)**	(4)
Benefits paid	**(871)**	(816)	**(80)**	(77)	**(217)**	(236)	**(237)**	(290)
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**15**	19
Foreign currency exchange rate changes	**n/a**	n/a	**27**	83	**n/a**	n/a	**—**	7
Projected benefit obligation, December 31	**$ 14,145**	$ 15,655	**$ 2,580**	$ 2,460	**$ 3,070**	$ 3,334	**$ 1,356**	$ 1,574
Amount recognized, December 31	**$ 4,131**	$ 619	**$ (123)**	$ (154)	**$ (350)**	$ (271)	**$ (1,284)**	$ (1,488)
Funded status, December 31								
Accumulated benefit obligation	**$ 14,145**	$ 15,655	**$ 2,463**	$ 2,345	**$ 3,067**	$ 3,334	**n/a**	n/a
Overfunded (unfunded) status of ABO	**4,131**	619	**(6)**	(39)	**(347)**	(271)	**n/a**	n/a
Provision for future salaries	**—**	—	**117**	115	**3**	—	**n/a**	n/a
Projected benefit obligation	**14,145**	15,655	**2,580**	2,460	**3,070**	3,334	**$ 1,356**	$ 1,574
Weighted-average assumptions, December 31								
Discount rate	**4.85%**	4.00%	**4.30%**	4.23%	**4.55%**	3.65%	**4.50%**	3.65%
Rate of compensation increase	**n/a**	n/a	**3.40**	4.37	**4.00**	4.00	**n/a**	n/a

(1) The measurement date for the Qualified Pension Plan, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans was December 31 of each year reported.

n/a = not applicable

Amounts recognized on the Consolidated Balance Sheet at December 31, 2013 and 2012 are presented in the table below.

Amounts Recognized on Consolidated Balance Sheet

(Dollars in millions)	Qualified Pension Plan 2013	Qualified Pension Plan 2012	Non-U.S. Pension Plans 2013	Non-U.S. Pension Plans 2012	Nonqualified and Other Pension Plans 2013	Nonqualified and Other Pension Plans 2012	Postretirement Health and Life Plans 2013	Postretirement Health and Life Plans 2012
Other assets	**$ 4,131**	$ 676	**$ 205**	$ 220	**$ 777**	$ 908	**$ —**	$ —
Accrued expenses and other liabilities	**—**	(57)	**(328)**	(374)	**(1,127)**	(1,179)	**(1,284)**	(1,488)
Net amount recognized at December 31	**$ 4,131**	$ 619	**$ (123)**	$ (154)	**$ (350)**	$ (271)	**$ (1,284)**	$ (1,488)

Pension Plans with ABO and PBO in excess of plan assets as of December 31, 2013 and 2012 are presented in the table below. For the non-qualified plans not subject to ERISA or non-U.S. pension plans, funding strategies vary due to legal requirements and local practices.

Plans with ABO and PBO in Excess of Plan Assets

(Dollars in millions)	Qualified Pension Plan 2013	Qualified Pension Plan 2012	Non-U.S. Pension Plans 2013	Non-U.S. Pension Plans 2012	Nonqualified and Other Pension Plans 2013	Nonqualified and Other Pension Plans 2012
Plans with ABO in excess of plan assets						
PBO	**n/a**	$ 7,171	**$ 617**	$ 883	**$ 1,129**	$ 1,182
ABO	**n/a**	7,171	**606**	843	**1,126**	1,181
Fair value of plan assets	**n/a**	7,114	**290**	510	**2**	2
Plans with PBO in excess of plan assets						
PBO	**n/a**	$ 7,171	**$ 720**	$ 896	**$ 1,129**	$ 1,182
Fair value of plan assets	**n/a**	7,114	**392**	522	**2**	2

n/a = not applicable

Net periodic benefit cost of the Corporation's plans for 2013, 2012 and 2011 included the following components.

Components of Net Periodic Benefit Cost

(Dollars in millions)	Qualified Pension Plan 2013	Qualified Pension Plan 2012	Qualified Pension Plan 2011	Non-U.S. Pension Plans 2013	Non-U.S. Pension Plans 2012	Non-U.S. Pension Plans 2011
Components of net periodic benefit cost						
Service cost	**$ —**	$ 236	$ 423	**$ 32**	$ 40	$ 43
Interest cost	**623**	681	746	**98**	97	99
Expected return on plan assets	**(1,024)**	(1,246)	(1,296)	**(121)**	(137)	(115)
Amortization of prior service cost	**—**	9	20	**—**	—	—
Amortization of net actuarial loss (gain)	**242**	469	387	**2**	(9)	—
Recognized loss (gain) due to settlements and curtailments	**17**	58	—	**(7)**	—	—
Net periodic benefit cost (income)	**$ (142)**	$ 207	$ 280	**$ 4**	$ (9)	$ 27
Weighted-average assumptions used to determine net cost for years ended December 31						
Discount rate	**4.00%**	4.95%	5.45%	**4.23%**	4.87%	5.32%
Expected return on plan assets	**6.50**	8.00	8.00	**5.50**	6.65	6.58
Rate of compensation increase	**n/a**	4.00	4.00	**4.37**	4.42	4.85

(Dollars in millions)	Nonqualified and Other Pension Plans 2013	Nonqualified and Other Pension Plans 2012	Nonqualified and Other Pension Plans 2011	Postretirement Health and Life Plans 2013	Postretirement Health and Life Plans 2012	Postretirement Health and Life Plans 2011
Components of net periodic benefit cost						
Service cost	**$ 1**	$ 1	$ 3	**$ 9**	$ 13	$ 15
Interest cost	**120**	138	152	**54**	71	80
Expected return on plan assets	**(109)**	(152)	(141)	**(5)**	(8)	(9)
Amortization of transition obligation	**—**	—	—	**—**	32	31
Amortization of prior service cost (credits)	**—**	(3)	(8)	**4**	4	4
Amortization of net actuarial loss (gain)	**25**	8	16	**(42)**	(38)	(17)
Recognized loss due to settlements and curtailments	**2**	—	3	**6**	—	—
Net periodic benefit cost (income)	**$ 39**	$ (8)	$ 25	**$ 26**	$ 74	$ 104
Weighted-average assumptions used to determine net cost for years ended December 31						
Discount rate	**3.65%**	4.65%	5.20%	**3.65%**	4.65%	5.10%
Expected return on plan assets	**3.75**	5.25	5.25	**6.50**	8.00	8.00
Rate of compensation increase	**4.00**	4.00	4.00	**n/a**	n/a	n/a

n/a = not applicable

Net periodic postretirement health and life expense was determined using the "projected unit credit" actuarial method. Gains and losses for all benefit plans except postretirement health care are recognized in accordance with the standard amortization provisions of the applicable accounting guidance. For the Postretirement Health Care Plans, 50 percent of the unrecognized gain or loss at the beginning of the fiscal year (or at subsequent remeasurement) is recognized on a level basis during the year.

The discount rate and expected return on plan assets impact the net periodic benefit cost (income) recorded for the plans. With all other assumptions held constant, a 25 bps decline in the discount rate would result in an increase of approximately $7 million, while a 25 bps decline in the expected return on plan assets would result in an increase of approximately $41 million for the Qualified Pension Plan. For the Postretirement Health and Life Plans, the 25 bps decline in the discount rate would result in

an increase of approximately $9 million. For the Non-U.S. Pension Plans and the Nonqualified and Other Pension Plans, the 25 bps decline in rates would not have a significant impact.

Assumed health care cost trend rates affect the postretirement benefit obligation and benefit cost reported for the Postretirement Health and Life Plans. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Postretirement Health and Life Plans is 7.00 percent for 2014, reducing in steps to 5.00 percent in 2019 and later years. A one-percentage-point increase in assumed health care cost trend rates would have increased the service and interest costs, and the benefit obligation by $2 million and $54 million in 2013. A one-percentage-point decrease in assumed health care cost trend rates would have lowered the service and interest costs, and the benefit obligation by $2 million and $47 million in 2013.

Pre-tax amounts included in accumulated OCI for employee benefit plans at December 31, 2013 and 2012 are presented in the table below.

Pre-tax Amounts included in Accumulated OCI

	Qualified Pension Plan		Non-U.S. Pension Plans		Nonqualified and Other Pension Plans		Postretirement Health and Life Plans		Total	
(Dollars in millions)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Net actuarial loss (gain)	**$ 2,794**	$ 6,164	**$ 271**	$ 144	**$ 855**	$ 718	**$ (171)**	$ (28)	**$ 3,749**	$ 6,998
Prior service cost (credits)	**—**	—	**(9)**	5	**—**	—	**24**	29	**15**	34
Amounts recognized in accumulated OCI	**$ 2,794**	$ 6,164	**$ 262**	$ 149	**$ 855**	$ 718	**$ (147)**	$ 1	**$ 3,764**	$ 7,032

Pre-tax amounts recognized in OCI for employee benefit plans in 2013 included the following components.

Pre-tax Amounts Recognized in OCI in 2013

(Dollars in millions)	Qualified Pension Plan	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans	Total
Current year actuarial loss (gain)	$ (3,128)	$ 113	$ 164	$ (180)	$ (3,031)
Amortization of actuarial gain (loss)	(242)	(2)	(27)	36	(235)
Current year prior service cost	—	2	—	—	2
Amortization of prior service cost	—	—	—	(4)	(4)
Amounts recognized in OCI	**$ (3,370)**	**$ 113**	**$ 137**	**$ (148)**	**$ (3,268)**

The estimated pre-tax amounts that will be amortized from accumulated OCI into expense in 2014 are presented in the table below.

Estimated Pre-tax Amounts Amortized from Accumulated OCI into Period Cost in 2014

(Dollars in millions)	Qualified Pension Plan	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans	Total
Net actuarial loss (gain)	$ 108	$ 3	$ 25	$ (85)	$ 51
Prior service cost	—	1	—	4	5
Total amounts amortized from accumulated OCI	**$ 108**	**$ 4**	**$ 25**	**$ (81)**	**$ 56**

Plan Assets

The Qualified Pension Plan has been established as a retirement vehicle for participants, and trusts have been established to secure benefits promised under the Qualified Pension Plan. The Corporation's policy is to invest the trust assets in a prudent manner for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administration. The Corporation's investment strategy is designed to provide a total return that, over the long term, increases the ratio of assets to liabilities. The strategy attempts to maximize the investment return on assets at a level of risk deemed appropriate by the Corporation while complying with ERISA and any applicable regulations and laws. The investment strategy utilizes asset allocation as a principal determinant for establishing the risk/return profile of the assets. Asset allocation ranges are established, periodically reviewed and adjusted as funding levels and liability characteristics change. Active and passive investment managers are employed to help enhance the risk/return profile of the assets. An additional aspect of the investment strategy used to minimize risk (part of the asset allocation plan) includes matching the equity exposure of participant-selected earnings measures. For example, the common stock of the Corporation held in the trust is maintained as an offset to the exposure related to participants who elected to receive an earnings measure based on the return performance of common stock of the Corporation. No plan assets are expected to be returned to the Corporation during 2014.

The assets of the Non-U.S. Pension Plans are primarily attributable to a U.K. pension plan. This U.K. pension plan's assets are invested prudently so that the benefits promised to members are provided with consideration given to the nature and the duration of the plan's liabilities. The current investment strategy was set following an asset-liability study and advice from the trustee's investment advisors. The selected asset allocation strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the plan's liabilities.

The expected return on asset assumption was developed through analysis of historical market returns, historical asset class volatility and correlations, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The expected return on asset assumption is determined using the calculated market-related value for the Qualified Pension Plan and the Other Pension Plan and the fair value for the Non-U.S. Pension Plans and Postretirement Health and Life Plans. The expected return on asset assumption represents a long-term average view of the performance of the assets in the Qualified Pension Plan, the Non-U.S. Pension Plans, the Other Pension Plan, and Postretirement Health and Life Plans, a return that may or may not be achieved during any one calendar year. The terminated Other U.S. Pension Plan is invested solely in an annuity contract which is primarily invested in fixed-income securities structured such that asset maturities match the duration of the plan's obligations.

The target allocations for 2014 by asset category for the Qualified Pension Plan, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans are presented in the table below.

2014 Target Allocation

	Percentage			
Asset Category	**Qualified Pension Plan**	**Non-U.S. Pension Plans**	**Nonqualified and Other Pension Plans**	**Postretirement Health and Life Plans**
Equity securities	30 - 60	10 - 35	0 - 5	20 - 50
Debt securities	40 - 70	40 - 80	95 - 100	50 - 80
Real estate	0 - 10	0 - 15	0 - 5	0 - 5
Other	0 - 5	0 - 15	0 - 5	0 - 5

Equity securities for the Qualified Pension Plan include common stock of the Corporation in the amounts of $200 million (1.10 percent of total plan assets) and $156 million (0.96 percent of total plan assets) at December 31, 2013 and 2012.

Fair Value Measurements

For information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methods employed by the Corporation, see *Note 1 – Summary of Significant Accounting Principles* and *Note 20 – Fair Value Measurements*.

Combined plan investment assets measured at fair value by level and in total at December 31, 2013 and 2012 are summarized in the Fair Value Measurements table.

Fair Value Measurements

	December 31, 2013			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Cash and short-term investments				
Money market and interest-bearing cash	$ 2,586	$ —	$ —	$ 2,586
Cash and cash equivalent commingled/mutual funds	—	223	—	223
Fixed income				
U.S. government and government agency securities	1,590	2,245	12	3,847
Corporate debt securities	—	1,233	—	1,233
Asset-backed securities	—	1,455	—	1,455
Non-U.S. debt securities	547	502	6	1,055
Fixed income commingled/mutual funds	89	1,279	—	1,368
Equity				
Common and preferred equity securities	7,463	—	—	7,463
Equity commingled/mutual funds	213	2,308	—	2,521
Public real estate investment trusts	127	—	—	127
Real estate				
Private real estate	—	—	119	119
Real estate commingled/mutual funds	—	7	462	469
Limited partnerships	—	117	145	262
Other investments [(1)]	—	662	135	797
Total plan investment assets, at fair value	**$ 12,615**	**$ 10,031**	**$ 879**	**$ 23,525**
	December 31, 2012			
Cash and short-term investments				
Money market and interest-bearing cash	$ 1,404	$ —	$ —	$ 1,404
Cash and cash equivalent commingled/mutual funds	—	96	—	96
Fixed income				
U.S. government and government agency securities	1,317	2,829	13	4,159
Corporate debt securities	—	1,062	—	1,062
Asset-backed securities	—	1,109	—	1,109
Non-U.S. debt securities	70	535	10	615
Fixed income commingled/mutual funds	99	1,432	—	1,531
Equity				
Common and preferred equity securities	7,432	—	—	7,432
Equity commingled/mutual funds	290	2,316	—	2,606
Public real estate investment trusts	236	—	—	236
Real estate				
Private real estate	—	—	110	110
Real estate commingled/mutual funds	—	10	324	334
Limited partnerships	—	110	231	341
Other investments [(1)]	22	543	129	694
Total plan investment assets, at fair value	$ 10,870	$ 10,042	$ 817	$ 21,729

(1) Other investments include interest rate swaps of $435 million and $311 million, participant loans of $87 million and $76 million, commodity and balanced funds of $229 million and $239 million and other various investments of $46 million and $68 million at December 31, 2013 and 2012.

The Level 3 Fair Value Measurements table presents a reconciliation of all plan investment assets measured at fair value using significant unobservable inputs (Level 3) during 2013, 2012 and 2011.

Level 3 Fair Value Measurements

(Dollars in millions)	Balance January 1	Actual Return on Plan Assets Still Held at the Reporting Date	Purchases	Sales and Settlements	Transfers into/ (out of) Level 3	Balance December 31
	2013					
Fixed income						
U.S. government and government agency securities	$ 13	$ —	$ —	$ (1)	$ —	$ 12
Non-U.S. debt securities	10	(2)	—	(2)	—	6
Real estate						
Private real estate	110	4	7	(2)	—	119
Real estate commingled/mutual funds	324	15	123	—	—	462
Limited partnerships	231	8	23	(89)	(28)	145
Other investments	129	(6)	13	(1)	—	135
Total	$ 817	$ 19	$ 166	$ (95)	$ (28)	$ 879
	2012					
Fixed income						
U.S. government and government agency securities	$ 13	$ —	$ —	$ —	$ —	$ 13
Non-U.S. debt securities	10	(1)	1	(1)	1	10
Real estate						
Private real estate	113	(2)	2	(3)	—	110
Real estate commingled/mutual funds	249	13	62	—	—	324
Limited partnerships	232	8	11	(20)	—	231
Other investments	122	7	4	(4)	—	129
Total	$ 739	$ 25	$ 80	$ (28)	$ 1	$ 817
	2011					
Fixed income						
U.S. government and government agency securities	$ 14	$ (1)	$ —	$ —	$ —	$ 13
Non-U.S. debt securities	9	—	3	(2)	—	10
Real estate						
Private real estate	110	—	3	—	—	113
Real estate commingled/mutual funds	215	26	9	(1)	—	249
Limited partnerships	230	(6)	13	(5)	—	232
Other investments	94	1	26	—	1	122
Total	$ 672	$ 20	$ 54	$ (8)	$ 1	$ 739

Projected Benefit Payments

Benefit payments projected to be made from the Qualified Pension Plan, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans are presented in the table below.

Projected Benefit Payments

				Postretirement Health and Life Plans	
(Dollars in millions)	Qualified Pension Plan [1]	Non-U.S. Pension Plans [2]	Nonqualified and Other Pension Plans [2]	Net Payments [3]	Medicare Subsidy
2014	$ 927	$ 60	$ 243	$ 142	$ 17
2015	920	61	245	140	17
2016	910	64	242	137	17
2017	903	69	239	132	17
2018	894	71	235	127	17
2019 – 2023	4,399	428	1,132	558	76

[1] Benefit payments expected to be made from the plan's assets.
[2] Benefit payments expected to be made from a combination of the plans' and the Corporation's assets.
[3] Benefit payments (net of retiree contributions) expected to be made from a combination of the plans' and the Corporation's assets.

Defined Contribution Plans

The Corporation maintains qualified defined contribution retirement plans and nonqualified defined contribution retirement plans. As a result of the Merrill Lynch acquisition, the Corporation also maintains the Merrill Lynch 401(k) Savings & Investment Plan, which is closed to new participants, with certain exceptions. The Corporation contributed $1.1 billion, $886 million and $723 million in 2013, 2012 and 2011, respectively, to the qualified defined contribution plans. In connection with the 2012 redesign of the Corporation's retirement plans, an additional contribution is being made annually to certain of these plans. The expense in 2013 and 2012 related to the additional annual contribution was $410 million and $174 million. At December 31, 2013 and 2012, 235 million shares of the Corporation's common stock were held by these plans. Payments to the plans for dividends on common stock were $10 million, $10 million and $9 million in 2013, 2012 and 2011, respectively.

Certain non-U.S. employees are covered under defined contribution pension plans that are separately administered in accordance with local laws.

NOTE 18 Stock-based Compensation Plans

The Corporation administers a number of equity compensation plans, including the Key Associate Stock Plan and the Merrill Lynch Employee Stock Compensation Plan. Descriptions of the significant features of the equity compensation plans are below. Under these plans, the Corporation grants stock-based awards, including stock options, restricted stock and restricted stock units (RSUs). Grants in 2013 include RSUs which generally vest in three equal annual installments beginning one year from the grant date, and awards which will vest subject to the attainment of specified performance goals.

For most awards, expense is generally recognized ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Corporation records the expense upon grant. For employees that become retirement eligible during the vesting period, the Corporation recognizes expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures. The compensation cost for the stock-based plans was $2.3 billion, $2.3 billion and $2.6 billion in 2013, 2012 and 2011, respectively. The related income tax benefit was $842 million, $839 million and $969 million for 2013, 2012 and 2011, respectively.

Key Associate Stock Plan

The Key Associate Stock Plan became effective January 1, 2003. It provides for different types of awards, including stock options, restricted stock and RSUs. As of December 31, 2013, the shareholders had authorized approximately 1.1 billion shares for grant under this plan. Additionally, any shares covered by awards under certain legacy plans that cancel, terminate, expire, lapse or settle in cash after a specified date may be re-granted under the Key Associate Stock Plan.

During 2013, the Corporation issued 183 million RSUs to certain employees under the Key Associate Stock Plan. Certain awards are earned based on the achievement of specified performance criteria. RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award. In 2013, two million of these RSUs were authorized to be settled in shares of common stock with the remainder in cash. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances. The compensation cost for cash-settled awards and awards subject to certain clawback provisions, which in the aggregate represent substantially all of the awards in 2013, is accrued over the vesting period and adjusted to fair value based upon changes in the share price of the Corporation's common stock.

From time to time, the Corporation enters into equity total return swaps to hedge a portion of RSUs granted to certain employees as part of their compensation in prior periods to minimize the change in the expense to the Corporation driven by fluctuations in the fair value of the RSUs. Certain of these derivatives are designated as cash flow hedges of unrecognized unvested awards with the changes in fair value of the hedge recorded in accumulated OCI and reclassified into earnings in the same period as the RSUs affect earnings. The remaining derivatives are used to hedge the price risk of cash-settled awards with changes in fair value recorded in personnel expense.

At December 31, 2013, approximately 108 million options were outstanding under this plan. There were no options granted under this plan during 2013, 2012 or 2011.

Other Stock Plans

The Corporation assumed the Merrill Lynch Employee Stock Compensation Plan with the acquisition of Merrill Lynch. Approximately eight million RSUs were granted in 2011 which generally vest in three equal annual installments beginning one year from the grant date. There were no shares granted under this plan during 2013 or 2012. At December 31, 2013, there were approximately two million unvested shares outstanding. The Corporation also assumed, with the acquisition of Merrill Lynch, the obligations of outstanding awards granted under the Merrill Lynch Financial Advisor Capital Accumulation Award Plan (FACAAP). The FACAAP is no longer an active plan and no awards were granted in 2013, 2012 or 2011. Awards still outstanding which were granted in 2003 and thereafter, are generally payable eight years from the grant date in a fixed number of the Corporation's common shares. At December 31, 2013, there were seven million shares outstanding under this plan.

Restricted Stock/Units

The table below presents the status at December 31, 2013 of the share-settled restricted stock/units and changes during 2013.

Stock-settled Restricted Stock/Units

	Shares/Units	Weighted-average Grant Date Fair Value
Outstanding at January 1, 2013	147,570,397	$ 13.18
Granted	2,405,568	11.80
Vested	(75,422,919)	14.24
Canceled	(3,350,295)	12.22
Outstanding at December 31, 2013	71,202,751	$ 12.05

The table below presents the status at December 31, 2013 of the cash-settled RSUs granted under the Key Associate Stock Plan and changes during 2013.

Cash-settled Restricted Units

	Units
Outstanding at January 1, 2013	329,556,468
Granted	181,166,560
Vested	(137,125,114)
Canceled	(13,669,045)
Outstanding at December 31, 2013	359,928,869

At December 31, 2013, there was an estimated $1.9 billion of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to four years, with a weighted-average period of 1.3 years. The total fair value of restricted stock vested in 2013, 2012 and 2011 was $1.0 billion, $2.9 billion and $1.7 billion, respectively. In 2013, 2012 and 2011 the amount of cash paid to settle equity-based awards for all equity compensation plans was $1.4 billion, $779 million and $489 million, respectively.

Stock Options

The table below presents the status of all option plans at December 31, 2013 and changes during 2013. Outstanding options at December 31, 2013 include 108 million options under the Key Associate Stock Plan and 14 million options to employees of predecessor company plans assumed in mergers.

Stock Options

	Options	Weighted-average Exercise Price
Outstanding at January 1, 2013	154,923,623	$ 46.22
Forfeited	(32,754,932)	38.73
Outstanding at December 31, 2013	122,168,691	48.23
Options vested and exercisable at December 31, 2013	122,168,691	48.23

At December 31, 2013, there was no aggregate intrinsic value of options outstanding, vested and exercisable. The weighted-average remaining contractual term of options outstanding, vested and exercisable was 1.9 years at December 31, 2013. These remaining contractual terms are the same because options have not been granted since 2008 and they generally vest over three years.

NOTE 19 Income Taxes

The components of income tax expense (benefit) for 2013, 2012 and 2011 are presented in the table below.

Income Tax Expense (Benefit)

(Dollars in millions)	2013	2012	2011
Current income tax expense (benefit)			
U.S. federal	$ 180	$ 458	$ (733)
U.S. state and local	786	592	393
Non-U.S.	513	569	613
Total current expense	1,479	1,619	273
Deferred income tax expense (benefit)			
U.S. federal	2,056	(3,433)	(2,673)
U.S. state and local	(94)	(55)	(584)
Non-U.S.	1,300	753	1,308
Total deferred expense (benefit)	3,262	(2,735)	(1,949)
Total income tax expense (benefit)	$ 4,741	$ (1,116)	$ (1,676)

Total income tax expense (benefit) does not reflect the deferred tax effects of unrealized gains and losses on AFS debt and marketable equity securities, foreign currency translation adjustments, derivatives and employee benefit plan adjustments that are included in accumulated OCI. These tax effects resulted in a benefit of $2.7 billion and $2.9 billion in 2013 and 2011, respectively, and an expense of $1.3 billion in 2012 recorded in accumulated OCI. In addition, total income tax expense (benefit) does not reflect tax effects associated with the Corporation's employee stock plans which decreased common stock and additional paid-in capital $128 million and $277 million in 2013 and 2012, and increased common stock and additional paid-in capital $19 million in 2011.

Income tax expense (benefit) for 2013, 2012 and 2011 varied from the amount computed by applying the statutory income tax rate to income (loss) before income taxes. A reconciliation of the expected U.S. federal income tax expense is calculated by applying the federal statutory tax rate of 35 percent to the Corporation's actual income tax expense (benefit) and the effective tax rates for 2013, 2012 and 2011 are presented in the table below.

Reconciliation of Income Tax Expense (Benefit)

	2013		2012		2011	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Expected U.S. federal income tax expense (benefit)	**$ 5,660**	**35.0 %**	$ 1,075	35.0 %	$ (81)	35.0 %
Increase (decrease) in taxes resulting from:						
State tax expense (benefit), net of federal effect	**450**	**2.8**	349	11.4	(124)	
Non-U.S. tax differential [(1)]	**(940)**	**(5.8)**	(1,968)	(64.1)	(383)	
Affordable housing credits/other credits	**(863)**	**(5.3)**	(783)	(25.5)	(800)	
Tax-exempt income, including dividends	**(524)**	**(3.2)**	(576)	(18.8)	(614)	
Changes in prior period UTBs, including interest	**(255)**	**(1.6)**	(198)	(6.4)	(239)	
Non-U.S. statutory rate reductions	**1,133**	**7.0**	788	25.7	860	
Nondeductible expenses	**52**	**0.3**	231	7.5	119	
Goodwill – impairment and other goodwill impacts	**52**	**0.3**	—	—	1,420	
Change in federal and non-U.S. valuation allowances	**26**	**0.2**	41	1.3	(1,102)	
Leveraged lease tax differential	**26**	**0.2**	83	2.7	121	
Subsidiary sales and liquidations	**—**	**—**	—	—	(823)	
Other	**(76)**	**(0.6)**	(158)	(5.1)	(30)	
Total income tax expense (benefit)	**$ 4,741**	**29.3 %**	$ (1,116)	(36.3)%	$ (1,676)	n/m

(1) Includes in 2012, $1.7 billion income tax benefit attributable to the excess of foreign tax credits recognized in the U.S. upon repatriation of the earnings of certain non-U.S. subsidiaries over the related U.S. tax liability.

n/m = not meaningful

The reconciliation of the beginning unrecognized tax benefits (UTB) balance to the ending balance is presented in the table below.

Reconciliation of the Change in Unrecognized Tax Benefits

(Dollars in millions)	**2013**	2012	2011
Balance, January 1	**$ 3,677**	$ 4,203	$ 5,169
Increases related to positions taken during the current year	**98**	352	219
Increases related to positions taken during prior years [(1)]	**254**	142	879
Decreases related to positions taken during prior years [(1)]	**(508)**	(711)	(1,669)
Settlements	**(448)**	(205)	(277)
Expiration of statute of limitations	**(5)**	(104)	(118)
Balance, December 31	**$ 3,068**	$ 3,677	$ 4,203

(1) The sum per year of positions taken during prior years differs from the $255 million, $198 million and $239 million in the Reconciliation of Income Tax Expense (Benefit) table due to temporary items and jurisdictional offsets, as well as the inclusion of interest in the Reconciliation of Income Tax Expense (Benefit) table.

At December 31, 2013, 2012 and 2011, the balance of the Corporation's UTBs which would, if recognized, affect the Corporation's effective tax rate was $2.5 billion, $3.1 billion and $3.3 billion, respectively. Included in the UTB balance are some items the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences, the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction and the portion of gross non-U.S. UTBs that would be offset by tax reductions in other jurisdictions.

The Corporation files income tax returns in more than 100 state and non-U.S. jurisdictions each year. The IRS and other tax authorities in countries and states in which the Corporation has significant business operations examine tax returns periodically (continuously in some jurisdictions). The Tax Examination Status table summarizes the status of significant examinations (U.S. federal unless otherwise noted) for the Corporation and various subsidiaries as of December 31, 2013.

Tax Examination Status

	Years under Examination	**Status at December 31 2013**
Bank of America Corporation – U.S.	2005 – 2009	See below
Bank of America Corporation – U.S.	2010 – 2011	Field examination
Bank of America Corporation – New York [(1)]	2004 – 2008	Field examination
Merrill Lynch – U.S.	2004 – 2008	See below
Various – U.K.	2012	Field examination

(1) All tax years subsequent to the years shown remain open to examination.

During 2013, the Corporation and the IRS arrived at final resolution of the Bank of America Corporation 2001 through 2004 tax years and continued to make progress toward resolving all federal income tax examinations through 2009, including Merrill Lynch. While subject to final agreement, including review by the Joint Committee on Taxation of the U.S. Congress for certain years, the Corporation believes that these examinations may be concluded during 2014.

Considering all examinations, it is reasonably possible that the UTB balance may decrease by as much as $2.1 billion during the next 12 months, since resolved items will be removed from the balance whether their resolution results in payment or recognition. If such decrease were to occur, it likely would primarily result from outcomes consistent with management expectations.

During 2013 and 2012, the Corporation recognized $127 million and $99 million of expense and, in 2011, a benefit of $168 million for interest and penalties, net-of-tax, in income tax expense (benefit). At December 31, 2013 and 2012, the Corporation's accrual for interest and penalties that related to income taxes, net of taxes and remittances, was $888 million and $775 million.

Significant components of the Corporation's net deferred tax assets and liabilities at December 31, 2013 and 2012 are presented in the table below.

Deferred Tax Assets and Liabilities

(Dollars in millions)	December 31 2013	2012
Deferred tax assets		
Net operating loss carryforwards	**$ 10,967**	$ 13,863
Tax credit carryforwards	**9,689**	9,529
Accrued expenses	**6,749**	8,099
Allowance for credit losses	**6,100**	8,463
Security, loan and debt valuations	**4,264**	2,712
Employee compensation and retirement benefits	**2,729**	4,612
State income taxes	**2,643**	2,766
Available-for-sale securities	**1,918**	—
Other	**722**	725
Gross deferred tax assets	**45,781**	50,769
Valuation allowance	**(1,940)**	(2,211)
Total deferred tax assets, net of valuation allowance	**43,841**	48,558
Deferred tax liabilities		
Equipment lease financing	**3,106**	3,371
Long-term borrowings	**3,033**	3,215
Mortgage servicing rights	**1,547**	1,986
Intangibles	**1,529**	1,708
Fee income	**798**	901
Available-for-sale securities	**—**	2,877
Other	**1,472**	1,462
Gross deferred tax liabilities	**11,485**	15,520
Net deferred tax assets	**$ 32,356**	$ 33,038

The table below summarizes the deferred tax assets and related valuation allowances recognized for the net operating loss (NOL) and tax credit carryforwards at December 31, 2013.

Net Operating Loss and Tax Credit Carryforwards

(Dollars in millions)	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	First Year Expiring
Net operating losses – U.S.	$ 3,061	$ —	**$ 3,061**	After 2027
Net operating losses – U.K.	7,417	—	**7,417**	None [1]
Net operating losses – other non-U.S.	489	(366)	**123**	Various
Net operating losses – U.S. states [2]	2,039	(1,025)	**1,014**	Various
General business credits	4,034	—	**4,034**	After 2027
Foreign tax credits	5,655	(271)	**5,384**	After 2017

(1) The U.K. net operating losses may be carried forward indefinitely.

(2) The net operating losses and related valuation allowances for U.S. states before considering the benefit of federal deductions were $3.1 billion and $1.6 billion.

Management concluded that no valuation allowance was necessary to reduce the U.K. NOL carryforwards and U.S. NOL and general business credit carryforwards since estimated future taxable income will be sufficient to utilize these assets prior to their expiration. The majority of the Corporation's U.K. net deferred tax assets, which consist primarily of NOLs, are expected to be realized by certain subsidiaries over an extended number of years. Management's conclusion is supported by recent financial results and forecasts, the reorganization of certain business activities and the indefinite period to carry forward NOLs. However, significant changes to those estimates, such as changes that would be caused by a substantial and prolonged worsening of the condition of Europe's capital markets, could lead management to reassess its U.K. valuation allowance conclusions.

At December 31, 2013, U.S. federal income taxes had not been provided on $17.0 billion of undistributed earnings of non-U.S. subsidiaries that management has determined have been reinvested for an indefinite period of time. If the Corporation were to record a deferred tax liability associated with these undistributed earnings, the amount would be approximately $4.3 billion at December 31, 2013.

NOTE 20 Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. The Corporation conducts a review of its fair value hierarchy classifications on a quarterly basis. Transfers into or out of fair value hierarchy classifications are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For more information regarding the fair value hierarchy and how the Corporation measures fair value, see *Note 1 – Summary of Significant Accounting Principles*. The Corporation accounts for certain financial instruments under the fair value option. For additional information, see *Note 21 – Fair Value Option*.

Valuation Processes and Techniques

The Corporation has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models by personnel who are independent of the front office, and periodic reassessments of models to ensure that they are continuing to perform as designed. In addition, detailed reviews of trading gains and losses are conducted on a daily basis by personnel who are independent of the front office. A price verification group, which is also independent of the front office, utilizes available market information including executed trades, market prices and market-observable valuation model inputs to ensure that fair values are reasonably estimated. The Corporation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

While the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During 2013, there were no changes to the valuation techniques that had, or are expected to have, a material impact on the Corporation's consolidated financial position or results of operations.

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Trading Account Assets and Liabilities and Debt Securities

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities and debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased. Some of these instruments are valued using a discounted cash flow model, which estimates the fair value of the securities using internal credit risk, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Principal and interest cash flows are discounted using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value for the specific security. Other instruments are valued using a net asset value approach which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

Derivative Assets and Liabilities

The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that utilize multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. When third-party pricing services are used, the methods and assumptions are reviewed by the Corporation. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available, or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other instrument-specific factors, where appropriate. In addition, the Corporation incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty, and fair value for net long exposures is adjusted for counterparty credit risk while the fair value for net short exposures is adjusted for the

Corporation's own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data.

Loans and Loan Commitments

The fair values of loans and loan commitments are based on market prices, where available, or discounted cash flow analyses using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow analyses may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

Mortgage Servicing Rights

The fair values of MSRs are determined using models that rely on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the option-adjusted spread (OAS) levels. For more information on MSRs, see *Note 23 – Mortgage Servicing Rights*.

Loans Held-for-sale

The fair values of LHFS are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

Private Equity Investments

Private equity investments consist of direct investments and fund investments which are initially valued at their transaction price. Thereafter, the fair value of direct investments is based on an assessment of each individual investment using methodologies that include publicly-traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples and discounted cash flow analyses, and are subject to appropriate discounts for lack of liquidity or marketability. After initial recognition, the fair value of fund investments is based on the Corporation's proportionate interest in the fund's capital as reported by the respective fund managers.

Securities Financing Agreements

The fair values of certain reverse repurchase agreements, repurchase agreements and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Deposits

The fair value of deposits are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The Corporation considers the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market.

Short-term Borrowings and Long-term Debt

The Corporation issues structured liabilities that have coupons or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities. The fair values of these structured liabilities are estimated using quantitative models for the combined derivative and debt portions of the notes. These models incorporate observable and, in some instances, unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations among these inputs. The Corporation also considers the impact of its own credit spreads in determining the discount rate used to value these liabilities. The credit spread is determined by reference to observable spreads in the secondary bond market.

Asset-backed Secured Financings

The fair values of asset-backed secured financings are based on external broker bids, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans adjusted to reflect the inherent credit risk.

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at December 31, 2013 and 2012, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the following tables.

	December 31, 2013				
	Fair Value Measurements				
(Dollars in millions)	Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 75,614	$ —	$ —	$ 75,614
Trading account assets:					
U.S. government and agency securities [3]	34,222	14,625	—	—	48,847
Corporate securities, trading loans and other	1,147	27,746	3,559	—	32,452
Equity securities	41,324	22,741	386	—	64,451
Non-U.S. sovereign debt	24,357	12,399	468	—	37,224
Mortgage trading loans and ABS	—	13,388	4,631	—	18,019
Total trading account assets	101,050	90,899	9,044	—	200,993
Derivative assets [4]	2,374	910,602	7,277	(872,758)	47,495
AFS debt securities:					
U.S. Treasury and agency securities	6,591	2,363	—	—	8,954
Mortgage-backed securities:					
Agency	—	164,935	—	—	164,935
Agency-collateralized mortgage obligations	—	22,492	—	—	22,492
Non-agency residential	—	6,239	—	—	6,239
Commercial	—	2,480	—	—	2,480
Non-U.S. securities	3,698	3,415	107	—	7,220
Corporate/Agency bonds	—	873	—	—	873
Other taxable securities	20	12,963	3,847	—	16,830
Tax-exempt securities	—	5,122	806	—	5,928
Total AFS debt securities	10,309	220,882	4,760	—	235,951
Other debt securities carried at fair value:					
U.S. Treasury and agency securities	4,062	—	—	—	4,062
Mortgage-backed securities:					
Agency	—	16,500	—	—	16,500
Agency-collateralized mortgage obligations	—	218	—	—	218
Commercial	—	749	—	—	749
Non-U.S. securities	7,457	3,858	—	—	11,315
Total other debt securities carried at fair value	11,519	21,325	—	—	32,844
Loans and leases	—	6,985	3,057	—	10,042
Mortgage servicing rights	—	—	5,042	—	5,042
Loans held-for-sale	—	5,727	929	—	6,656
Other assets	14,474	1,912	1,669	—	18,055
Total assets	$ 139,726	$ 1,333,946	$ 31,778	$ (872,758)	$ 632,692
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 1,899	$ —	$ —	$ 1,899
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	33,684	—	—	33,684
Trading account liabilities:					
U.S. government and agency securities	26,915	348	—	—	27,263
Equity securities	23,874	3,711	—	—	27,585
Non-U.S. sovereign debt	20,755	1,387	—	—	22,142
Corporate securities and other	518	5,926	35	—	6,479
Total trading account liabilities	72,062	11,372	35	—	83,469
Derivative liabilities [4]	1,968	897,107	7,301	(868,969)	37,407
Short-term borrowings	—	1,520	—	—	1,520
Accrued expenses and other liabilities	10,130	1,093	10	—	11,233
Long-term debt	—	45,045	1,990	—	47,035
Total liabilities	$ 84,160	$ 991,720	$ 9,336	$ (868,969)	$ 216,247

(1) During 2013, $500 million of other assets were transferred from Level 1 to Level 2 primarily due to a restriction that became effective for a private equity investment that was subsequently sold once the restriction was lifted.
(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.
(3) Includes $17.2 billion of government-sponsored enterprise obligations.
(4) For further disaggregation of derivative assets and liabilities, see *Note 2 – Derivatives.*

(Dollars in millions)	December 31, 2012 Fair Value Measurements Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 98,670	$ —	$ —	$ 98,670
Trading account assets:					
U.S. government and agency securities [3]	57,655	29,319	—	—	86,974
Corporate securities, trading loans and other	1,292	32,882	3,726	—	37,900
Equity securities	28,144	14,626	545	—	43,315
Non-U.S. sovereign debt	29,254	13,139	353	—	42,746
Mortgage trading loans and ABS	—	11,905	4,935	—	16,840
Total trading account assets	116,345	101,871	9,559	—	227,775
Derivative assets [4]	2,997	1,372,398	8,073	(1,329,971)	53,497
AFS debt securities:					
U.S. Treasury and agency securities	21,514	2,958	—	—	24,472
Mortgage-backed securities:					
Agency	—	188,149	—	—	188,149
Agency-collateralized mortgage obligations	—	37,538	—	—	37,538
Non-agency residential	—	9,494	—	—	9,494
Non-agency commercial	—	3,914	10	—	3,924
Non-U.S. securities	2,637	2,981	—	—	5,618
Corporate/Agency bonds	—	1,358	92	—	1,450
Other taxable securities	20	8,180	3,928	—	12,128
Tax-exempt securities	—	3,072	1,061	—	4,133
Total AFS debt securities	24,171	257,644	5,091	—	286,906
Other debt securities carried at fair value:					
U.S. Treasury and agency securities	491	—	—	—	491
Mortgage-backed securities:					
Agency	—	13,073	—	—	13,073
Agency-collateralized mortgage obligations	—	929	—	—	929
Non-U.S. securities	9,151	300	—	—	9,451
Total other debt securities carried at fair value	9,642	14,302	—	—	23,944
Loans and leases	—	6,715	2,287	—	9,002
Mortgage servicing rights	—	—	5,716	—	5,716
Loans held-for-sale	—	8,926	2,733	—	11,659
Other assets	18,535	4,826	3,129	—	26,490
Total assets	$ 171,690	$ 1,865,352	$ 36,588	$ (1,329,971)	$ 743,659
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 2,262	$ —	$ —	$ 2,262
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	42,639	—	—	42,639
Trading account liabilities:					
U.S. government and agency securities	22,351	1,079	—	—	23,430
Equity securities	19,852	2,640	—	—	22,492
Non-U.S. sovereign debt	18,875	1,369	—	—	20,244
Corporate securities and other	487	6,870	64	—	7,421
Total trading account liabilities	61,565	11,958	64	—	73,587
Derivative liabilities [4]	2,859	1,355,309	6,605	(1,318,757)	46,016
Short-term borrowings	—	4,074	—	—	4,074
Accrued expenses and other liabilities	15,457	1,122	15	—	16,594
Long-term debt	—	46,860	2,301	—	49,161
Total liabilities	$ 79,881	$ 1,464,224	$ 8,985	$ (1,318,757)	$ 234,333

(1) During 2012, $2.0 billion and $350 million of assets and liabilities were transferred from Level 1 to Level 2, and $785 million and $40 million of assets and liabilities were transferred from Level 2 to Level 1. Of the asset transfers from Level 1 to Level 2, $940 million was due to a restriction that became effective for a private equity investment during 2012, while $535 million of the transfers from Level 2 to Level 1 was due to the lapse of this restriction during 2012. The remaining transfers were the result of additional information associated with certain equities, derivative contracts and private equity investments.

(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.

(3) Includes $30.6 billion of government-sponsored enterprise obligations.

(4) For further disaggregation of derivative assets and liabilities, see *Note 2 – Derivatives.*

The following tables present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2013, 2012 and 2011, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 – Fair Value Measurements [1]

	2013									
				Gross						
(Dollars in millions)	Balance January 1 2013	Gains (Losses) in Earnings	Gains (Losses) in OCI	Purchases	Sales	Issuances	Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance December 31 2013
Trading account assets:										
Corporate securities, trading loans and other	$ 3,726	$ 242	$ —	$ 3,848	$ (3,110)	$ 59	$ (651)	$ 890	$ (1,445)	$ 3,559
Equity securities	545	74	—	96	(175)	—	(100)	70	(124)	386
Non-U.S. sovereign debt	353	50	—	122	(18)	—	(36)	2	(5)	468
Mortgage trading loans and ABS	4,935	53	—	2,514	(1,993)	—	(868)	20	(30)	4,631
Total trading account assets	9,559	419	—	6,580	(5,296)	59	(1,655)	982	(1,604)	9,044
Net derivative assets [2]	1,468	(297)	—	824	(1,274)	—	(1,362)	(10)	627	(24)
AFS debt securities:										
Commercial MBS	10	—	—	—	—	—	(10)	—	—	—
Non-U.S. securities	—	5	2	1	(1)	—	—	100	—	107
Corporate/Agency bonds	92	—	4	—	—	—	—	—	(96)	—
Other taxable securities	3,928	9	15	1,055	—	—	(1,155)	—	(5)	3,847
Tax-exempt securities	1,061	3	19	—	—	—	(109)	—	(168)	806
Total AFS debt securities	5,091	17	40	1,056	(1)	—	(1,274)	100	(269)	4,760
Loans and leases [3, 4]	2,287	98	—	310	(128)	1,252	(757)	19	(24)	3,057
Mortgage servicing rights [4]	5,716	1,941	—	—	(2,044)	472	(1,043)	—	—	5,042
Loans held-for-sale [3]	2,733	62	—	8	(402)	4	(1,507)	34	(3)	929
Other assets [5]	3,129	(288)	—	46	(383)	—	(1,019)	239	(55)	1,669
Trading account liabilities – Corporate securities and other	(64)	10	—	43	(54)	(5)	—	(9)	44	(35)
Accrued expenses and other liabilities [3]	(15)	30	—	—	—	(751)	724	(1)	3	(10)
Long-term debt [3]	(2,301)	13	—	358	(4)	(172)	258	(1,331)	1,189	(1,990)

(1) Assets (liabilities). For assets, increase (decrease) to Level 3 and for liabilities, (increase) decrease to Level 3.
(2) Net derivatives include derivative assets of $7.3 billion and derivative liabilities of $7.3 billion.
(3) Amounts represent instruments that are accounted for under the fair value option.
(4) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole-loan sales.
(5) Other assets is primarily comprised of private equity investments and certain long-term fixed-rate margin loans that are accounted for under the fair value option.

During 2013, the transfers into Level 3 included $982 million of trading account assets, $100 million of AFS debt securities, $239 million of other assets and $1.3 billion of long-term debt. Transfers into Level 3 for trading account assets were primarily the result of decreased third-party prices available for certain corporate loans and securities. Transfers into Level 3 for AFS debt securities were primarily due to decreased price observability. Transfers into Level 3 for other assets were primarily due to a lack of independent pricing data for certain receivables. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

During 2013, the transfers out of Level 3 included $1.6 billion of trading account assets, $627 million of net derivative assets, $269 million for AFS debt securities and $1.2 billion of long-term debt. Transfers out of Level 3 for trading account assets were primarily the result of increased market liquidity and third-party prices available for certain corporate loans and securities. Transfers out of Level 3 for net derivative assets were primarily due to increased price observability (i.e., market comparables for the referenced instruments) for certain options. Transfers out of Level 3 for AFS debt securities were primarily due to increased market liquidity. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities.

Level 3 – Fair Value Measurements [1]

(Dollars in millions)	Balance January 1 2012	Gains (Losses) in Earnings	Gains (Losses) in OCI	Gross: Purchases	Gross: Sales	Gross: Issuances	Gross: Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance December 31 2012
	2012									
Trading account assets:										
Corporate securities, trading loans and other [2]	$ 6,880	$ 195	$ —	$ 2,798	$ (4,556)	$ —	$ (1,077)	$ 436	$ (950)	$ 3,726
Equity securities	544	31	—	201	(271)	—	27	90	(77)	545
Non-U.S. sovereign debt	342	8	—	388	(359)	—	(5)	—	(21)	353
Mortgage trading loans and ABS [2]	3,689	215	—	2,574	(1,536)	—	(678)	844	(173)	4,935
Total trading account assets	11,455	449	—	5,961	(6,722)	—	(1,733)	1,370	(1,221)	9,559
Net derivative assets [3]	5,866	(221)	—	893	(1,012)	—	(3,328)	(269)	(461)	1,468
AFS debt securities:										
Mortgage-backed securities:										
Agency	37	—	—	—	—	—	(4)	—	(33)	—
Non-agency residential	860	(69)	19	—	(306)	—	(2)	—	(502)	—
Non-agency commercial	40	—	—	—	(24)	—	(6)	—	—	10
Corporate/Agency bonds	162	(2)	—	(2)	—	—	(39)	—	(27)	92
Other taxable securities	4,265	23	26	3,196	(28)	—	(3,345)	—	(209)	3,928
Tax-exempt securities	2,648	61	20	—	(133)	—	(1,535)	—	—	1,061
Total AFS debt securities	8,012	13	65	3,194	(491)	—	(4,931)	—	(771)	5,091
Loans and leases [4, 5]	2,744	334	—	564	(1,520)	—	(274)	450	(11)	2,287
Mortgage servicing rights [5]	7,378	(430)	—	—	(122)	374	(1,484)	—	—	5,716
Loans held-for-sale [4]	3,387	352	—	794	(834)	—	(414)	80	(632)	2,733
Other assets [6]	4,235	(54)	—	109	(1,039)	270	(381)	—	(11)	3,129
Trading account liabilities – Corporate securities and other	(114)	4	—	116	(136)	—	80	(68)	54	(64)
Short-term borrowings [4]	—	—	—	—	—	(232)	232	—	—	—
Accrued expenses and other liabilities [4]	(14)	(4)	—	8	—	(9)	—	—	4	(15)
Long-term debt [4]	(2,943)	(307)	—	290	(33)	(259)	1,239	(2,040)	1,752	(2,301)

(1) Assets (liabilities). For assets, increase (decrease) to Level 3 and for liabilities, (increase) decrease to Level 3.

(2) During 2012, approximately $900 million was reclassified from Trading account assets – Corporate securities, trading loans and other to Trading account assets – Mortgage trading loans and ABS. In the table above, this reclassification is presented as a sale of Trading account assets – Corporate securities, trading loans and other and as a purchase of Trading account assets – Mortgage trading loans and ABS.

(3) Net derivatives include derivative assets of $8.1 billion and derivative liabilities of $6.6 billion.

(4) Amounts represent instruments that are accounted for under the fair value option.

(5) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole-loan sales.

(6) Other assets is primarily comprised of net monoline exposure to a single counterparty and private equity investments.

During 2012, the transfers into Level 3 included $1.4 billion of trading account assets, $269 million of net derivative assets, $450 million of loans and leases, and $2.0 billion of long-term debt. Transfers into Level 3 for trading account assets were primarily the result of decreased market liquidity for certain corporate loans and updated information related to certain CLOs. Transfers into Level 3 for net derivative assets primarily related to decreased price observability for certain long-dated equity derivative liabilities due to a lack of independent pricing. Transfers into Level 3 for loans and leases were due to updated information related to certain commercial loans. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

During 2012, the transfers out of Level 3 included $1.2 billion of trading account assets, $461 million of net derivative assets, $771 million of AFS debt securities, $632 million of LHFS and $1.8 billion of long-term debt. Transfers out of Level 3 for trading account assets primarily related to increased market liquidity for certain corporate and commercial real estate loans. Transfers out of Level 3 for net derivative assets primarily related to increased price observability (i.e., market comparables for the referenced instruments) for certain total return swaps and foreign exchange swaps. Transfers out of Level 3 for AFS debt securities primarily related to increased price observability for certain non-agency RMBS and ABS. Transfers out of Level 3 for LHFS primarily related to increased observable inputs, primarily liquid comparables. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities.

Level 3 – Fair Value Measurements [(1)]

	2011										
					Gross						
(Dollars in millions)	Balance January 1 2011	Consolidation of VIEs	Gains (Losses) in Earnings	Gains (Losses) in OCI	Purchases	Sales	Issuances	Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance December 31 2011
Trading account assets:											
Corporate securities, trading loans and other	$ 7,751	$ —	$ 490	$ —	$ 5,683	$ (6,664)	$ —	$ (1,362)	$ 1,695	$ (713)	$ 6,880
Equity securities	557	—	49	—	335	(362)	—	(140)	132	(27)	544
Non-U.S. sovereign debt	243	—	87	—	188	(137)	—	(3)	8	(44)	342
Mortgage trading loans and ABS	6,908	—	442	—	2,222	(4,713)	—	(440)	75	(805)	3,689
Total trading account assets	15,459	—	1,068	—	8,428	(11,876)	—	(1,945)	1,910	(1,589)	11,455
Net derivative assets [(2)]	7,745	—	5,199	—	1,235	(1,553)	—	(7,779)	1,199	(180)	5,866
AFS debt securities:											
Mortgage-backed securities:											
Agency	4	—	—	—	14	(11)	—	—	34	(4)	37
Agency collateralized-mortgage obligations	—	—	—	—	56	(56)	—	—	—	—	—
Non-agency residential	1,468	—	(158)	41	11	(307)	—	(568)	373	—	860
Non-agency commercial	19	—	—	—	15	—	—	—	6	—	40
Non-U.S. securities	3	—	—	—	—	—	—	—	88	(91)	—
Corporate/Agency bonds	137	—	(12)	(8)	304	(17)	—	—	7	(249)	162
Other taxable securities	13,018	—	26	21	3,876	(2,245)	—	(5,112)	2	(5,321)	4,265
Tax-exempt securities	1,224	—	21	(35)	2,862	(92)	—	(697)	38	(673)	2,648
Total AFS debt securities	15,873	—	(123)	19	7,138	(2,728)	—	(6,377)	548	(6,338)	8,012
Loans and leases [(3, 4)]	3,321	5,194	(55)	—	21	(2,644)	3,118	(1,830)	5	(4,386)	2,744
Mortgage servicing rights [(4)]	14,900	—	(5,661)	—	—	(896)	1,656	(2,621)	—	—	7,378
Loans held-for-sale [(3)]	4,140	—	36	—	157	(483)	—	(961)	565	(67)	3,387
Other assets [(5)]	6,922	—	140	—	1,932	(2,391)	—	(768)	375	(1,975)	4,235
Trading account liabilities – Corporate securities and other	(7)	—	4	—	133	(189)	—	—	(65)	10	(114)
Short-term borrowings [(3)]	(706)	—	(30)	—	—	—	—	86	—	650	—
Accrued expenses and other liabilities [(3)]	(828)	—	61	—	—	(2)	(9)	3	—	761	(14)
Long-term debt [(3)]	(2,986)	—	(188)	—	520	(72)	(520)	838	(2,111)	1,576	(2,943)

(1) Assets (liabilities). For assets, increase (decrease) to Level 3 and for liabilities, (increase) decrease to Level 3.
(2) Net derivatives include derivative assets of $14.4 billion and derivative liabilities of $8.5 billion.
(3) Amounts represent instruments that are accounted for under the fair value option.
(4) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole-loan sales.
(5) Other assets is primarily comprised of net monoline exposure to a single counterparty and private equity investments.

During 2011, the transfers into Level 3 included $1.9 billion of trading account assets, $1.2 billion of net derivative assets and $2.1 billion of long-term debt. Transfers into Level 3 for trading account assets were primarily certain CLOs, corporate loans and bonds that were transferred due to decreased market activity. Transfers into Level 3 for net derivative assets were the result of changes in the valuation methodology for certain total return swaps, in addition to increases in certain equity derivatives with significant unobservable inputs. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments due to changes in the impact of unobservable inputs on the value of the embedded derivative in relation to the instrument as a whole.

During 2011, the transfers out of Level 3 included $1.6 billion of trading account assets, $6.3 billion of AFS debt securities, $4.4 billion of loans and leases, $2.0 billion of other assets and $1.6 billion of long-term debt. Transfers out of Level 3 for trading account assets were primarily due to increased price observability on certain RMBS, CMBS and consumer ABS portfolios, as well as certain corporate bond positions due to increased trading volume. Transfers out of Level 3 for AFS debt securities primarily related to auto, credit card and student loan ABS portfolios due to increased trading volume in the secondary market for similar securities. Transfers out of Level 3 for loans and leases were due to increased observable inputs, primarily liquid comparables, for certain corporate loans. Transfers out of Level 3 for other assets were primarily the result of an IPO of an equity investment. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities.

The following tables summarize gains (losses) due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during 2013, 2012 and 2011. These amounts include gains (losses) on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

Level 3 – Total Realized and Unrealized Gains (Losses) Included in Earnings

	2013			
(Dollars in millions)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other [2]	Total
Trading account assets:				
Corporate securities, trading loans and other	$ 242	$ —	$ —	$ 242
Equity securities	74	—	—	74
Non-U.S. sovereign debt	50	—	—	50
Mortgage trading loans and ABS	53	—	—	53
Total trading account assets	419	—	—	419
Net derivative assets	(1,224)	927	—	(297)
AFS debt securities:				
Non-U.S. securities	—	—	5	5
Other taxable securities	—	—	9	9
Tax-exempt securities	—	—	3	3
Total AFS debt securities	—	—	17	17
Loans and leases [3]	—	(38)	136	98
Mortgage servicing rights	—	1,941	—	1,941
Loans held-for-sale [3]	—	2	60	62
Other assets	—	122	(410)	(288)
Trading account liabilities – Corporate securities and other	10	—	—	10
Accrued expenses and other liabilities [3]	—	30	—	30
Long-term debt [3]	45	—	(32)	13
Total	$ (750)	$ 2,984	$ (229)	$ 2,005

	2012			
Trading account assets:				
Corporate securities, trading loans and other	$ 195	$ —	$ —	$ 195
Equity securities	31	—	—	31
Non-U.S. sovereign debt	8	—	—	8
Mortgage trading loans and ABS	215	—	—	215
Total trading account assets	449	—	—	449
Net derivative assets	(3,208)	2,987	—	(221)
AFS debt securities:				
Non-agency residential MBS	—	—	(69)	(69)
Corporate/Agency bonds	—	—	(2)	(2)
Other taxable securities	2	—	21	23
Tax-exempt securities	—	—	61	61
Total AFS debt securities	2	—	11	13
Loans and leases [3]	—	—	334	334
Mortgage servicing rights	—	(430)	—	(430)
Loans held-for-sale [3]	—	148	204	352
Other assets	—	(74)	20	(54)
Trading account liabilities – Corporate securities and other	4	—	—	4
Accrued expenses and other liabilities [3]	—	—	(4)	(4)
Long-term debt [3]	(133)	—	(174)	(307)
Total	$ (2,886)	$ 2,631	$ 391	$ 136

(1) Mortgage banking income (loss) does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts included are primarily recorded in other income (loss). Equity investment gains of $84 million and $97 million recorded on other assets were also included for 2013 and 2012.
(3) Amounts represent instruments that are accounted for under the fair value option.

Level 3 – Total Realized and Unrealized Gains (Losses) Included in Earnings (continued)

	2011			
(Dollars in millions)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [(1)]	Other [(2)]	Total
Trading account assets:				
Corporate securities, trading loans and other	$ 490	$ —	$ —	$ 490
Equity securities	49	—	—	49
Non-U.S. sovereign debt	87	—	—	87
Mortgage trading loans and ABS	442	—	—	442
Total trading account assets	1,068	—	—	1,068
Net derivative assets	1,516	3,683	—	5,199
AFS debt securities:				
Non-agency residential MBS	—	—	(158)	(158)
Corporate/Agency bonds	—	—	(12)	(12)
Other taxable securities	16	—	10	26
Tax-exempt securities	(3)	—	24	21
Total AFS debt securities	13	—	(136)	(123)
Loans and leases [(3)]	—	(13)	(42)	(55)
Mortgage servicing rights	—	(5,661)	—	(5,661)
Loans held-for-sale [(3)]	—	(108)	144	36
Other assets	—	(51)	191	140
Trading account liabilities – Corporate securities and other	4	—	—	4
Short-term borrowings [(3)]	—	(30)	—	(30)
Accrued expenses and other liabilities [(3)]	(10)	71	—	61
Long-term debt [(3)]	(106)	—	(82)	(188)
Total	$ 2,485	$ (2,109)	$ 75	$ 451

(1) Mortgage banking income (loss) does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts included are primarily recorded in other income (loss). Equity investment gains of $242 million recorded on other assets were also included for 2011.
(3) Amounts represent instruments that are accounted for under the fair value option.

The table below summarizes changes in unrealized gains (losses) recorded in earnings during 2013, 2012 and 2011 for Level 3 assets and liabilities that were still held at December 31, 2013, 2012 and 2011. These amounts include changes in fair value on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

Level 3 – Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

(Dollars in millions)	2013			
	Trading Account Profits (Losses)	**Mortgage Banking Income (Loss) [1]**	**Other [2]**	**Total**
Trading account assets:				
Corporate securities, trading loans and other	**$ (130)**	**$ —**	**$ —**	**$ (130)**
Equity securities	**40**	**—**	**—**	**40**
Non-U.S. sovereign debt	**80**	**—**	**—**	**80**
Mortgage trading loans and ABS	**(174)**	**—**	**—**	**(174)**
Total trading account assets	**(184)**	**—**	**—**	**(184)**
Net derivative assets	**(1,375)**	**42**	**—**	**(1,333)**
Loans and leases [3]	**—**	**(34)**	**152**	**118**
Mortgage servicing rights	**—**	**1,541**	**—**	**1,541**
Loans held-for-sale [3]	**—**	**6**	**57**	**63**
Other assets	**—**	**166**	**14**	**180**
Long-term debt [3]	**(4)**	**—**	**(32)**	**(36)**
Total	**$ (1,563)**	**$ 1,721**	**$ 191**	**$ 349**
	2012			
Trading account assets:				
Corporate securities, trading loans and other	$ (19)	$ —	$ —	$ (19)
Equity securities	17	—	—	17
Non-U.S. sovereign debt	20	—	—	20
Mortgage trading loans and ABS	36	—	—	36
Total trading account assets	54	—	—	54
Net derivative assets	(2,782)	456	—	(2,326)
AFS debt securities – Other taxable securities	2	—	—	2
Loans and leases [3]	—	—	214	214
Mortgage servicing rights	—	(1,100)	—	(1,100)
Loans held-for-sale [3]	—	112	168	280
Other assets	—	(71)	50	(21)
Trading account liabilities – Corporate securities and other	4	—	—	4
Accrued expenses and other liabilities [3]	—	—	(2)	(2)
Long-term debt [3]	(136)	—	(173)	(309)
Total	$ (2,858)	$ (603)	$ 257	$ (3,204)
	2011			
Trading account assets:				
Corporate securities, trading loans and other	$ (86)	$ —	$ —	$ (86)
Equity securities	(60)	—	—	(60)
Non-U.S. sovereign debt	101	—	—	101
Mortgage trading loans and ABS	30	—	—	30
Total trading account assets	(15)	—	—	(15)
Net derivative assets	1,430	133	—	1,563
AFS debt securities:				
Non-agency residential MBS	—	—	(195)	(195)
Corporate/Agency bonds	—	—	(14)	(14)
Other taxable securities	—	—	13	13
Total AFS debt securities	—	—	(196)	(196)
Loans and leases [3]	—	—	94	94
Mortgage servicing rights	—	(6,958)	—	(6,958)
Loans held-for-sale [3]	—	(87)	5	(82)
Other assets	—	(53)	(772)	(825)
Trading account liabilities – Corporate securities and other	3	—	—	3
Long-term debt [3]	(107)	—	(94)	(201)
Total	$ 1,311	$ (6,965)	$ (963)	$ (6,617)

(1) Mortgage banking income (loss) does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts included are primarily recorded in other income (loss). Equity investment gains of $60 million and $141 million, and losses of $309 million recorded on other assets were also included for 2013, 2012 and 2011, respectively.
(3) Amounts represent instruments that are accounted for under the fair value option.

The following tables present information about significant unobservable inputs related to the Corporation's material categories of Level 3 financial assets and liabilities at December 31, 2013 and 2012.

Quantitative Information about Level 3 Fair Value Measurements at December 31, 2013

(Dollars in millions)

Financial Instrument	Fair Value	Valuation Technique	Inputs: Significant Unobservable Inputs	Inputs: Ranges of Inputs	Inputs: Weighted Average
Loans and Securities [1]					
Instruments backed by residential real estate assets	$ 3,443	Discounted cash flow, Market comparables	Yield	2% to 25%	6%
Trading account assets – Mortgage trading loans and ABS	363		Prepayment speed	0% to 35% CPR	9%
Loans and leases	2,151		Default rate	1% to 20% CDR	6%
Loans held-for-sale	929		Loss severity	21% to 80%	35%
Commercial loans, debt securities and other	$ 12,135	Discounted cash flow, Market comparables	Yield	0% to 45%	5%
Trading account assets – Corporate securities, trading loans and other	3,462		Enterprise value/EBITDA multiple	0x to 24x	7x
Trading account assets – Non-U.S. sovereign debt	468		Prepayment speed	5% to 40%	19%
Trading account assets – Mortgage trading loans and ABS	4,268		Default rate	1% to 5%	4%
AFS debt securities – Other taxable securities	3,031		Loss severity	25% to 42%	36%
Loans and leases	906		Duration	1 year to 5 years	4 years
Auction rate securities	$ 1,719	Discounted cash flow, Market comparables	Projected tender price/ Refinancing level	60% to 100%	96%
Trading account assets – Corporate securities, trading loans and other	97				
AFS debt securities – Other taxable securities	816				
AFS debt securities – Tax-exempt securities	806				
Structured liabilities					
Long-term debt	$ (1,990)	Industry standard derivative pricing (2, 3)	Equity correlation	18% to 98%	70%
			Long-dated volatilities	4% to 63%	27%
			Correlation (IR/IR)	24% to 99%	60%
			Long-dated inflation rates	0% to 3%	2%
			Long-dated inflation volatilities	0% to 2%	1%
Net derivatives assets					
Credit derivatives	$ 1,008	Discounted cash flow, Stochastic recovery correlation model	Yield	3% to 25%	14%
			Upfront points	0 points to 100 points	63 points
			Spread to index	-1,407 bps to 1,741 bps	91 bps
			Credit correlation	14% to 99%	47%
			Prepayment speed	3% to 40% CPR	13%
			Default rate	1% to 5% CDR	3%
			Loss severity	20% to 42%	35%
Equity derivatives	$ (1,596)	Industry standard derivative pricing (2)	Equity correlation	18% to 98%	70%
			Long-dated volatilities	4% to 63%	27%
Commodity derivatives	$ 6	Discounted cash flow, Industry standard derivative pricing (2)	Natural gas forward price	$3/MMBtu to $11/MMBtu	$6/MMBtu
			Correlation	47% to 89%	81%
			Volatilities	9% to 109%	30%
Interest rate derivatives	$ 558	Industry standard derivative pricing (3)	Correlation (IR/IR)	24% to 99%	60%
			Correlation (FX/IR)	-30% to 40%	-4%
			Long-dated inflation rates	0% to 3%	2%
			Long-dated inflation volatilities	0% to 2%	1%
			Long-dated volatilities (FX)	0% to 70%	10%
Total net derivative assets	$ (24)				

(1) The categories are aggregated based upon product type which differs from financial statement classification. The following is a reconciliation to the line items in the table on page 254: Trading account assets – Corporate securities, trading loans and other of $3.6 billion, Trading account assets – Non-U.S. sovereign debt of $468 million, Trading account assets – Mortgage trading loans and ABS of $4.6 billion, AFS debt securities – Other taxable securities of $3.8 billion, AFS debt securities – Tax-exempt securities of $806 million, Loans and leases of $3.1 billion and LHFS of $929 million.

(2) Includes models such as Monte Carlo simulation and Black-Scholes.

(3) Includes models such as Monte Carlo simulation, Black-Scholes and other methods that model the joint dynamics of interest, inflation and foreign exchange rates.

CPR = Constant Prepayment Rate
CDR = Constant Default Rate
EBITDA = Earnings before interest, taxes, depreciation and amortization
MMBtu = Million British thermal units
IR = Interest Rate
FX = Foreign Exchange

Quantitative Information about Level 3 Fair Value Measurements for Loans, Securities and Structured Liabilities at December 31, 2012

(Dollars in millions)

Financial Instrument	Fair Value	Valuation Technique	Inputs [1] Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Loans and Securities [2]					
Instruments backed by residential real estate assets	$ 4,478	Discounted cash flow, Market comparables	Yield	2% to 25%	6%
Trading account assets – Mortgage trading loans and ABS	459		Prepayment speed	1% to 30% CPR	10%
Loans and leases	1,286		Default rate	0% to 44% CDR	6%
Loans held-for-sale	2,733		Loss severity	6% to 85%	43%
Instruments backed by commercial real estate assets	$ 1,910	Discounted cash flow	Yield	5%	n/a
Other assets	1,910		Loss severity	51% to 100%	88%
Commercial loans, debt securities and other	$ 10,778	Discounted cash flow, Market comparables	Yield	0% to 25%	4%
Trading account assets – Corporate securities, trading loans and other	2,289		Enterprise value/EBITDA multiple	2x to 11x	5x
Trading account assets – Mortgage trading loans and ABS	4,476		Prepayment speed	5% to 30%	20%
AFS debt securities – Other taxable securities	3,012		Default rate	1% to 5%	4%
Loans and leases	1,001		Loss severity	25% to 40%	35%
Auction rate securities	$ 3,414	Discounted cash flow, Market comparables	Discount rate	4% to 5%	4%
Trading account assets – Corporate securities, trading loans and other	1,437		Projected tender price/ Refinancing level	50% to 100%	92%
AFS debt securities – Other taxable securities	916				
AFS debt securities – Tax-exempt securities	1,061				
Structured liabilities					
Long-term debt	$ (2,301)	Industry standard derivative pricing [3]	Equity correlation	30% to 97%	n/m
			Long-dated volatilities	20% to 70%	n/m

Quantitative Information about Level 3 Fair Value Measurements for Net Derivative Assets at December 31, 2012

(Dollars in millions)

Financial Instrument	Fair Value	Valuation Technique	Inputs [1] Significant Unobservable Inputs	Ranges of Inputs
Net derivatives assets				
Credit derivatives	$ 2,327	Discounted cash flow, Stochastic recovery correlation model	Yield	2% to 25%
			Credit spreads	58 bps to 615 bps
			Upfront points	25 points to 99 points
			Spread to index	-2,080 bps to 1,972 bps
			Credit correlation	19% to 75%
			Prepayment speed	3% to 30% CPR
			Default rate	0% to 8% CDR
			Loss severity	25% to 42%
Equity derivatives	$ (1,295)	Industry standard derivative pricing [3]	Equity correlation	30% to 97%
			Long-dated volatilities	20% to 70%
Commodity derivatives	$ (5)	Discounted cash flow	Natural gas forward price	$3/MMBtu to $12/MMBtu
Interest rate derivatives	$ 441	Industry standard derivative pricing [4]	Correlation (IR/IR)	15% to 99%
			Correlation (FX/IR)	-65% to 50%
			Long-dated inflation rates	2% to 3%
			Long–dated inflation volatilities	0% to 1%
			Long-dated volatilities (FX)	5% to 36%
			Long-dated swap rates	8% to 10%
Total net derivative assets	$ 1,468			

(1) At December 31, 2012, weighted averages were disclosed for all loans and securities. For more information on the ranges of inputs for significant unobservable inputs for structured liabilities and net derivative assets, see the qualitative discussion on page 264.

(2) The categories are aggregated based upon product type which differs from financial statement classification. The following is a reconciliation to the line items in the table on page 257: Trading account assets – Corporate securities, trading loans and other of $3.7 billion, Trading account assets – Mortgage trading loans and ABS of $4.9 billion, AFS debt securities – Other taxable securities of $3.9 billion, AFS debt securities – Tax-exempt securities of $1.1 billion, Loans and leases of $2.3 billion, LHFS of $2.7 billion and Other assets of $1.9 billion.

(3) Includes models such as Monte Carlo simulation and Black-Scholes.

(4) Includes models such as Monte Carlo simulation, Black-Scholes and other methods that model the joint dynamics of interest, inflation and foreign exchange rates.

n/a = not applicable
n/m = not meaningful
CPR = Constant Prepayment Rate
CDR = Constant Default Rate
EBITDA = Earnings before interest, taxes, depreciation and amortization
MMBtu = Million British thermal units
IR = Interest Rate
FX = Foreign Exchange

In the tables above, instruments backed by residential and commercial real estate assets include RMBS, CMBS, whole loans, mortgage CDOs and net monoline exposure. Commercial loans, debt securities and other includes corporate CLOs and CDOs, commercial loans and bonds, and securities backed by non-real estate assets. Structured liabilities primarily include equity-linked notes that are accounted for under the fair value option.

In addition to the instruments in the tables above, the Corporation held $767 million and $1.2 billion of instruments at December 31, 2013 and 2012 consisting primarily of certain direct private equity investments and private equity funds that were classified as Level 3 and reported within other assets. Valuations of direct private equity investments are based on the most recent company financial information. Inputs generally include market and acquisition comparables, entry level multiples, as well as other variables. The Corporation selects a valuation methodology (e.g., market comparables) for each investment and, in certain instances, multiple inputs are weighted to derive the most representative value. Discounts are applied as appropriate to consider the lack of liquidity and marketability versus publicly-traded companies. For private equity funds, fair value is determined using the net asset value as provided by the individual fund's general partner.

The Corporation uses multiple market approaches in valuing certain of its Level 3 financial instruments. For example, market comparables and discounted cash flows are used together. For a given product, such as corporate debt securities, market comparables may be used to estimate some of the unobservable inputs and then these inputs are incorporated into a discounted cash flow model. Therefore, the balances disclosed encompass both of these techniques.

The level of aggregation and diversity within the products disclosed in the tables result in certain ranges of inputs being wide and unevenly distributed across asset and liability categories. At December 31, 2013, weighted averages are disclosed for all loans, securities, structured liabilities and net derivative assets. At December 31, 2012, weighted averages were disclosed for all loans and securities.

For credit derivatives, the range of credit spreads represented positions with varying levels of default risk to the underlying instruments. The lower end of the credit spread range typically represented shorter-dated instruments and those with better perceived credit risk. The higher end of the range represented longer-dated instruments and those referencing debt issuances that were more likely to be impaired or nonperforming. At December 31, 2012, the majority of inputs were concentrated in the lower end of the range. Similarly, the spread to index could vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index. At December 31, 2012, inputs were distributed evenly throughout the range for spread to index. In addition, for yield and credit correlation, the majority of the inputs were concentrated in the center of the range. Inputs were concentrated in the middle to lower end of the range for upfront points. The range for loss severity reflected exposures that were concentrated in the middle to upper end of the range while the ranges for prepayment speed and default rates reflected exposures that were concentrated in the lower end of the range.

For equity derivatives at December 31, 2012, including those embedded in long-term debt, the range for equity correlation represented exposure primarily concentrated toward the upper end of the range. The range for long-dated volatilities represented exposure primarily concentrated toward the lower end of the range.

For interest rate derivatives, the diversity in the portfolio was reflected in wide ranges of inputs because the variety of currencies and tenors of the transactions required the use of numerous foreign exchange and interest rate curves. Since foreign exchange and interest rate correlations were measured between curves and across the various tenors on the same curve, the range of potential values could include both negative and positive values. For the correlation (IR/IR) range, the exposure represented the valuation of interest rate correlations on less liquid pairings and was concentrated at the upper end of the range at December 31, 2012. For the correlation (FX/IR) range, the exposure was the sensitivity to a broad mix of interest rate and foreign exchange correlations and was distributed evenly throughout the range at December 31, 2012. For long-dated inflation rates and volatilities as well as long-dated volatilities (FX), the inputs were concentrated in the middle of the range.

For more information on the inputs and techniques used in the valuation of MSRs, see *Note 23 – Mortgage Servicing Rights*.

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

Loans and Securities

For instruments backed by residential real estate assets, commercial real estate assets, and commercial loans, debt securities and other, a significant increase in market yields, default rates, loss severities or duration would result in a significantly lower fair value for long positions. Short positions would be impacted in a directionally opposite way. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument and, in the case of CLOs, whether prepayments can be reinvested.

For closed-end auction rate securities (ARS), a significant increase in discount rates would result in a significantly lower fair value. For student loan and municipal ARS, a significant increase in projected tender price/refinancing levels would result in a significantly higher fair value.

Structured Liabilities and Derivatives

For credit derivatives, a significant increase in market yield, including spreads to indices, upfront points (i.e., a single upfront payment made by a protection buyer at inception), credit spreads, default rates or loss severities would result in a significantly lower fair value for protection sellers and higher fair value for protection buyers. The impact of changes in prepayment speeds would have differing impacts depending on the seniority of the instrument and, in the case of CLOs, whether prepayments can be reinvested.

Structured credit derivatives, which include tranched portfolio CDS and derivatives with derivative product company (DPC) and monoline counterparties, are impacted by credit correlation, including default and wrong-way correlation. Default correlation is a parameter that describes the degree of dependence among credit default rates within a credit portfolio that underlies a credit derivative instrument. The sensitivity of this input on the fair value varies depending on the level of subordination of the tranche. For senior tranches that are net purchases of protection, a significant increase in default correlation would result in a significantly higher fair value. Net short protection positions would be impacted in a directionally opposite way. Wrong-way correlation is a parameter that describes the probability that, as exposure to a counterparty increases, the credit quality of the counterparty decreases. A significantly higher degree of wrong-way correlation between a DPC counterparty and underlying derivative exposure would result in a significantly lower fair value.

For equity derivatives, interest rate derivatives and structured liabilities, a significant change in long-dated rates and volatilities and correlation inputs (e.g., the degree of correlation between an equity security and an index, between two different interest rates, or between interest rates and foreign exchange rates) would result in a significant impact to the fair value; however, the magnitude and direction of the impact depends on whether the Corporation is long or short the exposure.

Nonrecurring Fair Value

The Corporation holds certain assets that are measured at fair value, but only in certain situations (e.g., impairment) and these measurements are referred to herein as nonrecurring. These assets primarily include LHFS, certain loans and leases, and foreclosed properties. The amounts below represent only balances measured at fair value during 2013, 2012 and 2011, and still held as of the reporting date.

Assets Measured at Fair Value on a Nonrecurring Basis

	December 31			
	2013		2012	
(Dollars in millions)	**Level 2**	**Level 3**	Level 2	Level 3
Assets				
Loans held-for-sale	**$ 2,138**	**$ 115**	$ 5,692	$ 1,136
Loans and leases	**18**	**5,240**	21	9,184
Foreclosed properties [1]	**12**	**1,258**	33	1,918
Other assets	**88**	**—**	36	12

	Gains (Losses)		
	2013	2012	2011
Assets			
Loans held-for-sale	**$ (71)**	$ (24)	$ (188)
Loans and leases [2]	**(1,104)**	(3,116)	(4,813)
Foreclosed properties [1]	**(39)**	(47)	(167)
Other assets	**(20)**	(16)	—

[1] Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value of, and related losses on, foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

[2] Losses represent charge-offs on real estate-secured loans.

The table below presents information about significant unobservable inputs related to the Corporation's nonrecurring Level 3 financial assets and liabilities at December 31, 2013 and 2012.

Quantitative Information about Nonrecurring Level 3 Fair Value Measurements

(Dollars in millions)

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
December 31, 2013					
Instruments backed by residential real estate assets	$ 5,240	Market comparables	OREO discount	0% to 19%	8%
Loans and leases	5,240		Cost to sell	8%	n/a
December 31, 2012					
Instruments backed by residential real estate assets	$ 9,932	Discounted cash flow, Market comparables	Yield	3% to 5%	3%
Loans held-for-sale	748		Prepayment speed	3% to 30%	15%
Loans and leases	9,184		Default rate	0% to 55%	7%
			Loss severity	6% to 66%	48%
			OREO discount	0% to 28%	15%
			Cost to sell	8%	n/a
Instruments backed by commercial real estate assets	$ 388	Discounted cash flow	Yield	4% to 13%	6%
Loans held-for-sale	388		Loss severity	24% to 88%	53%

n/a = not applicable

Instruments backed by residential real estate assets represent residential mortgages where the loan has been written down to the fair value of the underlying collateral or, in the case of LHFS, are carried at the lower of cost or fair value. In addition to the instruments disclosed in the table above, the Corporation holds foreclosed residential properties where the fair value is based on unadjusted third-party appraisals or broker price opinions. Appraisals are generally conducted every 90 days. Factors considered in determining the fair value include geographic sales trends, the value of comparable surrounding properties as well as the condition of the property.

NOTE 21 Fair Value Option

Loans and Loan Commitments

The Corporation elects to account for certain commercial loans and loan commitments that exceed the Corporation's single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's public side credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for designation as accounting hedges and therefore are carried at fair value with changes in fair value recorded in other income (loss). Electing the fair value option allows the Corporation to carry these loans and loan commitments at fair value, which is more consistent with management's view of the underlying economics and the manner in which they are managed. In addition, election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the credit derivatives at fair value. The Corporation also elected the fair value option for certain residential mortgage loans that were classified as held-for-sale and certain loans held in consolidated VIEs. Of the changes in fair value of these loans, gains of $315 million and $1.2 billion were attributable to changes in borrower-specific credit risk in 2013 and 2012.

Loans Held-for-sale

The Corporation elects to account for residential mortgage LHFS, commercial mortgage LHFS and other LHFS under the fair value option with interest income on these LHFS recorded in other interest income. These loans are actively managed and monitored and, as appropriate, certain market risks of the loans may be mitigated through the use of derivatives. The Corporation has elected not to designate the derivatives as qualifying accounting hedges and therefore they are carried at fair value with changes in fair value recorded in other income (loss). The changes in fair value of the loans are largely offset by changes in the fair value of the derivatives. Of the changes in fair value of these loans, gains of $225 million and $425 million were attributable to changes in borrower-specific credit risk in 2013 and 2012. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at the lower of cost or fair value and the derivatives at fair value. The Corporation has not elected to account for other LHFS under the fair value option primarily because these loans are floating-rate loans that are not hedged using derivative instruments.

Loans Reported as Trading Account Assets

The Corporation elects to account for certain loans that are held for the purpose of trading and risk-managed on a fair value basis under the fair value option. An immaterial portion of the changes in fair value of these loans was attributable to changes in borrower-specific credit risk in 2013 and 2012.

Other Assets

The Corporation elects to account for certain private equity investments that are not in an investment company under the fair value option as this measurement basis is consistent with applicable accounting guidance for similar investments that are in an investment company. The Corporation also elects to account for certain long-term fixed-rate margin loans that are hedged with derivatives under the fair value option. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the derivatives at fair value.

Securities Financing Agreements

The Corporation elects to account for certain securities financing agreements, including resale and repurchase agreements, under the fair value option based on the tenor of the agreements, which reflects the magnitude of the interest rate risk. The majority of securities financing agreements collateralized by U.S. government securities are not accounted for under the fair value option as these contracts are generally short-dated and therefore the interest rate risk is not significant.

Long-term Deposits

The Corporation elects to account for certain long-term fixed-rate and rate-linked deposits that are hedged with derivatives that do not qualify for hedge accounting under the fair value option. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the derivatives at fair value. The Corporation did not elect to carry other long-term deposits at fair value because they were not hedged using derivatives.

Short-term Borrowings

The Corporation elects to account for certain short-term borrowings, primarily short-term structured liabilities, under the fair value option because this debt is risk-managed on a fair value basis.

The Corporation elects to account for certain asset-backed secured financings, which are also classified in short-term borrowings, under the fair value option. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the asset-backed secured financings at historical cost and the corresponding mortgage LHFS securing these financings at fair value.

Long-term Debt

The Corporation elects to account for certain long-term debt, primarily structured liabilities, under the fair value option. This long-term debt is either risk-managed on a fair value basis or the related hedges do not qualify for hedge accounting.

The table below provides information about the fair value carrying amount and the contractual principal outstanding of assets and liabilities accounted for under the fair value option at December 31, 2013 and 2012.

Fair Value Option Elections

	December 31					
	2013			2012		
(Dollars in millions)	**Fair Value Carrying Amount**	**Contractual Principal Outstanding**	**Fair Value Carrying Amount Less Unpaid Principal**	Fair Value Carrying Amount	Contractual Principal Outstanding	Fair Value Carrying Amount Less Unpaid Principal
Loans reported as trading account assets [(1)]	**$ 2,200**	**$ 4,315**	**$ (2,115)**	$ 1,663	$ 2,879	$ (1,216)
Trading inventory - other	**5,475**	**n/a**	**n/a**	2,170	n/a	n/a
Consumer and commercial loans	**10,042**	**10,423**	**(381)**	9,002	9,576	(574)
Loans held-for-sale	**6,656**	**6,996**	**(340)**	11,659	12,676	(1,017)
Securities financing agreements	**109,298**	**109,032**	**266**	141,309	140,791	518
Other assets	**278**	**270**	**8**	453	270	183
Long-term deposits	**1,899**	**2,115**	**(216)**	2,262	2,046	216
Asset-backed secured financings	**—**	**—**	**—**	741	1,176	(435)
Unfunded loan commitments	**354**	**n/a**	**n/a**	528	n/a	n/a
Short-term borrowings	**1,520**	**1,520**	**—**	3,333	3,333	—
Long-term debt [(2, 3)]	**47,035**	**46,669**	**366**	49,161	50,792	(1,631)

(1) A significant portion of the loans reported as trading account assets are distressed loans which trade and were purchased at a deep discount to par, and the remainder are loans with a fair value near contractual principal outstanding.

(2) The majority of the difference between the fair value carrying amount and contractual principal outstanding at December 31, 2013 and 2012 relates to the impact of the Corporation's credit spreads as well as the fair value of the embedded derivative, where applicable.

(3) Includes structured liabilities with a fair value of $40.7 billion and contractual principal outstanding of $39.7 billion at December 31, 2013 compared to $39.3 billion and $39.9 billion at December 31, 2012.

n/a = not applicable

The table below provides information about where changes in the fair value of assets and liabilities accounted for under the fair value option are included in the Consolidated Statement of Income for 2013, 2012 and 2011.

Gains (Losses) Relating to Assets and Liabilities Accounted for Under the Fair Value Option

	2013			
(Dollars in millions)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss)	Other Income (Loss)	Total
Loans reported as trading account assets	$ 83	$ —	$ —	$ 83
Trading inventory - other [1]	1,355	—	—	1,355
Consumer and commercial loans	(28)	(38)	240	174
Loans held-for-sale [2]	7	966	75	1,048
Securities financing agreements	(80)	—	—	(80)
Other assets	—	—	(77)	(77)
Long-term deposits	30	—	84	114
Asset-backed secured financings	—	(91)	—	(91)
Unfunded loan commitments	—	—	180	180
Short-term borrowings	(70)	—	—	(70)
Long-term debt [3]	(602)	—	(649)	(1,251)
Total	**$ 695**	**$ 837**	**$ (147)**	**$ 1,385**
	2012			
Loans reported as trading account assets	$ 232	$ —	$ —	$ 232
Trading inventory - other [1]	659	—	—	659
Consumer and commercial loans	17	—	542	559
Loans held-for-sale [2]	75	3,048	190	3,313
Securities financing agreements	(90)	—	—	(90)
Other assets	—	—	12	12
Long-term deposits	—	—	29	29
Asset-backed secured financings	—	(180)	—	(180)
Unfunded loan commitments	—	—	704	704
Short-term borrowings	1	—	—	1
Long-term debt [3]	(1,888)	—	(5,107)	(6,995)
Total	$ (994)	$ 2,868	$ (3,630)	$ (1,756)
	2011			
Loans reported as trading account assets	$ 73	$ —	$ —	$ 73
Consumer and commercial loans	15	—	(275)	(260)
Loans held-for-sale [2]	(20)	4,535	148	4,663
Securities financing agreements	127	—	—	127
Other assets	—	—	196	196
Long-term deposits	—	—	(77)	(77)
Asset-backed secured financings	—	(30)	—	(30)
Unfunded loan commitments	—	—	(429)	(429)
Short-term borrowings	261	—	—	261
Long-term debt [3]	2,149	—	3,320	5,469
Total	$ 2,605	$ 4,505	$ 2,883	$ 9,993

(1) The gains in trading account profits (losses) are primarily offset by losses on trading liabilities that hedge these assets.
(2) Includes the value of interest rate lock commitments on loans funded, including those already sold during the period.
(3) The majority of the net gains (losses) in trading account profits (losses) relate to the embedded derivative in structured liabilities and are offset by gains (losses) on derivatives and securities that hedge these liabilities. The net gains (losses) in other income (loss) relate to the impact on structured liabilities of changes in the Corporation's credit spreads.

NOTE 22 Fair Value of Financial Instruments

The fair values of financial instruments and their classifications within the fair value hierarchy have been derived using methodologies described in *Note 20 – Fair Value Measurements*. The following disclosures include financial instruments where only a portion of the ending balance at December 31, 2013 and 2012 was carried at fair value on the Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed and other short-term investments, federal funds sold and purchased, certain resale and repurchase agreements, customer and other receivables, customer payables (within accrued expenses and other liabilities on the Consolidated Balance Sheet), and short-term borrowings approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The Corporation elected to account for certain resale and repurchase agreements under the fair value option.

Under the fair value hierarchy, cash and cash equivalents are classified as Level 1. Time deposits placed and other short-term investments, such as U.S. government securities and short-term

commercial paper, are classified as Level 1 and Level 2. Federal funds sold and purchased are classified as Level 2. Resale and repurchase agreements are classified as Level 2 because they are generally short-dated and/or variable-rate instruments collateralized by U.S. government or agency securities. Customer and other receivables primarily consist of margin loans, servicing advances and other accounts receivable and are classified as Level 2 and Level 3. Customer payables and short-term borrowings are classified as Level 2.

Held-to-maturity Debt Securities

HTM debt securities, which consist of U.S. agency debt securities, are classified as Level 2 using the same methodologies as AFS U.S. agency debt securities. For more information on HTM debt securities, see *Note 3 – Securities*.

Loans

The fair values for commercial and consumer loans are generally determined by discounting both principal and interest cash flows expected to be collected using a discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation's best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. The carrying value of loans is presented net of the applicable allowance for loan losses and excludes leases. The Corporation elected to account for certain commercial loans and residential mortgage loans under the fair value option.

Deposits

The fair value for certain deposits with stated maturities was determined by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of non-U.S. time deposits approximates fair value. For deposits with no stated maturities, the carrying value was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation's long-term relationships with depositors. The Corporation accounts for certain long-term fixed-rate deposits under the fair value option.

Long-term Debt

The Corporation uses quoted market prices, when available, to estimate fair value for its long-term debt. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar terms and maturities. The Corporation accounts for certain structured liabilities under the fair value option.

Fair Value of Financial Instruments

The carrying values and fair values by fair value hierarchy of certain financial instruments where only a portion of the ending balance was carried at fair value at December 31, 2013 and 2012 are presented in the table below.

Fair Value of Financial Instruments

	December 31, 2013			
		Fair Value		
(Dollars in millions)	Carrying Value	Level 2	Level 3	Total
Financial assets				
Loans	**$ 885,724**	**$ 102,564**	**$ 789,273**	**$ 891,837**
Loans held-for-sale	**11,362**	**8,872**	**2,613**	**11,485**
Financial liabilities				
Deposits	**1,119,271**	**1,119,512**	**—**	**1,119,512**
Long-term debt	**249,674**	**257,402**	**1,990**	**259,392**
	December 31, 2012			
Financial assets				
Loans	$ 859,875	$ 105,119	$ 772,761	$ 877,880
Loans held-for-sale	19,413	15,087	4,321	19,408
Financial liabilities				
Deposits	1,105,261	1,105,669	—	1,105,669
Long-term debt	275,585	281,173	2,301	283,474

Commercial Unfunded Lending Commitments

Fair values were generally determined using a discounted cash flow valuation approach which is applied using market-based CDS or internally developed benchmark credit curves. The Corporation accounts for certain loan commitments under the fair value option.

The carrying values and fair values of the Corporation's commercial unfunded lending commitments were $830 million and $3.7 billion at December 31, 2013, and $1.0 billion and $4.5 billion at December 31, 2012. Commercial unfunded lending commitments are primarily classified as Level 3. The carrying value of these commitments is classified in accrued expenses and other liabilities.

The Corporation does not estimate the fair values of consumer unfunded lending commitments because, in many instances, the Corporation can reduce or cancel these commitments by providing notice to the borrower. For more information on commitments, see *Note 12 – Commitments and Contingencies*.

NOTE 23 Mortgage Servicing Rights

The Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in mortgage banking income (loss) in the Consolidated Statement of Income. The Corporation manages the risk in these MSRs with securities including MBS and U.S. Treasuries, as well as certain derivatives such as options and interest rate swaps, which are not designated as accounting hedges. The securities used to manage the risk in the MSRs are classified in other assets with changes in the fair value of the securities and the related interest income recorded in mortgage banking income (loss).

The table below presents activity for residential mortgage and home equity MSRs for 2013 and 2012. Commercial and residential reverse MSRs, which are carried at the lower of cost or market value and accounted for using the amortization method, totaled $10 million and $135 million at December 31, 2013 and 2012, and are not included in the tables in this Note.

Rollforward of Mortgage Servicing Rights

(Dollars in millions)	2013	2012
Balance, January 1	**$ 5,716**	$ 7,378
Additions	**472**	374
Sales	**(2,044)**	(122)
Amortization of expected cash flows [1]	**(1,043)**	(1,484)
Impact of changes in interest rates and other market factors [2]	**1,524**	(867)
Model and other cash flow assumption changes: [3]		
Projected cash flows, primarily due to (increases) decreases in costs to service loans	**(27)**	443
Impact of changes in the Home Price Index	**(398)**	(112)
Impact of changes to the prepayment model	**609**	435
Other model changes [4]	**233**	(329)
Balance, December 31	**$ 5,042**	$ 5,716
Mortgage loans serviced for investors (in billions)	**$ 550**	$ 1,045

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

(2) These amounts reflect the changes in modeled MSR fair value primarily due to observed changes in interest rates, volatility, spreads and the shape of the forward swap curve.

(3) These amounts reflect periodic adjustments to the valuation model to reflect changes in the modeled relationship between inputs and their impact on projected cash flows as well as changes in certain cash flow assumptions such as cost to service and ancillary income per loan.

(4) These amounts include the impact of periodic recalibrations of the model to reflect changes in the relationship between market interest rate spreads and projected cash flows. Also included is a decrease of $497 million for 2012 due to changes in OAS rate inputs.

The Corporation primarily uses an OAS valuation approach which factors in prepayment risk to determine the fair value of MSRs. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. In addition to updating the valuation model for interest, discount and prepayment rates, periodic adjustments are made to recalibrate the valuation model for factors used to project cash flows. The changes to the factors capture the effect of variances related to actual versus estimated servicing proceeds.

The $2.0 billion of MSR sales during 2013 primarily relate to transfers completed under definitive agreements the Corporation entered into during the year to sell certain MSRs. The transfers of the MSRs occurred in stages throughout 2013, and all of the servicing encompassed by these agreements had been transferred as of December 31, 2013.

Significant economic assumptions in estimating the fair value of MSRs at December 31, 2013 and 2012 are presented below. The change in fair value as a result of changes in OAS rates is included within "Model and other cash flow assumption changes" in the Rollforward of Mortgage Servicing Rights table. The weighted-average life is not an input in the valuation model but is a product of both changes in market rates of interest and changes in model and other cash flow assumptions. The weighted-average life represents the average period of time that the MSRs' cash flows are expected to be received. Absent other changes, an increase (decrease) to the weighted-average life would generally result in an increase (decrease) in the fair value of the MSRs.

Significant Economic Assumptions

	December 31			
	2013		2012	
	Fixed	Adjustable	Fixed	Adjustable
Weighted-average OAS	**3.97%**	**7.61%**	4.00%	6.63%
Weighted-average life, in years	**5.70**	**2.86**	3.65	2.10

The table below presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of MSRs that continue to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. The below sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Sensitivity Impacts

	December 31, 2013		
	Change in Weighted-average Lives		
(Dollars in millions)	Fixed	Adjustable	Change in Fair Value
Prepayment rates			
Impact of 10% decrease	0.24 years	0.20 years	$ 266
Impact of 20% decrease	0.51	0.42	558
Impact of 10% increase	(0.22)	(0.17)	(244)
Impact of 20% increase	(0.42)	(0.32)	(469)
OAS level			
Impact of 100 bps decrease			$ 268
Impact of 200 bps decrease			561
Impact of 100 bps increase			(247)
Impact of 200 bps increase			(474)

NOTE 24 Business Segment Information

The Corporation reports the results of its operations through five business segments: *Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Wealth & Investment Management (GWIM), Global Banking and Global Markets,* with the remaining operations recorded in *All Other*.

Consumer & Business Banking

CBB offers a diversified range of credit, banking and investment products and services to consumers and businesses. *CBB* product offerings include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, investment accounts and products as well as credit and debit cards in the U.S. to consumers and small businesses. Customers and clients have access to a franchise network that stretches coast to coast through 31 states and the District of Columbia. The franchise network includes approximately 5,100 banking centers, 16,300 ATMs, nationwide call centers, and online and mobile platforms. *CBB* also offers a wide range of lending-related products and services, integrated working capital management and treasury solutions through a network of offices and client relationship teams along with various product partners to U.S.-based companies generally with annual sales of $1 million to $50 million. During 2013, consumer DFS results were moved to *CBB* from *Global Banking* to align this business more closely with the Corporation's consumer lending activity and better serve the needs of its customers. Prior periods were reclassified to conform to current period presentation.

Consumer Real Estate Services

CRES provides an extensive line of consumer real estate products and services to customers nationwide. *CRES* products include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, HELOCs and home equity loans. First mortgage products are generally either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on the balance sheet in *All Other* for ALM purposes. Newly originated HELOCs and home equity loans are retained on the *CRES* balance sheet. *CRES* services mortgage loans, including those loans it owns, loans owned by other business segments and *All Other*, and loans owned by outside investors.

The financial results of the on-balance sheet loans are reported in the business segment that owns the loans or *All Other*. *CRES* is not impacted by the Corporation's first mortgage production retention decisions as *CRES* is compensated for loans held for ALM purposes on a management accounting basis, with a corresponding offset recorded in *All Other*, and for servicing loans owned by other business segments and *All Other*.

Global Wealth & Investment Management

GWIM provides comprehensive wealth management solutions to a broad base of clients from emerging affluent to ultra high net-worth. These services include investment and brokerage services, estate and financial planning, fiduciary portfolio management, cash and liability management, and specialty asset management. *GWIM* also provides retirement and benefit plan services, philanthropic management and asset management to individual and institutional clients.

Global Banking

Global Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients, and underwriting and advisory services through the Corporation's network of offices and client relationship teams. *Global Banking's* lending products and services include commercial loans, leases, commitment facilities, trade finance, real estate lending and asset-based lending. *Global Banking's* treasury solutions business includes treasury management, foreign exchange and short-term investing options. *Global Banking* also works with clients to provide investment banking products such as debt and equity underwriting and distribution, and merger-related and other advisory services. The economics of most investment banking and underwriting activities are shared primarily between *Global Banking* and *Global Markets* based on the activities performed by each segment. *Global Banking* clients generally include middle-market companies, commercial real estate firms, auto dealerships, not-for-profit companies, large global corporations, financial institutions and leasing clients. During 2013, the results of consumer DFS, previously reported in *Global Banking*, were moved into *CBB* and prior periods have been reclassified to conform to current period presentation.

Global Markets

Global Markets offers sales and trading services, including research, to institutional clients across fixed-income, credit, currency, commodity and equity businesses. *Global Markets* product coverage includes securities and derivative products in both the primary and secondary markets. *Global Markets* provides market-making, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *Global Markets* also works with commercial and corporate clients to provide risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of market-making activities in these products, *Global Markets* may be required to manage risk in a broad range of financial products including government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, syndicated loans, MBS, commodities and ABS. The economics of most investment banking and underwriting activities are shared primarily between *Global Markets* and *Global Banking* based on the activities performed by each segment.

All Other

All Other consists of ALM activities, equity investments, the international consumer card business, liquidating businesses, residual expense allocations and other. ALM activities encompass the whole-loan residential mortgage portfolio and investment securities, interest rate and foreign currency risk management activities including the residual net interest income allocation, gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. The results of certain ALM activities are allocated to the business segments. Additionally, certain residential mortgage loans that are managed by *CRES* are held in *All Other*.

Basis of Presentation

The management accounting and reporting process derives segment and business results by utilizing allocation methodologies for revenue and expense. The net income derived for the businesses is dependent upon revenue and cost allocations using an activity-based costing model, funds transfer pricing, and other methodologies and assumptions management believes are appropriate to reflect the results of the business.

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, the Corporation allocates assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of the Corporation's ALM activities. In addition, the business segments are impacted by the migration of customers and clients and their deposit and loan balances between client-managed businesses, primarily *CBB*, *CRES* and *GWIM*. Subsequent to the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the customers or clients migrated.

The Corporation's ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The results of a majority of the Corporation's ALM activities are allocated to the business segments and fluctuate based on the performance of the ALM activities. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of the Corporation's internal funds transfer pricing process and the net effects of other ALM activities.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain other centralized or shared functions are allocated based on methodologies that reflect utilization.

The following tables present net income and the components thereto (with net interest income on a FTE basis) for 2013, 2012 and 2011, and total assets at December 31, 2013 and 2012 for each business segment, as well as *All Other*.

Business Segments

At and for the Year Ended December 31	Total Corporation [1]			Consumer & Business Banking			Consumer Real Estate Services		
(Dollars in millions)	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Net interest income (FTE basis)	**$ 43,124**	$ 41,557	$ 45,588	**$ 20,051**	$ 19,853	$ 22,249	**$ 2,890**	$ 2,930	$ 3,209
Noninterest income (loss)	**46,677**	42,678	48,838	**9,816**	9,937	11,572	**4,826**	5,821	(6,310)
Total revenue, net of interest expense (FTE basis)	**89,801**	84,235	94,426	**29,867**	29,790	33,821	**7,716**	8,751	(3,101)
Provision for credit losses	**3,556**	8,169	13,410	**3,107**	4,148	3,677	**(156)**	1,442	4,523
Amortization of intangibles	**1,086**	1,264	1,509	**505**	626	759	**—**	—	11
Goodwill impairment	**—**	—	3,184	**—**	—	—	**—**	—	2,603
Other noninterest expense	**68,128**	70,829	75,581	**15,852**	16,369	17,153	**16,013**	17,190	19,055
Income (loss) before income taxes	**17,031**	3,973	742	**10,403**	8,647	12,232	**(8,141)**	(9,881)	(29,293)
Income tax expense (benefit) (FTE basis)	**5,600**	(215)	(704)	**3,815**	3,101	4,431	**(2,986)**	(3,442)	(9,939)
Net income (loss)	**$ 11,431**	$ 4,188	$ 1,446	**$ 6,588**	$ 5,546	$ 7,801	**$ (5,155)**	$ (6,439)	$ (19,354)
Year-end total assets	**$ 2,102,273**	$ 2,209,974		**$ 592,978**	$ 554,915		**$ 113,386**	$ 131,059	

	Global Wealth & Investment Management			Global Banking		
	2013	2012	2011	**2013**	2012	2011
Net interest income (FTE basis)	**$ 6,064**	$ 5,827	$ 5,885	**$ 8,914**	$ 8,135	$ 8,233
Noninterest income	**11,726**	10,691	10,610	**7,567**	7,539	7,361
Total revenue, net of interest expense (FTE basis)	**17,790**	16,518	16,495	**16,481**	15,674	15,594
Provision for credit losses	**56**	266	398	**1,075**	(342)	(1,308)
Amortization of intangibles	**387**	410	437	**62**	79	101
Other noninterest expense	**12,651**	12,311	12,899	**7,490**	7,540	7,928
Income before income taxes	**4,696**	3,531	2,761	**7,854**	8,397	8,873
Income tax expense (FTE basis)	**1,722**	1,286	1,014	**2,880**	3,053	3,251
Net income	**$ 2,974**	$ 2,245	$ 1,747	**$ 4,974**	$ 5,344	$ 5,622
Year-end total assets	**$ 274,112**	$ 297,326		**$ 379,207**	$ 331,611	

	Global Markets			All Other		
	2013	2012	2011	**2013**	2012	2011
Net interest income (FTE basis)	**$ 4,239**	$ 3,672	$ 4,068	**$ 966**	$ 1,140	$ 1,944
Noninterest income (loss)	**11,819**	10,612	11,507	**923**	(1,922)	14,098
Total revenue, net of interest expense (FTE basis)	**16,058**	14,284	15,575	**1,889**	(782)	16,042
Provision for credit losses	**140**	34	(53)	**(666)**	2,621	6,173
Amortization of intangibles	**65**	64	66	**67**	85	135
Goodwill impairment	**—**	—	—	**—**	—	581
Other noninterest expense	**11,948**	11,231	12,824	**4,174**	6,188	5,722
Income (loss) before income taxes	**3,905**	2,955	2,738	**(1,686)**	(9,676)	3,431
Income tax expense (benefit) (FTE basis)	**2,342**	1,726	1,669	**(2,173)**	(5,939)	(1,130)
Net income (loss)	**$ 1,563**	$ 1,229	$ 1,069	**$ 487**	$ (3,737)	$ 4,561
Year-end total assets	**$ 575,709**	$ 632,263		**$ 166,881**	$ 262,800	

[1] There were no material intersegment revenues.

The table below presents a reconciliation of the five business segments' total revenue, net of interest expense, on a FTE basis, and net income to the Consolidated Statement of Income, and total assets to the Consolidated Balance Sheet. The adjustments presented in the table below include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

Business Segment Reconciliations

(Dollars in millions)	2013	2012	2011
Segments' total revenue, net of interest expense (FTE basis)	**$ 87,912**	$ 85,017	$ 78,384
Adjustments:			
ALM activities [1]	**(986)**	(2,412)	7,576
Equity investment income	**2,610**	1,135	7,105
Liquidating businesses and other	**265**	495	1,361
FTE basis adjustment	**(859)**	(901)	(972)
Consolidated revenue, net of interest expense	**$ 88,942**	$ 83,334	$ 93,454
Segments' net income (loss)	**$ 10,944**	$ 7,925	$ (3,115)
Adjustments, net of taxes:			
ALM activities	**(1,207)**	(4,087)	513
Equity investment income	**1,644**	715	4,476
Liquidating businesses and other	**50**	(365)	(26)
Merger and restructuring charges	**—**	—	(402)
Consolidated net income	**$ 11,431**	$ 4,188	$ 1,446

	December 31	
	2013	2012
Segments' total assets	**$ 1,935,392**	$ 1,947,174
Adjustments:		
ALM activities, including securities portfolio	**664,302**	655,915
Equity investments	**2,411**	5,508
Liquidating businesses and other	**70,435**	138,974
Elimination of segment asset allocations to match liabilities	**(570,267)**	(537,597)
Consolidated total assets	**$ 2,102,273**	$ 2,209,974

[1] Includes negative fair value adjustments on structured liabilities related to changes in the Corporation's credit spreads of $649 million and $5.1 billion in 2013 and 2012 compared to positive adjustments of $3.3 billion in 2011.

NOTE 25 Parent Company Information

The following tables present the Parent Company-only financial information. On October 1, 2013, the merger of Merrill Lynch & Co., Inc. into Bank of America Corporation was completed; however, the Parent Company-only financial information is presented in accordance with bank regulatory reporting requirements and as such prior periods have not been restated.

Condensed Statement of Income

(Dollars in millions)	2013	2012	2011
Income			
Dividends from subsidiaries:			
Bank holding companies and related subsidiaries	$ 8,532	$ 16,213	$ 10,277
Nonbank companies and related subsidiaries	357	542	553
Interest from subsidiaries	2,087	627	869
Other income (loss) [1]	233	(304)	10,603
Total income	11,209	17,078	22,302
Expense			
Interest on borrowed funds	6,379	5,376	6,234
Noninterest expense [2]	12,668	11,643	11,861
Total expense	19,047	17,019	18,095
Income (loss) before income taxes and equity in undistributed earnings of subsidiaries	(7,838)	59	4,207
Income tax benefit	(7,227)	(5,883)	(2,783)
Income (loss) before equity in undistributed earnings of subsidiaries	(611)	5,942	6,990
Equity in undistributed earnings (losses) of subsidiaries:			
Bank holding companies and related subsidiaries	14,150	1,072	6,650
Nonbank companies and related subsidiaries	(2,108)	(2,826)	(12,194)
Total equity in undistributed earnings (losses) of subsidiaries	12,042	(1,754)	(5,544)
Net income	$ 11,431	$ 4,188	$ 1,446
Net income applicable to common shareholders	$ 10,082	$ 2,760	$ 85

[1] Includes $753 million and $6.5 billion of gains related to the sale of the Corporation's investment in CCB in 2013 and 2011.

[2] Includes, in aggregate, $1.3 billion, $4.1 billion and $6.9 billion in 2013, 2012 and 2011 of representations and warranties provision, which is presented as a component of mortgage banking income on the Consolidated Statement of Income, litigation expense and in 2012 an expense related to an agreement with the Federal Reserve and the OCC to cease the Independent Foreclosure Review and replace it with an accelerated remediation process.

Condensed Balance Sheet

	December 31	
(Dollars in millions)	2013	2012
Assets		
Cash held at bank subsidiaries	$ 98,679	$ 101,831
Securities	747	1,959
Receivables from subsidiaries:		
Bank holding companies and related subsidiaries	23,558	33,481
Banks and related subsidiaries	1,682	—
Nonbank companies and related subsidiaries	46,577	3,861
Investments in subsidiaries:		
Bank holding companies and related subsidiaries	268,234	185,803
Nonbank companies and related subsidiaries	1,818	65,300
Other assets	19,073	15,208
Total assets	$ 460,368	$ 407,443
Liabilities and shareholders' equity		
Short-term borrowings	$ 181	$ 100
Accrued expenses and other liabilities	15,428	34,364
Payables to subsidiaries:		
Bank holding companies and related subsidiaries	—	1,396
Banks and related subsidiaries	1,991	—
Nonbank companies and related subsidiaries	15,980	688
Long-term debt	194,103	133,939
Total liabilities	227,683	170,487
Shareholders' equity	232,685	236,956
Total liabilities and shareholders' equity	$ 460,368	$ 407,443

Condensed Statement of Cash Flows

(Dollars in millions)	2013	2012	2011
Operating activities			
Net income	**$ 11,431**	$ 4,188	$ 1,446
Reconciliation of net income to net cash provided by (used in) operating activities:			
Equity in undistributed (earnings) losses of subsidiaries	**(12,042)**	1,754	5,544
Other operating activities, net	**(10,422)**	(3,432)	6,716
Net cash provided by (used in) operating activities	**(11,033)**	2,510	13,706
Investing activities			
Net sales of securities	**459**	13	8,444
Net payments from subsidiaries	**39,336**	12,973	5,780
Other investing activities, net	**3**	445	(8)
Net cash provided by investing activities	**39,798**	13,431	14,216
Financing activities			
Net increase (decrease) in short-term borrowings	**178**	(616)	(13,172)
Net increase (decrease) in other advances	**(14,378)**	10,100	(4,449)
Proceeds from issuance of long-term debt	**30,966**	17,176	16,047
Retirement of long-term debt	**(39,320)**	(63,851)	(21,742)
Proceeds from issuance of preferred stock and warrants	**1,008**	667	5,000
Redemption of preferred stock	**(6,461)**	—	—
Common stock repurchased	**(3,220)**	—	—
Cash dividends paid	**(1,677)**	(1,909)	(1,738)
Other financing activities, net	**—**	(668)	(1)
Net cash used in financing activities	**(32,904)**	(39,101)	(20,055)
Net increase (decrease) in cash held at bank subsidiaries	**(4,139)**	(23,160)	7,867
Cash held at bank subsidiaries at January 1	**102,818**	124,991	117,124
Cash held at bank subsidiaries at December 31	**$ 98,679**	**$ 101,831**	**$ 124,991**

NOTE 26 Performance by Geographical Area

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at total assets, total revenue, net of interest expense, income (loss) before income taxes and net income (loss) by geographic area. The Corporation identifies its geographic performance based on the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the related capital or expense deployed in the region.

		December 31	Year Ended December 31		
(Dollars in millions)	Year	Total Assets [1]	Total Revenue, Net of Interest Expense [2]	Income (Loss) Before Income Taxes	Net Income (Loss)
U.S. [3]	**2013**	**$ 1,803,243**	**$ 76,612**	**$ 13,221**	**$ 10,588**
	2012	1,902,946	72,175	1,867	4,116
	2011		73,613	(9,261)	(3,471)
Asia [4]	**2013**	**98,605**	**4,442**	**1,382**	**887**
	2012	102,492	3,478	353	282
	2011		10,890	7,598	4,787
Europe, Middle East and Africa	**2013**	**169,708**	**6,353**	**1,003**	**(403)**
	2012	171,209	6,011	323	(543)
	2011		7,320	1,009	(137)
Latin America and the Caribbean	**2013**	**30,717**	**1,535**	**566**	**359**
	2012	33,327	1,670	529	333
	2011		1,631	424	267
Total Non-U.S.	**2013**	**299,030**	**12,330**	**2,951**	**843**
	2012	307,028	11,159	1,205	72
	2011		19,841	9,031	4,917
Total Consolidated	**2013**	**$ 2,102,273**	**$ 88,942**	**$ 16,172**	**$ 11,431**
	2012	2,209,974	83,334	3,072	4,188
	2011		93,454	(230)	1,446

(1) Total assets include long-lived assets, which are primarily located in the U.S.

(2) There were no material intercompany revenues between geographic regions for any of the periods presented.

(3) Includes the Corporation's Canadian operations, which had total assets of $9.6 billion and $8.3 billion at December 31, 2013 and 2012; total revenue, net of interest expense of $364 million, $317 million and $1.3 billion; income before income taxes of $258 million, $202 million and $621 million; and net income of $199 million, $141 million and $528 million for 2013, 2012 and 2011, respectively.

(4) Amounts include pre-tax gains of $753 million and $6.5 billion ($474 million and $4.1 billion net-of-tax) on the sale of common shares of CCB during 2013 and 2011.

Disclosure Controls and Procedures

Bank of America Corporation and Subsidiaries

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (Exchange Act), Bank of America's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of our disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, Bank of America's Chief Executive Officer and Chief Financial Officer concluded that Bank of America's disclosure controls and procedures were effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Report of Independent Registered Public Accounting Firm

Bank of America Corporation and Subsidiaries

To the Board of Directors of Bank of America Corporation:

We have examined, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, Bank of America Corporation's (the "Corporation") assertion, included under Item 9A, that the Corporation's disclosure controls and procedures were effective as of December 31, 2013 ("Management's Assertion"). Disclosure controls and procedures mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by an issuer in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. The Corporation's management is responsible for maintaining effective disclosure controls and procedures and for Management's Assertion of the effectiveness of its disclosure controls and procedures. Our responsibility is to express an opinion on Management's Assertion based on our examination.

There are inherent limitations to disclosure controls and procedures. Because of these inherent limitations, effective disclosure controls and procedures can only provide reasonable assurance of achieving the intended objectives. Disclosure controls and procedures may not prevent, or detect and correct, material misstatements, and they may not identify all information relating to the Corporation to be accumulated and communicated to the Corporation's management to allow timely decisions regarding required disclosures. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We conducted our examination in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective disclosure controls and procedures were maintained in all material respects. Our examination included obtaining an understanding of the Corporation's disclosure controls and procedures and testing and evaluating the design and operating effectiveness of the Corporation's disclosure controls and procedures based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination was not conducted for the purpose of expressing an opinion, and accordingly we express no opinion, on the accuracy or completeness of the Corporation's disclosures in its reports, or whether such disclosures comply with the rules and regulations adopted by the Securities and Exchange Commission.

In our opinion, Management's Assertion that the Corporation's disclosure controls and procedures were effective as of December 31, 2013 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Charlotte, North Carolina
February 25, 2014