BANK OF AMERICA CORP /DE/
Form 10-Q
May 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2012
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation
State or Other Jurisdiction of Incorporation or Organization:
Delaware
IRS Employer Identification Number:
56-0906609
Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

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

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

On April 30, 2012, there were 10,776,690,824 shares of Bank of America Corporation Common Stock outstanding.

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

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressi future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the potential impacts of the European Union sovereign debt crisis; completion of tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities; the charge to income for each one percent reduction in the U.K. corporate income tax rate; the programs expected to be developed pursuant to the settlement agreements with the state attorneys general and U.S. Department of Justice; that the financial impact of the settlements is not expected to cause any additional provision or reserves as of March 31, 2012 based on the expected impact of the borrower assistance program and operating costs; that certain amounts may be reduced by credits earned for principal reductions; that our payment obligations under the settlement agreements with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency would be deemed satisfied by payments and provisions of relief under the settlement agreements; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including estimated cost savings, including declines in certain noninterest expense categories; the impact of and costs associated with each of the agreements with the Bank of New York Mellon (as trustee for certain legacy Countrywide Financial Corporation (Countrywide) private-label securitization trusts), and each of the government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (collectively, the GSEs), to resolve bulk representations and warranties claims; our expectation that the $1.7 billion in claims from private-label securitization investors in the covered trusts under the private-label securitization settlement with the Bank of New York Mellon (the BNY Mellon Settlement) would be extinguished upon final court approval of the BNY Mellon Settlement; the belief that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation's non-GSE repurchase claims; the estimated range of possible loss for non-GSE representations and warranties exposure as of March 31, 2012 of up to $5 billion over existing accruals and the effect of adverse developments with respect to one or more of the assumptions underlying the liability for non-GSE representations and warranties and the corresponding estimated range of possible loss; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs and update its processes related to these changing GSE behaviors; our expressed intention not to pay compensatory fees under the new GSE servicing guides; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our beliefs regarding our ability to resolve rescissions before the expiration of the appeal period allowed by FNMA; our expectation that mortgage-related assessments, waivers and similar costs will remain elevated as additional loans are delayed in the foreclosure process; our expectation that higher costs related to resources necessary to implement new servicing standards mandated for the industry and to implement other operational changes, will continue; the expected repurchase claims on the 2004-2008 loan vintages, including the belief regarding reduced exposure related to loans originated after 2008; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process; the impact of delays in foreclosure sales in connection with the Corporation's continued process enhancements and any issues that may arise out of alleged irregularities in the

Corporation's foreclosure process; continued cooperation with investigations; the potential materiality of liability with respect to potential servicing-related claims; net interest income continuing to be muted in 2012; our estimates regarding the percentages of loans expected to prepay, default or reset in 2012 and thereafter; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; the realizability of deferred tax assets prior to expiration of any carryforward periods; credit trends and conditions, including credit losses, credit reserves, the allowance for credit losses, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including continued expected reductions in the allowance for loan and lease losses in 2012; the role of non-core asset sales in our capital strategy; investment banking fees; consumer and commercial service charges, including the impact of changes in the Corporation’s overdraft policy and the Corporation’s ability to mitigate a decline in revenues; the effects of new accounting pronouncements; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America and with the requirements of various regulatory agencies, including our estimates of and ability to comply with any Basel capital and liquidity requirements endorsed by U.S. regulators within any applicable regulatory timelines; the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act), including, but not limited to, the Durbin Amendment; our expectations regarding the December 2011 amendment to the notice of proposed rulemaking on the Risk-based Capital Guidelines for Market Risk initially issued in December 2010; CRES’s ceasing to deliver purchase money first mortgage products into FNMA mortgage-backed

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securities pools and our expectation that this cessation will not have a material impact on CRES's business; our expectations regarding losses in the event of legitimate mortgage insurance rescissions related to loans held for investment; our expressed intended actions in the response to repurchase requests with which we do not agree; the continued reduction of our long-term debt as appropriate through 2013; our expressed intention to consider additional repurchases and exchanges of our debt depending on prevailing market conditions, liquidity and other factors; the estimated range of possible loss from and the impact of various legal proceedings discussed in "Litigation and Regulatory Matters" in Note 10 – Commitments and Contingencies to the Consolidated Financial Statements; our management processes; credit protection maintained and the effects of certain events on those positions; our estimates of contributions to be made to pension plans; our expectations regarding probable losses related to unfunded lending commitments; our funding strategies including contingency plans; our trading risk management processes; our interest rate and mortgage banking risk management strategies and models; our expressed intention to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted or expected to be deducted under Basel III, from capital; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Bank of America's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation's resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs' remaining claims; the Corporation's ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; the Corporation's mortgage modification policies and related results; the timing and amount of any potential dividend increase, including any necessary approvals; adverse changes to the Corporation's credit ratings from the three major credit rating agencies; estimates of the fair value of certain of the Corporation's assets and liabilities; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the Corporation's ability to limit liabilities acquired as a result of the Merrill Lynch & Co., Inc. and Countrywide acquisitions; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through five business segments: Consumer & Business Banking (CBB), Consumer Real Estate Services (CRES), Global Banking, Global Markets and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. Effective January 1, 2012, the Corporation changed its basis of presentation from six to the above five segments. For more information on this realignment, see Business Segment Operations on page 26. At March 31, 2012, the Corporation had $2.2 trillion in assets and approximately 279,000 full-time equivalent employees.

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As of March 31, 2012, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 57 million consumer and small business relationships with approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Table 1 provides selected consolidated financial data for the three months ended March 31, 2012 and 2011 and at March 31, 2012 and December 31, 2011.

Table 1
Selected Financial Data

	Three Months Ended March 31			
(Dollars in millions, except per share information)	2012		2011	
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$22,485		$27,095	
Net income	653		2,049	
Diluted earnings per common share	0.03		0.17	
Dividends paid per common share	0.01		0.01	
Performance ratios				
Return on average assets	0.12	%	0.36	%
Return on average tangible shareholders' equity[1]	1.67		5.54	
Efficiency ratio (FTE basis) [1]	85.13		74.86	
Asset quality				
Allowance for loan and lease losses at period end	$32,211		$39,843	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [2]	3.61	%	4.29	%
Nonperforming loans, leases and foreclosed properties at period end [2]	$27,790		$31,643	
Net charge-offs	4,056		6,028	
Annualized net charge-offs as a percentage of average loans and leases outstanding [2]	1.80	%	2.61	%
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans [2]	1.87		2.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.97		1.63	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans	1.43		1.31	
	March 31 2012		December 31 2011	
Balance sheet				
Total loans and leases	$902,294		$926,200	
Total assets	2,181,449		2,129,046	
Total deposits	1,041,311		1,033,041	
Total common shareholders' equity	213,711		211,704	
Total shareholders' equity	232,499		230,101	
Capital ratios				
Tier 1 common capital	10.78	%	9.86	%
Tier 1 capital	13.37		12.40	

Total capital	17.49	16.75
Tier 1 leverage	7.79	7.53

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders’ equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

(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 Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

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First Quarter 2012 Economic and Business Environment

The economic and financial environment for banking showed signs of improvement in the first quarter, as labor market recovery and rising equity values combined to raise consumer and business confidence. However, many key indicators of sustainable economic growth remain under pressure. While still elevated, the unemployment rate continued its recent decline ending the quarter at 8.2 percent compared to 8.5 percent at December 31, 2011. The solid equity market performance, supported by less volatile European financial conditions, provided a boost to consumer confidence. Consumer spending categories rose modestly. Retail spending was soft at the beginning of the year but gathered momentum as the quarter progressed. Despite the improvements, economic growth remained moderate as households continued to reduce debt and spend cautiously, businesses held cash and state and local government purchases continued to decline. Export activity was solid. Real estate activity showed some encouraging signs of stability although home prices continued to decline in many parts of the U.S. during the quarter. Business spending gains were moderate, largely related to the expiration of tax incentives for equipment and software purchases at the end of 2011. Rising gasoline prices were a concern during the quarter but oil price gains remained relatively stable. Despite the overall improvements in U.S. economic performance in the past two quarters, anxiety that the economy will lose momentum near mid-year persists.

During the quarter, the Board of Governors of the Federal Reserve System (Federal Reserve) extended its guidance for the exceptionally low level of the federal funds rate at least through late 2014. It also continued its program of extending the maturity of its portfolio by buying longer term Treasury securities and selling short-term holdings, which is scheduled to be complete by mid-year. Market speculation about extending the maturity extension program or initiating further outright security purchases after the completion of the current program increased during the quarter, as the Federal Reserve acknowledged economic and labor market improvement while stressing that conditions have not normalized.

An agreement on a Greek debt restructuring and a large European Central Bank program establishing long-term lending to European banks helped stabilize European sovereign debt markets and improve worldwide financial conditions during the quarter. Nevertheless, a mild, but uneven economic recession continued in most European Union nations especially nations undertaking substantial fiscal and market reforms. Late in the first quarter, concern about Spain's contracting economy and large budget deficit, and renewed anxiety over Italy's economic reforms pushed European sovereign yields higher, offsetting a portion of earlier yield declines. This trend continued early in the second quarter, as concern about Europe continued, stemming from the negative impacts of the economic recession, resistance to implementing economic reforms and fiscal measures, as well as rising government debt-to-gross domestic product ratios. In response to rising bond yields, an enhanced financial support package was established by the International Monetary Fund in March 2012 to slow further deterioration in Europe.

Japan continued to recover moderately from the earthquake in early 2011. China's economic growth slowed during the quarter. Other Asian nations continued to expand during the quarter. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 96.

Recent Events

U.S. Department of Justice / Attorney General Matters

On March 12, 2012, the Corporation and certain of its affiliates and subsidiaries, together with the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD) and other federal agencies (together, the Federal Agencies) and 49 state attorneys general (the State AGs), caused a consent judgment (the Consent Judgment) concerning the terms of a global settlement resolving investigations into certain origination, servicing and foreclosure practices (the Global Settlement Agreement) to be filed in the U.S. District Court for the District of Columbia. The

Global Settlement Agreement embodies the agreements related to the previously announced agreements in principle reached on February 9, 2012 with (1) the Federal Agencies and State AGs to resolve federal and state investigations into certain origination, servicing and foreclosure practices, and (2) the Federal Housing Administration (FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by legacy Countrywide prior to and for a period following the Corporation's acquisition of that company. The Consent Judgment was entered by the court on April 5, 2012, and separate settlement agreements with the Federal Reserve and the Office of the Comptroller of the Currency (OCC) relating to servicing and foreclosure practices also became effective. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Servicing Matters and Foreclosure Processes on page 51 and Item 1A. Risk Factors of the Corporation's 2011 Annual Report on Form 10-K.

Stress Test Results

On March 13, 2012, the Federal Reserve announced the results of its 2012 Comprehensive Capital Analysis and Review project (CCAR). The Federal Reserve's stress scenario projections for the Corporation estimated a minimum Tier 1 common capital ratio of 5.9 percent under severe adverse economic conditions with all proposed capital actions through the end of 2013, exceeding the 5 percent reference rate for all institutions involved in the CCAR. The capital plan submitted by the Corporation to the Federal Reserve did not include a request to return capital to stockholders for 2012 above the current dividend rate. The Federal Reserve did not object to our planned capital actions. For additional information, see Capital Management – Regulatory Capital Changes on page 55.

Capital and Liquidity Related Matters

During the three months ended March 31, 2012, we entered into a series of transactions involving repurchases of our subordinated debt, and exchanges of preferred stock and trust preferred securities. In a tender offer and certain open market transactions, we repurchased subordinated debt with a carrying value of $4.8 billion for $3.8 billion in cash, and recorded gains of $1.0 billion. Also, we exchanged various series of our outstanding non-convertible perpetual preferred stock with a carrying value of $296 million and trust preferred securities issued by various unconsolidated trusts for approximately 50 million shares of the Corporation's common stock, with a fair value of $412 million, and $398 million in cash. The trust preferred securities were then exchanged with the unconsolidated trusts for an equal principal amount of junior subordinated debt that had a carrying value of $760 million, effectively retiring the debt. In connection with these exchanges, we recorded gains of $202 million and a $44 million reduction to preferred stock dividends. These transactions in the aggregate increased Tier 1 common capital by $1.7 billion or 13 basis points (bps) under Basel I.

As credit spreads for many financial institutions, including the Corporation, remain at wide levels, the market value of debt previously issued by financial institutions has decreased making it economically advantageous to repurchase and retire certain of our outstanding debt. On April 25, 2012, we commenced tender offers for the repurchase of certain of our outstanding subordinated debt and trust preferred securities for aggregate consideration payable in these transactions of up to $1.75 billion in cash (such aggregate consideration is subject to increase). The Federal Reserve Bank of Richmond, in consultation with the Board of Governors of the Federal Reserve System, has informed us that it has approved this capital action. We will consider additional repurchases and exchanges in the future depending on prevailing market conditions, liquidity and other factors. If the purchase of any debt instruments is at an amount less than the carrying value, such purchases would be accretive to earnings and capital.

Credit Ratings

On February 15, 2012, Moody's Investors Service, Inc. (Moody's) placed the Corporation's long-term debt rating and Bank of America, N.A.'s (BANA's) long-term and short-term debt ratings on review for possible downgrade as part of its review of 17 financial institutions with global capital markets operations. On April 13, 2012, Moody's indicated that the review is expected to conclude between early May and the end of June 2012. Any adjustment to our ratings will be determined based on Moody's review; however, the agency offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

The major rating agencies (Moody's, Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch)) have each indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, and that they will continue to assess such support in the context of sovereign financial strength and regulatory and legislative developments. For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 65, Note 3 – Derivatives to the Consolidated Financial Statements and Item 1A. Risk Factors of the

Corporation's 2011 Annual Report on Form 10-K.

Performance Overview

Net income was $653 million for the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. After preferred stock dividends of $325 million and $310 million for the three months ended March 31, 2012 and 2011, net income applicable to common shareholders was $328 million, or $0.03 per diluted common share, compared to $1.7 billion, or $0.17 per diluted common share. Certain items that affected pre-tax income for the three months ended March 31, 2012 were the following: provision for credit losses of $2.4 billion which included a reserve reduction of $1.6 billion, gains of $1.2 billion on debt repurchases and exchanges of trust preferred securities, equity investment income of $765 million and $752 million of gains on sales of debt securities. These items were more than offset by negative fair value adjustments of $3.3 billion on structured liabilities related to tightening of our own credit spreads, DVA losses on derivatives of $1.5 billion, net of hedges, annual retirement-eligible incentive compensation costs of $892 million and litigation expense of $793 million.

Table 2
Summary Income Statement

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Net interest income (FTE basis) [(1)]	$11,053	$12,397
Noninterest income	11,432	14,698
Total revenue, net of interest expense (FTE basis) [(1)]	22,485	27,095
Provision for credit losses	2,418	3,814
All other noninterest expense	19,141	20,283
Income before income taxes	926	2,998
Income tax expense (FTE basis) [(1)]	273	949
Net income	653	2,049
Preferred stock dividends	325	310
Net income applicable to common shareholders	$328	$1,739
Per common share information		
Earnings	$0.03	$0.17
Diluted earnings	0.03	0.17

(1) FTE basis is a non-GAAP financial measure. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 16.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis was 2.51 percent and 2.67 percent for the three months ended March 31, 2012 and 2011.

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The most significant contributors to the decline were the negative fair value adjustments on structured liabilities, net DVA losses and a $710 million decrease in equity investment income. These declines were partially offset by gains on debt repurchases and exchanges of trust preferred securities and a $731 million decrease in representations and warranties provision. For additional information on the repurchases and exchanges, see Liquidity Risk on page 60.

The provision for credit losses decreased $1.4 billion to $2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was $1.6 billion lower than net charge-offs for the three months ended March 31, 2012, resulting in a reduction in the allowance for credit losses primarily driven by improvement in bankruptcies and delinquencies across the U.S. credit card and unsecured consumer lending portfolios, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio partially offset by additions to the consumer purchased credit-impaired (PCI) loan portfolio reserves. This compared to a $2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

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Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decline was driven by a decrease of $1.1 billion in other general operating expense which included declines of $464 million in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense.

Income tax expense on a FTE basis was $273 million on pre-tax income of $926 million for three months ended March 31, 2012 compared to $949 million on pre-tax income of $3.0 billion for same period in 2011. For more information, see Financial Highlights – Income Tax Expense on page 12.

Segment Results

Table 3
Business Segment Results

	Three Months Ended March 31			
	Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2012	2011	2012	2011
Consumer & Business Banking (CBB)	$7,420	$8,464	$1,454	$2,041
Consumer Real Estate Services (CRES)	2,674	2,063	(1,145)	(2,400)
Global Banking	4,451	4,702	1,590	1,584
Global Markets	4,193	5,272	798	1,394
Global Wealth & Investment Management (GWIM)	4,360	4,496	547	542
All Other	(613)	2,098	(2,591)	(1,112)
Total FTE basis	22,485	27,095	653	2,049
FTE adjustment	(207)	(218)	—	—
Total Consolidated	$22,278	$26,877	$653	$2,049

(1) Total revenue is net of interest expense and is on a FTE basis which for consolidated revenue is a non-GAAP financial measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 16.

The following discussion provides an overview of the results of our business segments and All Other for the three months ended March 31, 2012 compared to the same period in 2011. For additional information on these results, see Business Segment Operations on page 26.

CBB net income decreased due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Revenue decreased driven by a decline in net interest income from lower average loans and yields and lower noninterest income from the impact of the Durbin Amendment. The provision for credit losses increased, primarily within the Card Services business, which included lower reserve reductions during the three months ended March 31, 2012. Noninterest expense declined due to lower Federal Deposit Insurance Corporation (FDIC), marketing and operating expenses.

CRES net loss, which was primarily driven by continued high costs of managing delinquent and defaulted loans in the servicing portfolio, decreased due to an increase in revenue and decreases in noninterest expense and provision for credit losses. Revenue rose due to increased mortgage banking income driven by a decrease in representations and warranties provision and higher core production income, partially offset by lower insurance income. Noninterest expense decreased due to a decline in litigation expense, lower mortgage-related assessments, waivers and similar costs related to delayed foreclosures, lower production and insurance expenses. The decrease in insurance income and expense was driven by the sale of Balboa Insurance Company's lender-placed insurance business (Balboa) in June

2011.

Global Banking net income remained relatively unchanged as lower noninterest expense and provision for credit losses offset a decline in revenue. Revenue decreased driven by lower investment banking fees mainly from a decline in advisory and equity underwriting fees and lower accretion on acquired portfolios. Provision for credit losses improved due to improving asset quality in the commercial real estate portfolio. Noninterest expense decreased primarily due to lower personnel expenses.

Global Markets net income decreased driven by net DVA losses partially offset by an improved market environment. Net DVA losses increased due to significant tightening of our credit spreads. Sales and trading revenue, excluding net DVA losses, increased resulting from higher fixed income, currencies and commodities (FICC) sales and trading revenue partially offset by a decrease in equity sales and trading revenue.

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GWIM net income remained relatively unchanged as lower noninterest expense was offset by lower revenue. Revenue decreased primarily driven by lower transactional activity. Noninterest expense decreased driven by lower FDIC expense and volume-driven expenses, lower litigation expense and other reductions related to expense discipline, partially offset by expenses related to the continued investment in the business.

All Other net loss increased primarily due to an increase in negative fair value adjustments on structured liabilities and lower equity investment income, partially offset by gains on subordinated debt repurchases and exchanges of trust preferred securities. Equity investment income decreased as the year-ago quarter included a gain on an equity investment in connection with an initial public offering (IPO). Provision for credit losses decreased primarily driven by lower reserve additions to the PCI discontinued real estate and residential mortgage portfolios, as well as improvement in delinquencies and bankruptcies in the non-U.S. credit card portfolio. Noninterest expense increased due to higher litigation expense.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $1.3 billion to $11.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was primarily driven by lower consumer loan balances and yields. Lower trading-related net interest income also negatively impacted the results. These decreases were partially offset by ongoing reductions in long-term debt balances. The net interest yield on a FTE basis decreased 16 bps to 2.51 percent for the three months ended March 31, 2012 compared to the same period in 2011 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to continue to be muted in 2012 based on the current forward yield curve.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Card income	$1,457	$1,828
Service charges	1,912	2,032
Investment and brokerage services	2,876	3,101
Investment banking income	1,217	1,578
Equity investment income	765	1,475
Trading account profits	2,075	2,722
Mortgage banking income	1,612	630
Insurance income (loss)	(60)	613
Gains on sales of debt securities	752	546
Other income (loss)	(1,134)	261
Net impairment losses recognized in earnings on AFS debt securities	(40)	(88)
Total noninterest income	$11,432	$14,698

Noninterest income decreased $3.3 billion to $11.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The following highlights the significant changes.

- Card income decreased $371 million primarily driven by the implementation of interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011.

- Equity investment income decreased $710 million as the year-ago quarter included a $1.1 billion gain related to an IPO of an equity investment.

- Trading account profits decreased $647 million primarily driven by net DVA losses on derivatives of $1.5 billion compared to net DVA losses of $357 million for the same period in 2011 as a result of significant tightening of our credit spreads. The impact of the net DVA losses was partially offset by increased sales and trading results, particularly within our FICC businesses reflecting some stabilization of the European debt crisis and improved market sentiment during the quarter.

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- Mortgage banking income increased $982 million primarily driven by a $731 million decrease in the representations and warranties provision and higher margins on production volume.

- Insurance income decreased $673 million primarily driven by the sale of Balboa in June 2011 and a $200 million provision related to payment protection insurance (PPI) claims in the U.K.

- Other income decreased $1.4 billion primarily driven by negative fair value adjustments on our structured liabilities of $3.3 billion compared to $586 million for the same period in 2011, partially offset by $1.2 billion of gains related to subordinated debt repurchases and exchanges of trust preferred securities during this quarter.

Provision for Credit Losses

The provision for credit losses decreased $1.4 billion to $2.4 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses was $1.6 billion lower than net charge-offs for three months ended March 31, 2012 resulting in a reduction in the allowance for credit losses. For the three months ended March 31, 2012, the reduction in the allowance for credit losses was primarily driven by improvement in delinquencies and bankruptcies across the U.S. credit card and unsecured consumer lending portfolios, reductions in the home equity portfolio and improvement in economic conditions impacting the core commercial portfolio, as evidenced by continued declines in reservable criticized and commercial nonperforming balances. The reduction in the allowance for credit losses was partially offset by additions to the consumer PCI loan portfolio reserves. This compared to a $2.2 billion reduction in the allowance for credit losses for the three months ended March 31, 2011.

The provision for credit losses related to our consumer portfolio decreased $1.3 billion to $2.6 billion for the three months ended March 31, 2012 compared to the same period in 2011. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $113 million to a benefit of $226 million.

Net charge-offs totaled $4.1 billion, or 1.80 percent of average loans and leases for the three months ended March 31, 2012 compared to $6.0 billion, or 2.61 percent for the same period in 2011. The decrease in net charge-offs was primarily driven by fewer delinquent loans, improved collection rates and lower bankruptcy filings across the U.S. credit card and unsecured consumer lending portfolios, as well as lower net charge-offs in the home equity and core commercial portfolios. For more information on the provision for credit losses, see Provision for Credit Losses on page 100.

Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Personnel	$10,188	$10,168
Occupancy	1,142	1,189
Equipment	611	606
Marketing	465	564
Professional fees	783	646
Amortization of intangibles	319	385
Data processing	856	695

Telecommunications	400	371
Other general operating	4,377	5,457
Merger and restructuring charges	—	202
Total noninterest expense	$19,141	$20,283

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Noninterest expense decreased $1.1 billion to $19.1 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decrease was driven by a $1.1 billion decrease in other general operating expenses primarily as a result of a $464 million decrease in mortgage-related assessments, waivers and similar costs related to delayed foreclosures, and a decrease of $147 million in litigation expense. The decline in litigation expense was primarily due to lower mortgage-related litigation expense. Professional fees and data processing expenses both increased due to the build-out and continuing default management activities in Legacy Assets & Servicing within CRES.

We expect to achieve cost savings in certain noninterest expense categories as we continue to streamline workflows, simplify processes and align expenses with our overall strategic plan and operating principles as part of Project New BAC. Phase 1 implementation continued during the three months ended March 31, 2012 and we are nearing completion of Phase 2 evaluations. We anticipate that more than 20 percent of the $5 billion per year in Phase 1 cost savings could be achieved by the end of 2012 and that all aspects of Project New BAC will be fully implemented by the end of 2014. For additional information, see Recent Events – Project New BAC on page 30 of the MD&A of the Corporation's 2011 Annual Report on Form 10-K.

Income Tax Expense

Income tax expense was $66 million for the three months ended March 31, 2012 compared to $731 million for the same period in 2011 and resulted in an effective tax rate of 9.2 percent compared to 26.3 percent in the prior year.

The effective tax rate for the three months ended March 31, 2012 was primarily driven by $128 million of discrete tax benefits and by our recurring tax preference items. The percentage impact of the discrete benefits and tax preference items on the effective tax rate was due to the low level of pre-tax earnings. The effective tax rate for the three months ended March 31, 2011 was primarily driven by the impact of our recurring tax preference items.

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

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	March 31 2012	December 31 2011	Average Balance Three Months Ended March 31 2012	2011
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	$225,784	$211,183	$233,061	$227,379
Trading account assets	209,775	169,319	175,778	221,041
Debt securities	331,245	311,416	327,758	335,847
Loans and leases	902,294	926,200	913,722	938,966
Allowance for loan and lease losses	(32,211)	(33,783)	(33,210)	(40,760)
All other assets	544,562	544,711	570,065	656,065
Total assets	$2,181,449	$2,129,046	$2,187,174	$2,338,538
Liabilities				
Deposits	$1,041,311	$1,033,041	$1,030,112	$1,023,140
Federal funds purchased and securities loaned or sold under agreements to repurchase	258,491	214,864	256,405	306,415
Trading account liabilities	70,414	60,508	71,872	83,914
Commercial paper and other short-term borrowings	39,254	35,698	36,651	65,158
Long-term debt	354,912	372,265	363,518	440,511
All other liabilities	184,568	182,569	196,050	188,631
Total liabilities	1,948,950	1,898,945	1,954,608	2,107,769
Shareholders’ equity	232,499	230,101	232,566	230,769
Total liabilities and shareholders’ equity	$2,181,449	$2,129,046	$2,187,174	$2,338,538

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

Assets

At March 31, 2012, total assets were $2.2 trillion, an increase of $52.4 billion, or two percent, from December 31, 2011. This increase was driven by trading account assets due to increases in U.S. Treasuries and EMEA sovereign debt and hedges in leveraged credit trading; debt securities primarily driven by net purchases of agency mortgage-backed securities (MBS); federal funds sold and securities borrowed or purchased under agreements to resell to cover increases in client short positions; and customer financing activity through the match book and collateral requirements. These increases were partially offset by lower consumer loan balances primarily due to paydowns and charge-offs outpacing new originations.

Average total assets decreased $151.4 billion for the three months ended March 31, 2012 compared to the same period in 2011 driven by lower consumer loan balances primarily due to a reduction in the home equity portfolio, run-off of

non-core portfolios and divestitures; sales of strategic investments; lower cash balances held at the Federal Reserve and a decrease in our mortgage servicing rights (MSR) asset.

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Liabilities and Shareholders’ Equity

At March 31, 2012, total liabilities were $1.9 trillion, an increase of $50.0 billion, or three percent, from December 31, 2011 primarily driven by securities sold under agreement to repurchase due to funding trading inventory resulting from customer demand. Partially offsetting this increase were reductions in long-term debt primarily driven by maturities and buybacks outpacing issuances as part of the Corporation's strategy to reduce our long-term debt levels.

Average total liabilities decreased $153.2 billion for the three months ended March 31, 2012 compared to the same period in 2011. The decreases were primarily driven by planned reductions in long-term debt due to the Corporation's strategy to reduce our long-term debt levels, reductions in our use of federal funds purchased and securities loaned or sold under agreements to repurchase, and a decrease in short-term borrowings due to the Corporation's reduced use of commercial paper and master notes.

At March 31, 2012, shareholders’ equity was $232.5 billion, an increase of $2.4 billion, or one percent, from December 31, 2011 due to positive earnings, common stock issued under employee plans and in connection with exchanges of preferred and trust preferred securities, and adjustments to employee benefit plans driven by a curtailment of the Corporation's Qualified Pension Plans, offset by a decrease in unrealized gains on available-for-sale (AFS) debt securities in other comprehensive income (OCI).

Average shareholders' equity increased $1.8 billion for the three months ended March 31, 2012 compared to the same period in 2011 primarily driven by the same factors as noted above, offset by a decrease in unrealized gains on AFS marketable equity securities in OCI.

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Table 7
Selected Quarterly Financial Data

	2012 Quarter	2011 Quarters			
(In millions, except per share information)	First	Fourth	Third	Second	First
Income statement					
Net interest income	$10,846	$10,701	$10,490	$11,246	$12,179
Noninterest income	11,432	14,187	17,963	1,990	14,698
Total revenue, net of interest expense	22,278	24,888	28,453	13,236	26,877
Provision for credit losses	2,418	2,934	3,407	3,255	3,814
Goodwill impairment	—	581	—	2,603	—
Merger and restructuring charges	—	101	176	159	202
All other noninterest expense (1)	19,141	18,840	17,437	20,094	20,081
Income (loss) before income taxes	719	2,432	7,433	(12,875)	2,780
Income tax expense (benefit)	66	441	1,201	(4,049)	731
Net income (loss)	653	1,991	6,232	(8,826)	2,049
Net income (loss) applicable to common shareholders	328	1,584	5,889	(9,127)	1,739
Average common shares issued and outstanding	10,651	10,281	10,116	10,095	10,076
Average diluted common shares issued and outstanding (2)	10,762	11,125	10,464	10,095	10,181
Performance ratios					
Return on average assets	0.12 %	0.36 %	1.07 %	n/m	0.36 %
Four quarter trailing return on average assets (3)	n/m	0.06	n/m	n/m	n/m
Return on average common shareholders' equity	0.62	3.00	11.40	n/m	3.29
Return on average tangible common shareholders' equity (4)	0.95	4.72	18.30	n/m	5.28
Return on average tangible shareholders' equity(4)	1.67	5.20	17.03	n/m	5.54
Total ending equity to total ending assets	10.66	10.81	10.37	9.83 %	10.15
Total average equity to total average assets	10.63	10.34	9.66	10.05	9.87
Dividend payout	34.97	6.60	1.73	n/m	6.06
Per common share data					
Earnings (loss)	$0.03	$0.15	$0.58	$(0.90)	$0.17
Diluted earnings (loss) (2)	0.03	0.15	0.56	(0.90)	0.17
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	19.83	20.09	20.80	20.29	21.15
Tangible book value (4)	12.87	12.95	13.22	12.65	13.21
Market price per share of common stock					
Closing	$9.57	$5.56	$6.12	$10.96	$13.33
High closing	9.93	7.35	11.09	13.72	15.25
Low closing	5.80	4.99	6.06	10.50	13.33
Market capitalization	$103,123	$58,580	$62,023	$111,060	$135,057
Average balance sheet					
Total loans and leases	$913,722	$932,898	$942,032	$938,513	$938,966
Total assets	2,187,174	2,207,567	2,301,454	2,339,110	2,338,538
Total deposits	1,030,112	1,032,531	1,051,320	1,035,944	1,023,140
Long-term debt	363,518	389,557	420,273	435,144	440,511
Common shareholders' equity	214,150	209,324	204,928	218,505	214,206
Total shareholders' equity	232,566	228,235	222,410	235,067	230,769

Asset quality[5]										
Allowance for credit losses [6]	$32,862		$34,497		$35,872		$38,209		$40,804	
Nonperforming loans, leases and foreclosed properties [7]	27,790		27,708		29,059		30,058		31,643	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [7]	3.61	%	3.68	%	3.81	%	4.00	%	4.29	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [7]	126		135		133		135		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [6]	91		101		101		105		108	
Amounts included in allowance that are excluded from nonperforming loans [8]	$17,006		$17,490		$18,317		$19,935		$22,110	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [8]	60	%	65	%	63	%	63	%	60	%
Net charge-offs	$4,056		$4,054		$5,086		$5,665		$6,028	
Annualized net charge-offs as a percentage of average loans and leases outstanding [7]	1.80	%	1.74	%	2.17	%	2.44	%	2.61	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [7]	2.85		2.74		2.87		2.96		3.19	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [7]	3.10		3.01		3.15		3.22		3.40	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.97		2.10		1.74		1.64		1.63	
Capital ratios (period end)										
Risk-based capital:										
Tier 1 common	10.78	%	9.86	%	8.65	%	8.23	%	8.64	%
Tier 1	13.37		12.40		11.48		11.00		11.32	
Total	17.49		16.75		15.86		15.65		15.98	
Tier 1 leverage	7.79		7.53		7.11		6.86		7.25	
Tangible equity [4]	7.48		7.54		7.16		6.63		6.85	
Tangible common equity [4]	6.58		6.64		6.25		5.87		6.10	

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

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

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

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 16 and Table 8 on pages 17 through 20.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 67.

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

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 81 and corresponding Table 39, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 91 and corresponding Table 48.

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

n/m = not meaningful

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Supplemental Financial Data

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

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

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and intangible assets (excluding 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.

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

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

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

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

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

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

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The aforementioned supplemental data and performance measures are presented in Tables 7 and 8. In addition, in Table 8 we have excluded the impact of goodwill impairment charges of $581 million and $2.6 billion recorded in the fourth and second quarters of 2011 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures. Table 8 provides reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2012 Quarter	2011 Quarters			
(Dollars in millions, except per share information)	First	Fourth	Third	Second	First
Fully taxable-equivalent basis data					
Net interest income	$11,053	$10,959	$10,739	$11,493	$12,397
Total revenue, net of interest expense	22,485	25,146	28,702	13,483	27,095
Net interest yield	2.51 %	2.45 %	2.32 %	2.50 %	2.67 %
Efficiency ratio	85.13	77.64	61.37	n/m	74.86
Performance ratios, excluding goodwill impairment charges [1]					
Per common share information					
Earnings (loss)		$0.21		$(0.65)	
Diluted earnings (loss)		0.20		(0.65)	
Efficiency ratio (FTE basis)		75.33 %		n/m	
Return on average assets		0.46		n/m	
Four quarter trailing return on average assets [2]		0.20		n/m	
Return on average common shareholders' equity		4.10		n/m	
Return on average tangible common shareholders' equity		6.46		n/m	
Return on average tangible shareholders' equity		6.72		n/m	

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

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

n/m = not meaningful

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

	2012 Quarter	2011 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,846	$10,701	$10,490	$11,246	$12,179
Fully taxable-equivalent adjustment	207	258	249	247	218
Net interest income on a fully taxable-equivalent basis	$11,053	$10,959	$10,739	$11,493	$12,397
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$22,278	$24,888	$28,453	$13,236	$26,877
Fully taxable-equivalent adjustment	207	258	249	247	218
Total revenue, net of interest expense on a fully taxable-equivalent basis	$22,485	$25,146	$28,702	$13,483	$27,095
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$19,141	$19,522	$17,613	$22,856	$20,283
Goodwill impairment charges	—	(581)	—	(2,603)	—
Total noninterest expense, excluding goodwill impairment charges	$19,141	$18,941	$17,613	$20,253	$20,283
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$66	$441	$1,201	$(4,049)	$731
Fully taxable-equivalent adjustment	207	258	249	247	218
Income tax expense (benefit) on a fully taxable-equivalent basis	$273	$699	$1,450	$(3,802)	$949
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$653	$1,991	$6,232	$(8,826)	$2,049
Goodwill impairment charges	—	581	—	2,603	—
Net income (loss), excluding goodwill impairment charges	$653	$2,572	$6,232	$(6,223)	$2,049
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$328	$1,584	$5,889	$(9,127)	$1,739
Goodwill impairment charges	—	581	—	2,603	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$328	$2,165	$5,889	$(6,524)	$1,739

Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$214,150	$209,324	$204,928	$218,505	$214,206
Goodwill	(69,967)	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	(7,869)	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	2,700	2,775	2,852	2,932	3,035
Tangible common shareholders' equity	$139,014	$132,886	$127,705	$138,295	$133,550
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$232,566	$228,235	$222,410	$235,067	$230,769
Goodwill	(69,967)	(70,647)	(71,070)	(73,748)	(73,922)
Intangible assets (excluding MSRs)	(7,869)	(8,566)	(9,005)	(9,394)	(9,769)
Related deferred tax liabilities	2,700	2,775	2,852	2,932	3,035
Tangible shareholders' equity	$157,430	$151,797	$145,187	$154,857	$150,113
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity					
Common shareholders' equity	$213,711	$211,704	$210,772	$205,614	$214,314
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible common shareholders' equity	$138,667	$136,418	$133,953	$128,217	$133,818
Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity					
Shareholders' equity	$232,499	$230,101	$230,252	$222,176	$230,876
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible shareholders' equity	$157,455	$154,815	$153,433	$144,779	$150,380
Reconciliation of period-end assets to period-end tangible assets					
Assets	$2,181,449	$2,129,046	$2,219,628	$2,261,319	$2,274,532
Goodwill	(69,976)	(69,967)	(70,832)	(71,074)	(73,869)
Intangible assets (excluding MSRs)	(7,696)	(8,021)	(8,764)	(9,176)	(9,560)
Related deferred tax liabilities	2,628	2,702	2,777	2,853	2,933
Tangible assets	$2,106,405	$2,053,760	$2,142,809	$2,183,922	$2,194,036

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

	2012 Quarter	2011 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Consumer & Business Banking					
Reported net income	$1,454	$1,243	$1,666	$2,502	$2,041
Adjustment related to intangibles [(1)]	3	5	6	2	7
Adjusted net income	$1,457	$1,248	$1,672	$2,504	$2,048
Average allocated equity	$52,947	$53,005	$52,382	$52,559	$53,700
Adjustment related to goodwill and a percentage of intangibles	(30,523)	(30,587)	(30,601)	(30,655)	(30,698)
Average economic capital	$22,424	$22,418	$21,781	$21,904	$23,002
Consumer Real Estate Services					
Reported net loss	$(1,145)	$(1,444)	$(1,123)	$(14,506)	$(2,400)
Adjustment related to intangibles [(1)]	—	—	—	—	—
Goodwill impairment charge	—	—	—	2,603	—
Adjusted net loss	$(1,145)	$(1,444)	$(1,123)	$(11,903)	$(2,400)
Average allocated equity	$14,791	$14,757	$14,240	$17,139	$18,736
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	—	—	—	(2,702)	(2,742)
Average economic capital	$14,791	$14,757	$14,240	$14,437	$15,994
Global Banking					
Reported net income	$1,590	$1,337	$1,205	$1,921	$1,584
Adjustment related to intangibles [(1)]	1	1	2	1	2
Adjusted net income	$1,591	$1,338	$1,207	$1,922	$1,586
Average allocated equity	$46,393	$46,087	$47,681	$47,060	$48,732
Adjustment related to goodwill and a percentage of intangibles	(25,536)	(24,900)	(24,724)	(24,429)	(24,433)
Average economic capital	$20,857	$21,187	$22,957	$22,631	$24,299
Global Markets					
Reported net income (loss)	$798	$(768)	$(552)	$911	$1,394
Adjustment related to intangibles [(1)]	2	3	3	3	3
Adjusted net income (loss)	$800	$(765)	$(549)	$914	$1,397
Average allocated equity	$17,642	$19,805	$21,609	$22,990	$26,362
Adjustment related to goodwill and a percentage of intangibles	(3,973)	(4,651)	(4,655)	(4,645)	(4,548)
Average economic capital	$13,669	$15,154	$16,954	$18,345	$21,814
Global Wealth & Investment Management					
Reported net income	$547	$259	$358	$513	$542

Adjustment related to intangibles [1]	6	7	7	7	9
Adjusted net income	$553	$266	$365	$520	$551
Average allocated equity	$17,228	$17,845	$17,826	$17,560	$17,932
Adjustment related to goodwill and a percentage of intangibles	(10,641)	(10,663)	(10,691)	(10,706)	(10,728)
Average economic capital	$6,587	$7,182	$7,135	$6,854	$7,204

[1] Represents cost of funds, earnings credit and certain expenses related to intangibles.

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

	2012 Quarter	2011 Quarters			
(Dollars in millions)	First	Fourth	Third	Second	First
Consumer & Business Banking Deposits					
Reported net income	$310	$149	$285	$432	$361
Adjustment related to intangibles [1]	—	1	1	—	1
Adjusted net income	$310	$150	$286	$432	$362
Average allocated equity	$23,194	$23,862	$23,820	$23,612	$23,641
Adjustment related to goodwill and a percentage of intangibles	(17,932)	(17,939)	(17,947)	(17,950)	(17,958)
Average economic capital	$5,262	$5,923	$5,873	$5,662	$5,683
Card Services					
Reported net income	$1,038	$1,029	$1,267	$1,944	$1,571
Adjustment related to intangibles [1]	3	4	5	2	6
Adjusted net income	$1,041	$1,033	$1,272	$1,946	$1,577
Average allocated equity	$20,671	$20,610	$20,755	$21,016	$22,149
Adjustment related to goodwill and a percentage of intangibles	(10,492)	(10,549)	(10,561)	(10,607)	(10,640)
Average economic capital	$10,179	$10,061	$10,194	$10,409	$11,509
Business Banking					
Reported net income	$106	$65	$114	$126	$109
Adjustment related to intangibles [1]	—	—	—	—	—
Adjusted net income	$106	$65	$114	$126	$109
Average allocated equity	$9,082	$8,533	$7,807	$7,931	$7,910
Adjustment related to goodwill and a percentage of intangibles	(2,099)	(2,099)	(2,093)	(2,098)	(2,100)
Average economic capital	$6,983	$6,434	$5,714	$5,833	$5,810

[1] Represents cost of funds, earnings credit and certain expenses related to intangibles.

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Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the Global Markets business segment section on page 38, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for Global Markets. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities 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
Core Net Interest Income

	Three Months Ended March 31	
(Dollars in millions)	2012	2011
Net interest income (FTE basis)		
As reported [1]	$11,053	$12,397
Impact of market-based net interest income [2]	(796)	(1,020)
Core net interest income	$10,257	$11,377
Average earning assets		
As reported	$1,768,105	$1,869,863
Impact of market-based earning assets [2]	(424,336)	(465,255)
Core average earning assets	$1,343,769	$1,404,608
Net interest yield contribution (FTE basis) [3]		
As reported [1]	2.51 %	2.67 %
Impact of market-based activities [2]	0.55	0.59
Core net interest yield on earning assets	3.06 %	3.26 %

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $47 million and $63 million for the three months ended March 31, 2012 and 2011.

(2) Represents the impact of market-based amounts included in Global Markets.

(3) Calculated on an annualized basis.

For the three months ended March 31, 2012, core net interest income decreased $1.1 billion to $10.3 billion compared to the same period in the prior year. The decline was primarily driven by lower consumer loan balances and yields, lower yields on commercial loans and a decrease in loans held-for-sale (LHFS). These decreases were partially offset by reductions in long-term debt balances.

Core average earning assets for the three months ended March 31, 2012 decreased $60.8 billion to $1,343.8 billion compared to the same period in the prior year. The decrease was due to declines in consumer loans and LHFS, partially offset by increases in commercial loans.

For the three months ended March 31, 2012, core net interest yield decreased 20 bps to 3.06 percent compared to the same period in the prior year primarily due to the factors noted above. These impacts include a significant flattening

of the yield curve driven by lower long-term rates throughout the quarter compared to the same period in the prior year.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	First Quarter 2012			Fourth Quarter 2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [(1)]	$31,404	$65	0.83 %	$27,688	$85	1.19 %
Federal funds sold and securities borrowed or purchased under agreements to resell	233,061	460	0.79	237,453	449	0.75
Trading account assets	175,778	1,399	3.19	161,848	1,354	3.33
Debt securities [(2)]	327,758	2,732	3.33	332,990	2,245	2.69
Loans and leases [(3)]:						
Residential mortgage [(4)]	260,573	2,489	3.82	266,144	2,596	3.90
Home equity	122,933	1,164	3.80	126,251	1,207	3.80
Discontinued real estate	12,082	103	3.42	14,073	128	3.65
U.S. credit card	98,334	2,459	10.06	102,241	2,603	10.10
Non-U.S. credit card	14,151	408	11.60	15,981	420	10.41
Direct/Indirect consumer [(5)]	88,321	801	3.65	90,861	863	3.77
Other consumer [(6)]	2,617	40	6.24	2,751	41	6.14
Total consumer	599,011	7,464	5.00	618,302	7,858	5.06
U.S. commercial	195,111	1,756	3.62	196,778	1,798	3.63
Commercial real estate [(7)]	39,190	339	3.48	40,673	343	3.34
Commercial lease financing	21,679	272	5.01	21,278	204	3.84
Non-U.S. commercial	58,731	391	2.68	55,867	395	2.80
Total commercial	314,711	2,758	3.52	314,596	2,740	3.46
Total loans and leases	913,722	10,222	4.49	932,898	10,598	4.52
Other earning assets	86,382	743	3.46	91,109	904	3.95
Total earning assets [(8)]	1,768,105	15,621	3.55	1,783,986	15,635	3.49
Cash and cash equivalents [(1)]	112,512	47		94,287	36	
Other assets, less allowance for loan and lease losses	306,557			329,294		
Total assets	$2,187,174			$2,207,567		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

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

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

(4) Includes non-U.S. residential mortgage loans of $86 million in the first quarter of 2012, and $88 million, $91 million, $94 million and $92 million in the fourth, third, second and first quarters of 2011, respectively.

(5) Includes non-U.S. consumer loans of $7.5 billion in the first quarter of 2012, and $8.4 billion, $8.6 billion, $8.7 billion and $8.2 billion in the fourth, third, second and first quarters of 2011, respectively.

(6) Includes consumer finance loans of $1.6 billion in the first quarter of 2012, and $1.7 billion, $1.8 billion, $1.8 billion and $1.9 billion in the fourth, third, second and first quarters of 2011, respectively; other non-U.S. consumer loans of $903 million in the first quarter of 2012, and $959 million, $932 million, $840 million and $777 million in the fourth, third, second and first quarters of 2011, respectively; and consumer overdrafts of $90 million in the first quarter of 2012, and $107 million, $107 million, $79 million and $76 million in the fourth, third, second and first quarters of 2011, respectively.

(7) Includes U.S. commercial real estate loans of $37.4 billion in the first quarter of 2012, and $38.7 billion, $40.7 billion, $43.4 billion and $45.7 billion in the fourth, third, second and first quarters of 2011, respectively; and non-U.S. commercial real estate loans of $1.8 billion in the first quarter of 2012, and $1.9 billion, $2.2 billion, $2.3 billion and $2.7 billion in the fourth, third, second and first quarters of 2011, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $106 million in the first quarter of 2012, and $427 million, $1.0 billion, $739 million and $388 million in the fourth, third, second and first quarters of 2011, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $658 million in the first quarter of 2012, and $763 million, $631 million, $625 million and $621 million in the fourth, third, second and first quarters of 2011, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 108.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Third Quarter 2011				Second Quarter 2011				First Quarter 2011			
	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets												
Time deposits placed and other short-term investments [1]	$26,743	$87	1.31	%	$27,298	$106	1.56	%	$31,294	$88	1.14	%
Federal funds sold and securities borrowed or purchased under agreements to resell	256,143	584	0.90		259,069	597	0.92		227,379	517	0.92	
Trading account assets	180,438	1,543	3.40		186,760	1,576	3.38		221,041	1,669	3.05	
Debt securities [2]	344,327	1,744	2.02		335,269	2,696	3.22		335,847	2,917	3.49	
Loans and leases [3]:												
Residential mortgage [4]	268,494	2,856	4.25		265,420	2,763	4.16		262,049	2,881	4.40	
Home equity	129,125	1,238	3.81		131,786	1,261	3.83		136,089	1,335	3.96	
Discontinued real estate	15,923	134	3.36		15,997	129	3.22		12,899	110	3.42	
U.S. credit card	103,671	2,650	10.14		106,164	2,718	10.27		109,941	2,837	10.47	
Non-U.S. credit card	25,434	697	10.88		27,259	760	11.18		27,633	779	11.43	
Direct/Indirect consumer [5]	90,280	915	4.02		89,403	945	4.24		90,097	993	4.47	
Other consumer [6]	2,795	43	6.07		2,745	47	6.76		2,753	45	6.58	
Total consumer	635,722	8,533	5.34		638,774	8,623	5.41		641,461	8,980	5.65	
U.S. commercial	191,439	1,809	3.75		190,479	1,827	3.85		191,353	1,926	4.08	
Commercial real estate [7]	42,931	360	3.33		45,762	382	3.35		48,359	437	3.66	
Commercial lease financing	21,342	240	4.51		21,284	235	4.41		21,634	322	5.95	
Non-U.S. commercial	50,598	349	2.73		42,214	339	3.22		36,159	299	3.35	
Total commercial	306,310	2,758	3.58		299,739	2,783	3.72		297,505	2,984	4.06	
Total loans and leases	942,032	11,291	4.77		938,513	11,406	4.87		938,966	11,964	5.14	
Other earning assets	91,452	814	3.54		97,616	866	3.56		115,336	922	3.24	
Total earning assets [8]	1,841,135	16,063	3.47		1,844,525	17,247	3.75		1,869,863	18,077	3.92	
Cash and cash equivalents [1]	102,573	38			115,956	49			138,241	63		
Other assets, less allowance for loan and lease losses	357,746				378,629				330,434			
Total assets	$2,301,454				$2,339,110				$2,338,538			

For footnotes see page 22.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	First Quarter 2012			Fourth Quarter 2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$40,543	$14	0.14 %	$39,609	$16	0.16 %
NOW and money market deposit accounts	458,649	186	0.16	454,249	192	0.17
Consumer CDs and IRAs	100,044	194	0.78	103,488	220	0.84
Negotiable CDs, public funds and other time deposits	22,586	36	0.64	22,413	34	0.60
Total U.S. interest-bearing deposits	621,822	430	0.28	619,759	462	0.30
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	18,170	28	0.62	20,454	29	0.55
Governments and official institutions	1,286	1	0.41	1,466	1	0.36
Time, savings and other	55,241	90	0.66	57,814	124	0.85
Total non-U.S. interest-bearing deposits	74,697	119	0.64	79,734	154	0.77
Total interest-bearing deposits	696,519	549	0.32	699,493	616	0.35
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	293,056	881	1.21	284,766	921	1.28
Trading account liabilities	71,872	477	2.67	70,999	411	2.29
Long-term debt	363,518	2,708	2.99	389,557	2,764	2.80
Total interest-bearing liabilities (8)	1,424,965	4,615	1.30	1,444,815	4,712	1.29
Noninterest-bearing sources:						
Noninterest-bearing deposits	333,593			333,038		
Other liabilities	196,050			201,479		
Shareholders' equity	232,566			228,235		
Total liabilities and shareholders' equity	$2,187,174			$2,207,567		
Net interest spread			2.25 %			2.20 %
Impact of noninterest-bearing sources			0.25			0.24
Net interest income/yield on earning assets (1)		$11,006	2.50 %		$10,923	2.44 %

For footnotes see page 22.

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Table 10
Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Third Quarter 2011			Second Quarter 2011			First Quarter 2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$41,256	$21	0.19 %	$41,668	$31	0.30 %	$38,905	$32	0.34 %
NOW and money market deposit accounts	473,391	248	0.21	478,690	304	0.25	475,954	316	0.27
Consumer CDs and IRAs	108,359	244	0.89	113,728	281	0.99	118,306	300	1.03
Negotiable CDs, public funds and other time deposits	18,547	5	0.12	13,842	42	1.22	13,995	39	1.11
Total U.S. interest-bearing deposits	641,553	518	0.32	647,928	658	0.41	647,160	687	0.43
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	21,037	34	0.65	19,234	37	0.77	21,534	38	0.72
Governments and official institutions	2,043	2	0.32	2,131	2	0.38	2,307	2	0.35
Time, savings and other	64,271	150	0.93	64,889	146	0.90	60,432	112	0.76
Total non-U.S. interest-bearing deposits	87,351	186	0.85	86,254	185	0.86	84,273	152	0.73
Total interest-bearing deposits	728,904	704	0.38	734,182	843	0.46	731,433	839	0.46
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	303,234	1,152	1.51	338,692	1,342	1.59	371,573	1,184	1.29
Trading account liabilities	87,841	547	2.47	96,108	627	2.62	83,914	627	3.03
Long-term debt	420,273	2,959	2.82	435,144	2,991	2.75	440,511	3,093	2.84
Total interest-bearing liabilities [8]	1,540,252	5,362	1.39	1,604,126	5,803	1.45	1,627,431	5,743	1.43
Noninterest-bearing sources:									
Noninterest-bearing deposits	322,416			301,762			291,707		
Other liabilities	216,376			198,155			188,631		
Shareholders’ equity	222,410			235,067			230,769		

Total liabilities and shareholders’ equity	$2,301,454			$2,339,110			$2,338,538		
Net interest spread			2.08 %			2.30 %			2.49 %
Impact of noninterest-bearing sources			0.23			0.19			0.17
Net interest income/yield on earning assets [1]		$10,701	2.31 %		$11,444	2.49 %		$12,334	2.66 %

For footnotes see page 22.

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Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through five business segments: CBB, CRES, Global Banking, Global Markets and GWIM, with the remaining operations recorded in All Other. Effective January 1, 2012, we changed the basis of presentation from six to the above five segments. The former Deposits and Card Services segments, as well as Business Banking, which was included in the former Global Commercial Banking segment, are now reflected in CBB. The former Global Commercial Banking segment was combined with the Global Corporate and Investment Banking business, which was included in the former Global Banking & Markets (GBAM) segment, to form Global Banking. The remaining global markets business of GBAM is now reported as a separate Global Markets segment. In addition, certain management accounting methodologies and related allocations were refined. Prior period results have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP financial measures. For additional information, see Supplemental Financial Data on page 16.

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, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our asset and liability management (ALM) activities.

Our 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. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The majority of our ALM activities are allocated to the business segments and fluctuate based on performance. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our 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 centralized or shared functions are allocated based on methodologies that reflect utilization.

The Corporation allocates economic capital to the business segments and related businesses using a risk-adjusted methodology incorporating each segment’s credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 53. A business segment's allocated equity includes this economic capital allocation and also includes the portion of goodwill and intangibles specifically assigned to the business segment. We benefit from the diversification of risk across these components which is reflected as a reduction to

allocated equity for each segment. The risk-adjusted methodology is periodically refined as such refinements are reflected as changes to allocated equity in each segment.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see Note 19 – Business Segment Information to the Consolidated Financial Statements.

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Consumer & Business Banking

	Three Months Ended March 31								
	Deposits		Card Services		Business Banking		Total Consumer & Business Banking		
(Dollars in millions)	2012	2011	2012	2011	2012	2011	2012	2011	% Change
Net interest income (FTE basis)	$2,119	$2,205	$2,616	$3,013	$344	$382	$5,079	$5,600	(9)%
Noninterest income:									
Card income	—	—	1,278	1,577	—	—	1,278	1,577	(19)
Service charges	968	923	—	—	95	155	1,063	1,078	(1)
All other income (loss)	60	61	(85)	125	25	23	—	209	n/m
Total noninterest income	1,028	984	1,193	1,702	120	178	2,341	2,864	(18)
Total revenue, net of interest expense (FTE basis)	3,147	3,189	3,809	4,715	464	560	7,420	8,464	(12)
Provision for credit losses	51	33	790	595	36	33	877	661	33
Noninterest expense	2,606	2,583	1,380	1,624	260	354	4,246	4,561	(7)
Income before income taxes	490	573	1,639	2,496	168	173	2,297	3,242	(29)
Income tax expense (FTE basis)	180	212	601	925	62	64	843	1,201	(30)
Net income	$310	$361	$1,038	$1,571	$106	$109	$1,454	$2,041	(29)

Net interest yield (FTE basis)	2.02 %	2.14 %	8.95 %	9.15 %	2.93 %	3.81 %	4.22 %	4.75 %	
Return on average allocated equity	5.37	6.19	20.19	28.77	4.73	5.58	11.05	15.41	
Return on average economic capital	23.71	25.87	41.14	55.54	6.14	7.60	26.15	36.10	
Efficiency ratio (FTE basis)	82.83	80.98	36.22	34.44	56.04	63.34	57.23	53.89	
Balance Sheet									
Average									
Total loans and leases	n/m	n/m	$116,267	$132,472	$24,603	$27,864	$141,578	$160,976	(12)
Total earning assets (1)	$421,551	$417,218	117,580	133,538	47,145	40,690	483,983	478,468	1
Total assets (1)	447,917	443,461	123,179	134,043	54,272	49,103	523,074	513,629	2
Total deposits	424,023	418,298	n/m	n/m	41,908	38,462	466,239	457,037	2
Allocated equity	23,194	23,641	20,671	22,149	9,082	7,910	52,947	53,700	(1)
Economic capital	5,262	5,683	10,179	11,509	6,983	5,810	22,424	23,002	(3)
Period end	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	March 31 2012	December 31 2011	
Total loans and leases	n/m	n/m	$113,861	$120,668	$24,376	$25,006	$138,909	$146,378	(5)
Total earning assets (1)	$440,491	$418,622	115,177	121,991	47,325	46,515	502,124	480,378	5
Total assets (1)	467,058	445,680	121,425	127,623	55,575	53,949	543,189	520,503	4
Total deposits	443,129	421,871	n/m	n/m	42,221	41,518	486,160	464,263	5

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, we allocate assets to match liabilities. As a result, total earning assets and total assets of the businesses may not equal total CBB.
n/m = not meaningful

CBB, which is comprised of our Deposits, Card Services and Business Banking businesses, offers a diversified range of credit, banking and investment products and services to consumers and businesses. Our customers and clients have access to a franchise network that stretches coast to coast through 32 states and the District of Columbia. The franchise network includes approximately 5,700 banking centers, 17,250 ATMs, nationwide call centers, and online and mobile platforms.

CBB recorded net income of $1.5 billion during the three months ended March 31, 2012 compared to $2.0 billion for the same period in 2011. The decrease was due to a decline in revenue and an increase in the provision for credit losses, partially offset by lower noninterest expense. Net interest income decreased $521 million to $5.1 billion with the decline primarily in Card Services driven by lower average loan balances and yields. Noninterest income decreased $523 million to $2.3 billion primarily due to a decline of $509 million in Card Services. The provision for credit losses increased $216 million to $877 million reflecting a reduced pace of improvements in delinquencies, collections and bankruptcies as evidenced by lower reserve reductions in the first quarter of 2012. Noninterest expense declined $315 million to $4.2 billion primarily due to lower FDIC, marketing and operating expenses.

The return on average economic capital decreased due to lower net income, partially offset by a decrease in average economic capital primarily within Card Services. The decline in average economic capital was largely due to lower levels of credit risk from a decline in loan balances as well as an improvement in credit quality. For more information regarding economic capital, see Supplemental Financial Data on page 16.

Deposits

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. Deposit products provide a relatively stable source of funding and liquidity for the Corporation. We earn net interest spread revenue from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and implied maturity of the deposits.

Deposits also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at clients with less than $250,000 in total assets. Merrill Edge provides team-based investment advice and guidance, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation's network of banking centers and ATMs. Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and other client-managed businesses.

Net income for Deposits decreased $51 million, or 14 percent, to $310 million primarily driven by lower net interest income, partially offset by higher noninterest income. Net interest income declined $86 million driven by compressed deposits spreads due to the lower rate environment, partially offset by a customer shift to higher-yielding liquid products, continued pricing discipline and ALM activities. Noninterest income increased $44 million, or four percent, to $1.0 billion primarily due to an increase in service charges. Noninterest expense of $2.6 billion remained relatively unchanged as lower FDIC expense was offset by higher operating expense.

Average deposits increased $5.7 billion driven by a customer shift to more liquid products in a low interest rate environment as checking, traditional savings and money market savings grew $18.4 billion. Growth in liquid products was partially offset by a decline in average time deposits of $12.7 billion. As a result of the shift in the mix of deposits and our continued pricing discipline, rates paid on average deposits declined by 11 bps to 21 bps.

Key Statistics

	Three Months Ended March 31	
	2012	2011
Total deposit spreads (excludes noninterest costs)	1.96 %	2.20 %
Client brokerage assets (in millions)	$73,422	$66,703