

Management's discussion and analysis

FASB Standards Issued but not adopted as of December 31, 2018

Standard	Summary of guidance	Effects on financial statements
<p>Leases</p> <p><i>Issued February 2016</i></p>	<ul style="list-style-type: none"> Requires lessees to recognize all leases longer than twelve months on the Consolidated balance sheets as a lease liability with a corresponding right-of-use asset. Requires lessees and lessors to classify most leases using principles similar to existing lease accounting, but eliminates the "bright line" classification tests. Expands qualitative and quantitative leasing disclosures. 	<ul style="list-style-type: none"> Adopted January 1, 2019. The Firm elected the practical expedient to adopt and implement the new lease guidance as of January 1, 2019 through a cumulative-effect adjustment without revising prior comparative periods. Upon adoption, the Firm recognized lease right-of-use ("ROU") assets and lease liabilities on the Consolidated balance sheet of \$8.1 billion and \$8.2 billion, respectively. The impact to the Firm's CET1 capital ratio was a reduction of approximately 6 bps. The adoption of the new lease guidance did not have a material impact on the Firm's Consolidated statement of income. The Firm elected the available practical expedients to not reassess whether existing contracts contain a lease or whether classification or unamortized initial lease costs would be different under the new lease guidance.
<p>Financial instruments – credit losses</p> <p><i>Issued June 2016</i></p>	<ul style="list-style-type: none"> Replaces existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost, which will reflect management's estimate of credit losses over the full remaining expected life of the financial assets and will consider expected future changes in macroeconomic conditions. Eliminates existing guidance for PCI loans, and requires recognition of the nonaccretable difference as an increase to the allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination, which will be offset by an increase in the recorded investment of the related loans. Amends existing impairment guidance for AFS securities to incorporate an allowance, which will allow for reversals of credit impairments in the event that the credit of an issuer improves. Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. 	<ul style="list-style-type: none"> Required effective date: January 1, 2020.^(a) The Firm has established a Firmwide, cross-discipline governance structure, which provides implementation oversight. The Firm continues to test and refine its current expected credit loss models that satisfy the requirements of the new standard. This review and testing, as well as efforts to meet expanded disclosure requirements, will extend through the remainder of 2019. The Firm expects that the allowance related to the Firm's loans and commitments will increase as it will cover credit losses over the full remaining expected life of the portfolios. The Firm currently intends to estimate losses over a two-year forecast period using the weighted-average of a range of macroeconomic scenarios (established on a Firmwide basis), and then revert to longer term historical loss experience to estimate losses over more extended periods. The Firm currently expects the increase in the allowance to be in the range of \$4-6 billion, primarily driven by Card. This estimate is subject to further refinement based on continuing reviews and approvals of models, methodologies and judgments. The ultimate impact will depend upon the nature and characteristics of the Firm's portfolio at the adoption date, the macroeconomic conditions and forecasts at that date, and other management judgments. The Firm plans to adopt the new guidance on January 1, 2020.
<p>Goodwill</p> <p><i>Issued January 2017</i></p>	<ul style="list-style-type: none"> Requires an impairment loss to be recognized when the estimated fair value of a reporting unit falls below its carrying value. Eliminates the second condition in the current guidance that requires an impairment loss to be recognized only if the estimated implied fair value of the goodwill is below its carrying value. 	<ul style="list-style-type: none"> Required effective date: January 1, 2020.^(a) Based on current impairment test results, the Firm does not expect a material effect on the Consolidated Financial Statements. However, the impact of the new accounting guidance will depend on the performance of the reporting units and the market conditions at the time of adoption. After adoption, the guidance may result in more frequent goodwill impairment losses due to the removal of the second condition. The Firm plans to adopt the new guidance on January 1, 2020.

(a) Early adoption is permitted.