

Risk Management - Credit Risk Management (continued)

Table 26: Analysis of Changes in TDRs

(in millions)	Quarter ended				
	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Commercial:					
Balance, beginning of quarter	\$ 3,386	3,092	2,705	2,830	2,786
Inflows (1)	914	797	866	474	573
Outflows					
Charge-offs	(76)	(153)	(124)	(109)	(86)
Foreclosures	(2)	—	(1)	(64)	(30)
Payments, sales and other (2)	(418)	(350)	(354)	(426)	(413)
Balance, end of quarter	3,804	3,386	3,092	2,705	2,830
Consumer:					
Balance, beginning of quarter	18,565	19,413	19,997	20,429	21,008
Inflows (1)	542	508	661	672	753
Outflows					
Charge-offs	(65)	(38)	(67)	(73)	(79)
Foreclosures	(230)	(217)	(238)	(226)	(226)
Payments, sales and other (2)	(1,067)	(1,085)	(917)	(786)	(998)
Net change in trial modifications (3)	(16)	(16)	(23)	(19)	(29)
Balance, end of quarter	17,729	18,565	19,413	19,997	20,429
Total TDRs	\$ 21,533	21,951	22,505	22,702	23,259

(1) Inflows include loans that both modify and resolve within the period as well as advances on loans that modified in a prior period.

(2) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to held-for-sale. It also includes \$6 million of loans refinanced or restructured at market terms and qualifying as new loans and removed from TDR classification for the quarter ended December 31, 2015, while no loans were removed from TDR classification for the quarters ended September 30, June 30, and March 31, 2016, and September 30, 2015.

(3) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved. Our experience is that substantially all of the mortgages that enter a trial payment period program are successful in completing the program requirements.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING
Loans 90 days or more past due as to interest or principal are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. PCI loans are not included in past due and still accruing loans even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing because they continue to earn interest from accretable yield, independent of performance in accordance with their contractual terms.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at September 30, 2016, were down \$128 million, or 13%, from December 31, 2015, due to payoffs, modifications and other loss mitigation activities and credit

stabilization. Also, fluctuations from quarter to quarter are influenced by seasonality.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages and the U.S. Department of Education for student loans under the Federal Family Education Loan Program (FFELP) were \$11.2 billion at September 30, 2016, down from \$13.4 billion at December 31, 2015, due to seasonally lower delinquencies.

Table 27 reflects non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 27: Loans 90 Days or More Past Due and Still Accruing

(in millions)	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Total (excluding PCI (1)):	\$ 12,068	12,385	13,060	14,380	14,405
Less: FHA insured/VA guaranteed (2)(3)	11,198	11,577	12,233	13,373	13,500
Less: Student loans guaranteed under the FFELP (4)	17	20	24	26	33
Total, not government insured/guaranteed	\$ 853	788	803	981	872
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	\$ 47	36	24	97	53
Real estate mortgage	4	22	8	13	24
Real estate construction	—	—	2	4	—
Total commercial	51	58	34	114	77
Consumer:					
Real estate 1-4 family first mortgage (3)	171	169	167	224	216
Real estate 1-4 family junior lien mortgage (3)	54	52	55	65	61
Credit card	392	348	389	397	353
Automobile	81	64	55	79	66
Other revolving credit and installment	104	97	103	102	99
Total consumer	802	730	769	867	795
Total, not government insured/guaranteed	\$ 853	788	803	981	872

(1) PCI loans totaled \$2.2 billion, \$2.4 billion, \$2.7 billion, \$2.9 billion, and \$3.2 billion at September 30, June 30, and March 31, 2016, and December 31, and September 30, 2015, respectively.

(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

(3) Includes mortgages held for sale 90 days or more past due and still accruing.

(4) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

Risk Management - Credit Risk Management (*continued*)

NET CHARGE-OFFS

Table 28: Net Charge-offs

(\$ in millions)	Quarter ended									
	Sep 30, 2016		Jun 30, 2016		Mar 31, 2016		Dec 31, 2015		Sep 30, 2015	
	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
Commercial:										
Commercial and industrial	\$ 259	0.32%	\$ 368	0.46%	\$ 273	0.36%	\$ 215	0.29%	\$ 122	0.17%
Real estate mortgage	(28)	(0.09)	(20)	(0.06)	(29)	(0.10)	(19)	(0.06)	(23)	(0.08)
Real estate construction	(18)	(0.32)	(3)	(0.06)	(8)	(0.13)	(10)	(0.18)	(8)	(0.15)
Lease financing	2	0.04	12	0.27	1	0.01	1	0.01	3	0.11
Total commercial	215	0.17	357	0.29	237	0.20	187	0.16	94	0.08
Consumer:										
Real estate 1-4 family first mortgage	20	0.03	14	0.02	48	0.07	50	0.07	62	0.09
Real estate 1-4 family junior lien mortgage	49	0.40	62	0.49	74	0.57	70	0.52	89	0.64
Credit card	245	2.82	270	3.25	262	3.16	243	2.93	216	2.71
Automobile	137	0.87	90	0.59	127	0.85	135	0.90	113	0.76
Other revolving credit and installment	139	1.40	131	1.32	138	1.42	146	1.49	129	1.35
Total consumer	590	0.51	567	0.49	649	0.57	644	0.56	609	0.53
Total	\$ 805	0.33%	\$ 924	0.39%	\$ 886	0.38%	\$ 831	0.36%	\$ 703	0.31%

(1) Quarterly net charge-offs (recoveries) as a percentage of average respective loans are annualized.

Table 28 presents net charge-offs for third quarter 2016 and the previous four quarters. Net charge-offs in third quarter 2016 were \$805 million (0.33% of average total loans outstanding) compared with \$703 million (0.31%) in third quarter 2015.

The increase in commercial and industrial net charge-offs from third quarter 2015 reflected higher oil and gas portfolio losses. Our commercial real estate portfolios were in a net recovery position. Total consumer net charge-offs decreased slightly from the prior year.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management's estimate of credit losses inherent in the loan portfolio and unfunded credit commitments at the balance sheet date, excluding loans carried at fair value. The detail of the changes in the allowance for credit losses by portfolio segment (including charge-offs and recoveries by loan class) is in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength, and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of defaults and losses after default within each credit risk rating. Our estimation approach for the consumer portfolio uses forecasted losses that represent our best estimate of inherent loss based on historical experience, quantitative and other mathematical techniques. For additional information on our allowance for credit losses, see the "Critical Accounting Policies – Allowance for Credit Losses" section in our 2015 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Table 29 presents the allocation of the allowance for credit losses by loan segment and class for the most recent quarter end and last four year ends.

Table 29: Allocation of the Allowance for Credit Losses (ACL)

	Sep 30, 2016		Dec 31, 2015		Dec 31, 2014		Dec 31, 2013		Dec 31, 2012	
(in millions)	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans
Commercial:										
Commercial and industrial	\$ 4,723	34%	\$ 4,231	33%	\$ 3,506	32%	\$ 3,040	29%	\$ 2,789	28%
Real estate mortgage	1,199	14	1,264	13	1,576	13	2,157	14	2,284	13
Real estate construction	1,269	2	1,210	3	1,097	2	775	2	552	2
Lease financing	178	2	167	1	198	1	131	1	89	2
Total commercial	7,369	52	6,872	50	6,377	48	6,103	46	5,714	45
Consumer:										
Real estate 1-4 family first mortgage	1,513	29	1,895	30	2,878	31	4,087	32	6,100	31
Real estate 1-4 family junior lien mortgage	892	5	1,223	6	1,566	7	2,534	8	3,462	10
Credit card	1,518	4	1,412	4	1,271	4	1,224	3	1,234	3
Automobile	739	6	529	6	516	6	475	6	417	6
Other revolving credit and installment	663	4	581	4	561	4	548	5	550	5
Total consumer	5,325	48	5,640	50	6,792	52	8,868	54	11,763	55
Total	\$12,694	100%	\$12,512	100%	\$13,169	100%	\$14,971	100%	\$17,477	100%

	Sep 30, 2016		Dec 31, 2015		Dec 31, 2014		Dec 31, 2013		Dec 31, 2012	
Components:										
Allowance for loan losses	\$	11,583		11,545		12,319		14,502		17,060
Allowance for unfunded credit commitments		1,111		967		850		469		417
Allowance for credit losses	\$	12,694		12,512		13,169		14,971		17,477
Allowance for loan losses as a percentage of total loans		1.20%		1.26		1.43		1.76		2.13
Allowance for loan losses as a percentage of total net charge-offs (1)		362		399		418		322		189
Allowance for credit losses as a percentage of total loans		1.32		1.37		1.53		1.82		2.19
Allowance for credit losses as a percentage of total nonaccrual loans		116		110		103		96		85

(1) Total net charge-offs are annualized for quarter ended September 30, 2016.

In addition to the allowance for credit losses, there was \$936 million at September 30, 2016, and \$1.9 billion at December 31, 2015, of nonaccretable difference to absorb losses for PCI loans, which totaled \$17.7 billion at September 30, 2016. The allowance for credit losses is lower than otherwise would have been required without PCI loan accounting. As a result of PCI loans, certain ratios of the Company may not be directly comparable with credit-related metrics for other financial institutions. Additionally, loans purchased at fair value, including loans from the GE Capital business acquisitions, generally reflect a lifetime credit loss adjustment and therefore do not initially require additions to the allowance as is typically associated with loan growth. For additional information on PCI loans, see the “Risk Management – Credit Risk Management – Purchased Credit-Impaired Loans” section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Our nonaccrual loans consisted

primarily of real estate 1-4 family first and junior lien mortgage loans at September 30, 2016.

The allowance for credit losses increased \$182 million, or 1%, from December 31, 2015, due to an increase in our commercial allowance reflecting deterioration in the oil and gas portfolio, and loan growth in the commercial, automobile and credit card portfolios, partially offset by continued improvement in the residential real estate portfolios. Total provision for credit losses was \$805 million in third quarter 2016, compared with \$703 million in third quarter 2015. The increase in the provision for credit losses reflected deterioration in the oil and gas portfolio as well as the growth in the loan portfolios mentioned above.

We believe the allowance for credit losses of \$12.7 billion at September 30, 2016, was appropriate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at that date. Approximately \$1.4 billion of the allowance at September 30, 2016 was allocated to our oil and gas portfolio, compared with \$1.2 billion at December 31, 2015. This represented 8.8% and 6.7% of total oil and gas loans outstanding at September 30, 2016, and December 31, 2015, respectively. However, the entire allowance is available to absorb credit losses inherent in the total loan portfolio. The allowance for credit

losses is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Future allowance levels will be based on a variety of factors, including loan growth, portfolio performance and general economic conditions. Our process for determining the allowance for credit losses is discussed in the “Critical Accounting Policies – Allowance for Credit Losses” section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2015 Form 10-K.

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES

In connection with our sales and securitization of residential mortgage loans to various parties, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management’s estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Our mortgage repurchase liability estimation process also incorporates a forecast of repurchase demands associated with mortgage insurance rescission activity.

Because we typically retain the servicing for the mortgage loans we sell or securitize, we believe the quality of our residential mortgage loan servicing portfolio provides helpful information in evaluating our repurchase liability. Of the \$1.6 trillion in the residential mortgage loan servicing portfolio at September 30, 2016, 95% was current and less than 2% was subprime at origination. Our combined delinquency and foreclosure rate on this portfolio was 4.63% at September 30, 2016, compared with 5.18% at December 31, 2015. Two percent of this portfolio is private label securitizations for which we originated the loans and, therefore have some repurchase risk.

The overall level of unresolved repurchase demands and mortgage insurance rescissions outstanding at September 30, 2016, was \$57 million, representing 298 loans, down from a year ago both in number of outstanding loans and in total dollar balances as we observed a decline in new demands, continued to work through the outstanding demands and mortgage insurance rescissions, and resolved certain exposures.

Our liability for mortgage repurchases, included in “Accrued expenses and other liabilities” in our consolidated balance sheet, represents our best estimate of the probable loss that we expect to incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. The liability was \$239 million at September 30, 2016, and \$378 million at December 31, 2015. In third quarter 2016, we released \$13 million, which increased net gains on mortgage loan origination/sales activities, compared with a release of \$6 million in third quarter 2015. The release in third quarter 2016 was due to a re-estimation of our liability based on recently observed trends. We incurred net losses on repurchased loans and investor reimbursements totaling \$3 million in third quarter 2016, compared with \$13 million in third quarter 2015.

Because of the uncertainty in the various estimates underlying the mortgage repurchase liability, there is a range of losses in excess of the recorded mortgage repurchase liability that are reasonably possible. The estimate of the range of possible loss for representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of

assumptions that are subject to change. The high end of this range of reasonably possible losses exceeded our recorded liability by \$191 million at September 30, 2016, and was determined based upon modifying the assumptions (particularly to assume significant changes in investor repurchase demand practices) used in our best estimate of probable loss to reflect what we believe to be the high end of reasonably possible adverse assumptions.

For additional information on our repurchase liability, see the “Risk Management – Credit Risk Management – Liability For Mortgage Loan Repurchase Losses” section in our 2015 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. In connection with our servicing activities, we have entered into various settlements with federal and state regulators to resolve certain alleged servicing issues and practices. In general, these settlements required us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as imposed certain monetary penalties on us.

For additional information about the risks and various settlements related to our servicing activities, see the “Risk Management – Credit Risk Management – Risks Relating to Servicing Activities” section in our 2015 Form 10-K.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board of Directors (Board), which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Management Committee (Corporate ALCO), which consists of senior financial, risk, and business executives, to oversee these risks and report on them periodically to the Board's Finance Committee and Risk Committee as appropriate. Each of our principal lines of business has its own asset/liability management committee and process linked to the Corporate ALCO process. As discussed in more detail for trading activities below, we employ separate management level oversight specific to market risk.

INTEREST RATE RISK Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary.

We assess interest rate risk by comparing outcomes under various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding how changes in interest rates and related market conditions could influence drivers of earnings and balance sheet composition such as loan origination demand, prepayment speeds, deposit balances and mix, as well as pricing strategies.

Our risk measures include both net interest income sensitivity and interest rate sensitive noninterest income and expense impacts. We refer to the combination of these exposures as interest rate sensitive earnings. In general, the Company is positioned to benefit from higher interest rates. Currently, our profile is such that net interest income will benefit from higher interest rates as our assets reprice faster and to a greater degree than our liabilities, and, in response to lower market rates, our assets will reprice downward and to a greater degree than our liabilities. Our interest rate sensitive noninterest income and expense is largely driven by mortgage activity, and tends to move in the opposite direction of our net interest income. So, in response to higher interest rates, mortgage activity, including refinancing activity, generally declines. And in response to lower rates, mortgage activity generally increases. Mortgage results in our simulations are also impacted by the valuation of MSRs and related hedge positions. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

The degree to which these sensitivities offset each other is dependent upon the timing and magnitude of changes in interest rates, and the slope of the yield curve. During a transition to a higher or lower interest rate environment, a reduction or increase in interest-sensitive earnings from the mortgage banking business could occur quickly, while the benefit or detriment from balance sheet repricing could take more time to develop. For example, our lower rate scenarios (scenario 1 and scenario 2) in the following table measure a decline in interest rates versus our most likely scenario. Although the performance in these rate scenarios contain benefits from increased mortgage banking activity, the result is lower earnings relative to the most likely scenario over time given pressure on net interest income. The higher rate scenarios (scenario 3 and scenario 4) measure the impact of varying degrees of rising short-term and long-term

interest rates over the course of the forecast horizon relative to the most likely scenario, both resulting in positive earnings sensitivity.

For more information about the various causes of interest rate risk, see the "Risk Management–Asset/Liability Management–Interest Rate Risk" section in our 2015 Form 10-K.

As of September 30, 2016, our most recent simulations estimate earnings at risk over the next 24 months under a range of both lower and higher interest rates. The results of the simulations are summarized in Table 30, indicating cumulative net income after tax earnings sensitivity relative to the most likely earnings plan over the 24 month horizon (a positive range indicates a beneficial earnings sensitivity measurement relative to the most likely earnings plan and a negative range indicates a detrimental earnings sensitivity relative to the most likely earnings plan).

Table 30: Earnings Sensitivity Over 24 Month Horizon Relative to Most Likely Earnings Plan

	Most likely	Lower rates		Higher rates	
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
Ending rates:					
Federal funds	1.84%	0.25	1.64	2.10	5.25
10-year treasury (1)	2.97	1.55	2.47	3.47	5.90
Earnings relative to most likely	N/A	(2)-(3)%	(2)-(3)	0-5	0-5

(1) U.S. Constant Maturity Treasury Rate

We use the investment securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis – Investment Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of September 30, 2016, and December 31, 2015, are presented in Note 12 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios including investments, commercial loans and long-term debt, from fixed-rate payments to floating-rate payments, or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK

We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For more information on mortgage banking interest rate and market risk, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in our 2015 Form 10-K.

While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARM production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs. Additionally, hedge-carry income on our economic hedges for the MSRs may not continue at recent levels if the spread between short-term and long-term rates decreases or there are

Asset/Liability Management (continued)

other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSR's was \$11.8 billion at September 30, 2016, and \$13.7 billion at December 31, 2015. The weighted-average note rate on our portfolio of loans serviced for others was 4.28% at September 30, 2016, and 4.37% at December 31, 2015. The carrying value of our total MSR's represented 0.69% of mortgage loans serviced for others at September 30, 2016, and 0.77% at December 31, 2015.

MARKET RISK – TRADING ACTIVITIES The Finance Committee of our Board of Directors reviews the acceptable market risk appetite for our trading activities. We engage in trading activities to accommodate the investment and risk management activities of our customers (which involves transactions that are recorded as trading assets and liabilities on our balance sheet), and to execute economic hedging to manage certain balance sheet risks. These activities largely occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. All of our trading assets and liabilities, including securities, foreign exchange transactions, commodity transactions, and derivatives are carried at fair value. Income earned related to these trading activities include net interest income and changes in fair value related to trading assets and liabilities. Net interest income earned on trading assets and liabilities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of trading assets and liabilities are reflected in net gains on trading activities, a component of noninterest income in our income statement.

Table 31 presents total revenue from trading activities.

Table 31: Net gains (losses) from Trading Activities

(in millions)	Quarter ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest income (1)	\$ 593	485	1,761	1,413
Less: Interest expense (2)	88	89	260	269
Net interest income	505	396	1,501	1,144
Noninterest income:				
Net gains (losses) from trading activities (3):				
Customer accommodation	348	168	947	723
Economic hedges and other (4)	67	(194)	(4)	(208)
Total net gains from trading activities	415	(26)	943	515
Total trading-related net interest and noninterest income	\$ 920	370	2,444	1,659

(1) Represents interest and dividend income earned on trading securities.

(2) Represents interest and dividend expense incurred on trading securities we have sold but have not yet purchased.

(3) Represents realized gains (losses) from our trading activity and unrealized gains (losses) due to changes in fair value of our trading positions, attributable to the type of business activity.

(4) Excludes economic hedging of mortgage banking and asset/liability management activities, for which hedge results (realized and unrealized) are reported with the respective hedged activities.

Customer accommodation Customer accommodation activities are conducted to help customers manage their investment and risk management needs. We engage in market-making activities or act as an intermediary to purchase or sell financial instruments in anticipation of or in response to customer needs.

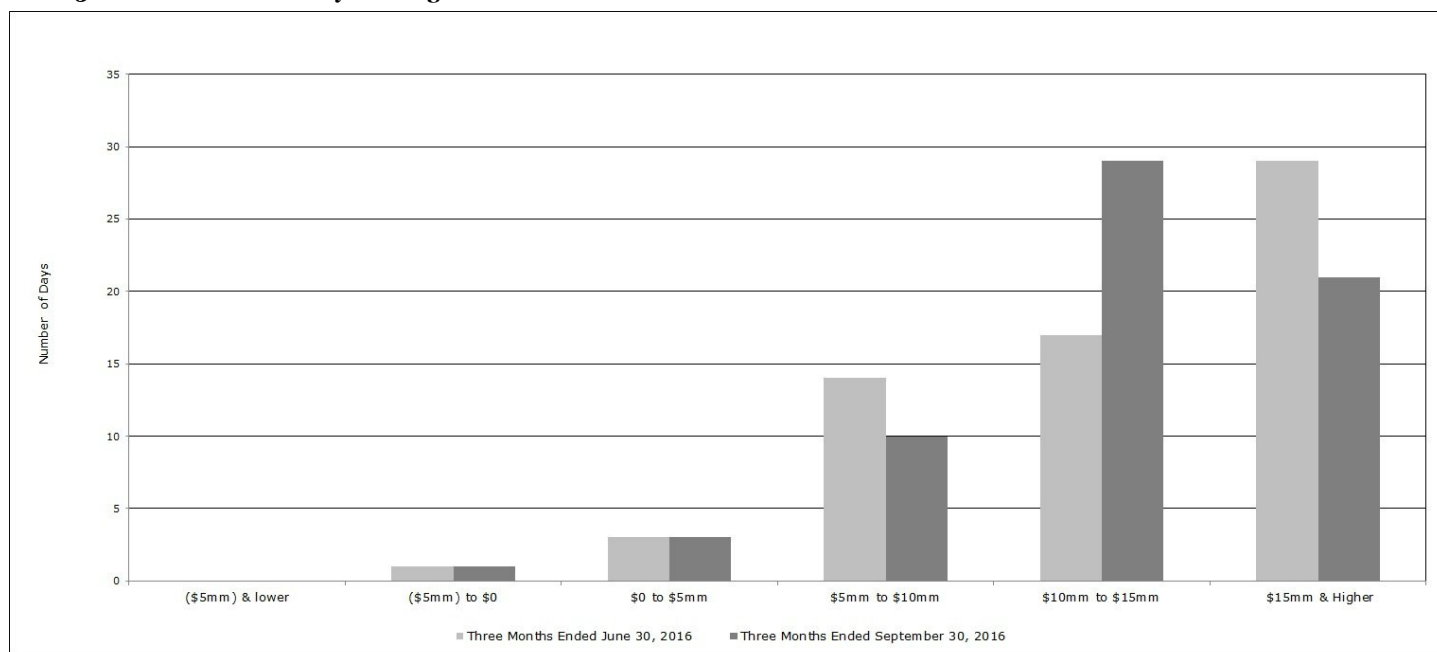
This category also includes positions we use to manage our exposure to customer transactions.

In our customer accommodation trading, we serve as intermediary between buyer and seller. For example, we may purchase or sell a derivative to a customer who wants to manage interest rate risk exposure. We typically enter into offsetting derivative or security positions with a separate counterparty or exchange to manage our exposure to the derivative with our customer. We earn income on this activity based on the transaction price difference between the customer and offsetting derivative or security positions, which is reflected in the fair value changes of the positions recorded in net gains on trading activities.

Customer accommodation trading also includes net gains related to market-making activities in which we take positions to facilitate customer order flow. For example, we may own securities recorded as trading assets (long positions) or sold securities we have not yet purchased, recorded as trading liabilities (short positions), typically on a short-term basis, to facilitate support of buying and selling demand from our customers. As a market maker in these securities, we earn income due to: (1) the difference between the price paid or received for the purchase and sale of the security (bid-ask spread), (2) the net interest income, and (3) the change in fair value of the long or short positions during the short-term period held on our balance sheet. Additionally, we may enter into separate derivative or security positions to manage our exposure related to our long or short security positions. Income earned on this type of market-making activity is reflected in the fair value changes of these positions recorded in net gains on trading activities.

Economic hedges and other Economic hedges in trading are not designated in a hedge accounting relationship and exclude economic hedging related to our asset/liability risk management and mortgage banking risk management activities. Economic hedging activities include the use of trading securities to economically hedge risk exposures related to non-trading activities or derivatives to hedge risk exposures related to trading assets or trading liabilities. Economic hedges are unrelated to our customer accommodation activities. Other activities include financial assets held for investment purposes that we elected to carry at fair value with changes in fair value recorded to earnings in order to mitigate accounting measurement mismatches or avoid embedded derivative accounting complexities.

Daily Trading-Related Revenue Table 32 provides information on the distribution of daily trading-related revenues for the Company's trading portfolio. This trading-related revenue is defined as the change in value of the trading assets and trading liabilities, trading-related net interest income, and trading-related intra-day gains and losses. Net trading-related revenue does not include activity related to long-term positions held for economic hedging purposes, period-end adjustments, and other activity not representative of daily price changes driven by market factors.

Table 32: Distribution of Daily Trading-Related Revenues

Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity, commodity prices, mortgage rates, and market liquidity. Market risk is intrinsic to the Company's sales and trading, market making, investing, and risk management activities.

The Company uses value-at-risk (VaR) metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The

Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions classified as trading assets or trading liabilities on our balance sheet.

Table 33 shows the Company's Trading General VaR by risk category. As presented in the table, average Company Trading General VaR was \$22 million for the quarter ended September 30, 2016, compared with \$21 million for the quarter ended June 30, 2016. The increase was primarily driven by changes in portfolio composition.

Table 33: Trading 1-Day 99% General VaR by Risk Category

(in millions)	September 30, 2016				Quarter ended June 30, 2016			
	Period end	Average	Low	High	Period end	Average	Low	High
Company Trading General VaR Risk Categories								
Credit	\$ 15	17	14	20	16	15	12	18
Interest rate	12	11	5	17	15	10	5	19
Equity	16	16	15	17	14	15	11	19
Commodity	1	2	1	3	1	2	1	3
Foreign exchange	1	1	1	2	1	1	—	2
Diversification benefit (1)	(22)	(25)			(27)	(22)		
Company Trading General VaR	\$ 23	22			20	21		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Asset/Liability Management (continued)

Regulatory Market Risk Capital reflects U.S. regulatory agency risk-based capital regulations that are based on the Basel Committee Capital Accord of the Basel Committee on Banking Supervision. The Company must calculate regulatory capital under the Basel III market risk capital rule, which requires banking organizations with significant trading activities to adjust their capital requirements to reflect the market risks of those activities based on comprehensive and risk sensitive methods and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions The positions that are “covered” by the market risk capital rule are generally a subset of our trading assets and trading liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. Positions excluded from market risk regulatory capital treatment are subject to the credit risk capital rules applicable to the “non-covered” trading positions.

The material portfolio of the Company’s “covered” positions is predominantly concentrated in the trading assets and trading liabilities managed within Wholesale Banking where the substantial portion of market risk capital resides. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments hold smaller trading positions covered under the market risk capital rule.

Regulatory Market Risk Capital Components The capital required for market risk on the Company’s “covered” positions is

determined by internally developed models or standardized specific risk charges. The market risk regulatory capital models are subject to internal model risk management and validation. The models are continuously monitored and enhanced in response to changes in market conditions, improvements in system capabilities, and changes in the Company’s market risk exposure. The Company is required to obtain and has received prior written approval from its regulators before using its internally developed models to calculate the market risk capital charge.

Basel III prescribes various VaR measures in the determination of regulatory capital and RWAs. The Company uses the same VaR models for both market risk management purposes as well as regulatory capital calculations. For regulatory purposes, we use the following metrics to determine the Company’s market risk capital requirements:

General VaR measures the risk of broad market movements such as changes in the level of credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. General VaR uses historical simulation analysis based on 99% confidence level and a 10-day holding period.

Table 34 shows the General VaR measure categorized by major risk categories. Average 10-day Company Regulatory General VaR was \$13 million for the quarter ended September 30, 2016, compared with \$27 million for the quarter ended June 30, 2016. The decrease was primarily driven by changes in portfolio composition.

Table 34: Regulatory 10-Day 99% General VaR by Risk Category

(in millions)	September 30, 2016				Quarter ended			
	Period end	Average	Low	High	Period end	Average	Low	High
Wholesale Regulatory General VaR Risk Categories								
Credit	\$ 30	27	20	33	31	25	18	35
Interest rate	28	26	9	43	42	27	18	56
Equity (1)	4	2	0	5	6	4	1	8
Commodity	5	7	4	13	8	6	3	11
Foreign exchange	2	2	1	4	1	3	1	9
Diversification benefit (2)	(49)	(51)			(64)	(38)		
Wholesale Regulatory General VaR	\$ 20	13	7	21	24	27	17	39
Company Regulatory General VaR	20	13	6	24	21	27	16	41

(1) The low in the Wholesale equity risk category was driven by equity option positions that reduced potential trading losses.

(2) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification benefit arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Specific Risk measures the risk of loss that could result from factors other than broad market movements, or name-specific market risk. Specific Risk uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day holding period.

Total VaR (as presented in Table 35) is composed of General VaR and Specific Risk and uses the previous 12 months of historical market data in compliance with regulatory requirements.

Total Stressed VaR (as presented in Table 35) uses a historical period of significant financial stress over a continuous 12 month period using historically available market data and is composed

of Stressed General VaR and Stressed Specific Risk. Total Stressed VaR uses the same methodology and models as Total VaR.

Incremental Risk Charge (as presented in Table 35) captures losses due to both issuer default and migration risk at the 99.9% confidence level over the one-year capital horizon under the assumption of constant level of risk or a constant position assumption. The model covers non-securitized credit-sensitive trading products.

The Company calculates Incremental Risk by generating a portfolio loss distribution using Monte Carlo simulation, which

assumes numerous scenarios, where an assumption is made that the portfolio's composition remains constant for a one-year time horizon. Individual issuer credit grade migration and issuer default risk is modeled through generation of the issuer's credit rating transition based upon statistical modeling. Correlation between credit grade migration and default is captured by a multifactor proprietary model which takes into account industry classifications as well as regional effects. Additionally, the impact of market and issuer specific concentrations is reflected in the modeling framework by assignment of a higher charge for

portfolios that have increasing concentrations in particular issuers or sectors. Lastly, the model captures product basis risk; that is, it reflects the material disparity between a position and its hedge.

Table 35 provides information on Total VaR, Total Stressed VaR and the Incremental Risk Charge results for the quarter ended September 30, 2016. For the Incremental Risk Charge, the required capital for market risk at quarter end equals the average for the quarter.

Table 35: Market Risk Regulatory Capital Modeled Components

(in millions)	Quarter ended September 30, 2016				September 30, 2016	
	Average	Low	High	Period end	Risk-based capital (1)	Risk-weighted assets (1)
Total VaR	\$ 97	68	116	100	292	3,653
Total Stressed VaR	329	231	459	411	988	12,347
Incremental Risk Charge	259	213	308	238	259	3,238

(1) Results represent the risk-based capital and RWAs based on the VaR and Incremental Risk Charge models.

Securitized Products Charge Basel III requires a separate market risk capital charge for positions classified as a securitization or re-securitization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction.

Table 36 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position at September 30, 2016, and December 31, 2015.

Table 36: Covered Securitization Positions by Exposure Type (Net Market Value)

(in millions)	ABS	CMBS	RMBS	CLO/CDO
September 30, 2016				
Securitization exposure:				
Securities	\$ 957	411	740	613
Derivatives	4	6	1	(10)
Total	\$ 961	417	741	603
December 31, 2015				
Securitization exposure:				
Securities	\$ 962	402	571	667
Derivatives	15	6	2	(21)
Total	\$ 977	408	573	646

Securitization Due Diligence and Risk Monitoring The market risk capital rule requires that the Company conduct due diligence on the risk of each position within three days of the purchase of a securitization position. The Company's due diligence seeks to provide an understanding of the features that would materially affect the performance of a securitization or re-securitization. The due diligence analysis is re-performed on a quarterly basis for each securitization and re-securitization position. The Company uses an automated solution to track the due diligence associated with securitization activity. The Company aims to manage the risks associated with securitization and re-securitization positions through the use of offsetting positions and portfolio diversification.

Standardized Specific Risk Charge For debt and equity positions that are not evaluated by the approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities, and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These risk add-ons for debt positions range from 0.25% to 12%. The add-on for corporate debt is based on creditworthiness and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.

Comprehensive Risk Charge / Correlation Trading The market risk capital rule requires capital for correlation trading positions. The Company's remaining correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.

Table 37 summarizes the market risk-based capital requirements charge and market RWAs in accordance with the Basel III market risk capital rule as of September 30, 2016, and December 31, 2015. The market RWAs are calculated as the sum of the components in the table below.