INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

Interest rate risk results primarily from our traditional banking activities of gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences, affect the difference between the interest that we earn on assets and the interest that we pay on liabilities and the level of our noninterest-bearing funding sources. Due to the repricing term mismatches and embedded options inherent in certain of these products, changes in market interest rates not only affect expected near-term earnings, but also the economic values of these assets and liabilities.

For further information on interest rate risk, including an interest sensitivity analysis, see Market Risk Management - Interest Rate Risk in the Risk Management section of our September 30, 2016 Form 10-Q.

GLOSSARY OF TERMS

This Glossary defines terms related to the Pillar 3 Report. For additional definitions of terms, refer to the Glossary in our 2015 Form 10-K.

Alternative Modified Look Through Approach (AMLTA) – Under this approach, a banking organization assigns the adjusted carrying value of an equity exposure to an investment fund on a pro rata basis to different risk weight categories based on the investment limits described in the fund's prospectus. The banking organization's risk-weighted asset amount is the sum of each portion of the adjusted carrying value assigned to an exposure type multiplied by the applicable risk weight. For purposes of the calculation the banking organization must assume the fund is invested in assets with the highest risk weight permitted by its prospectus and to the maximum amounts permitted.

Covered Position – The Market Risk Rule defines the types of positions that are subject to the market risk capital framework (referred to as "covered positions"). Covered positions are generally defined as those positions that are held (i) for the purpose of short-term resale, (ii) with the intent of benefitting from actual or expected short-term price movements, (iii) to lock in arbitrage profits, or (iv) in order to hedge any of these types of positions. In addition, subject to certain exceptions, foreign exchange and commodity positions are considered covered positions.

Credit Equivalent Amount – Carrying value (including net accrued but unpaid interest and fees) for the exposure or segment less any allocated transfer risk reserve for the exposure or segment for on-balance sheet exposures. For off-balance sheet exposures, credit equivalent amount is the best estimate of net additions to the outstanding amount owed the bank, including estimated future additional draws of principal and accrued but unpaid interest and fees, that are likely to occur over a one-year horizon assuming default, and potential future exposure of derivative contracts. Certain counterparty exposure credit equivalent amounts can be reduced by recognizing the credit loss mitigation benefits of financial collateral securing the exposure.

High Volatility Commercial Real Estate (HVCRE) – A credit facility that finances or has financed the acquisition, development, or construction of real property.

Latent Revaluation Gains/(Losses) – Unrealized gains/(losses) on nonpublic equity investments that are recorded at cost. Such unrealized gains/(losses) are not recognized in the income statement or through accumulated other comprehensive income.

Simple Modified Look Through Approach (SMLTA) – Under this approach, a banking organization multiplies the adjusted carrying value of its investment in a fund by the highest risk weight that applies to any exposure the fund is permitted to hold as described in the prospectus or fund documents.

Simple Risk Weight Approach (SRWA) – Under this approach, a banking organization would determine the risk-weighted asset amount for each equity exposure by multiplying the adjusted carrying value of the equity exposure by the lowest applicable risk weight permitted.

Simplified Supervisory Formula Approach (SSFA) – Under this approach, a banking organization takes into account the nature and quality of the underlying collateral when assigning a risk weight to a securitization exposure. It was designed to apply relatively higher capital requirements to the more risky junior tranches of a securitization that are the first to absorb losses and apply relatively lower requirements to the most senior positions.

Sovereign – A central government or agency, department, ministry, or central bank of a central government. A sovereign exposure is an exposure to a sovereign, or an exposure directly and unconditionally backed by the full faith and credit of a sovereign.