BANK OF AMERICA CORP /DE/
Form 10-Q
November 06, 2009
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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 September 30, 2009

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 October 31, 2009, there were 8,650,759,836 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation

September 30, 2009 Form 10-Q

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Part 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share information)	**2009**	2008	**2009**	2008
Interest income				
Interest and fees on loans and leases	**$ 11,620**	$ 14,261	**$ 37,298**	$ 41,797
Interest on debt securities	**2,975**	3,621	**10,088**	9,295
Federal funds sold and securities borrowed or purchased under agreements to resell	**722**	912	**2,567**	2,920
Trading account assets	**1,843**	2,344	**6,223**	6,937
Other interest income	**1,363**	1,058	**4,095**	3,133
Total interest income	**18,523**	22,196	**60,271**	64,082
Interest expense				
Deposits	**1,710**	3,846	**6,335**	11,954
Short-term borrowings	**1,237**	3,223	**4,854**	10,452
Trading account liabilities	**455**	661	**1,484**	2,250
Long-term debt	**3,698**	2,824	**12,048**	7,172
Total interest expense	**7,100**	10,554	**24,721**	31,828
Net interest income	**11,423**	11,642	**35,550**	32,254
Noninterest income				
Card income	**1,557**	3,122	**6,571**	10,212
Service charges	**3,020**	2,722	**8,282**	7,757
Investment and brokerage services	**2,948**	1,238	**8,905**	3,900
Investment banking income	**1,254**	474	**3,955**	1,645
Equity investment income (loss)	**843**	(316)	**7,988**	1,330
Trading account profits (losses)	**3,395**	(384)	**10,760**	(1,810)
Mortgage banking income	**1,298**	1,674	**7,139**	2,564
Insurance income	**707**	678	**2,057**	1,092
Gains on sales of debt securities	**1,554**	10	**3,684**	362
Other income (loss)	**(1,167)**	(317)	**1,870**	(206)
Other-than-temporary impairment losses on AFS debt securities:				
Total other-than-temporary impairment losses	**(847)**	(922)	**(2,671)**	(1,998)
Less: Portion of other-than-temporary impairment losses recognized in OCI	**50**	-	**477**	-
Net impairment losses recognized in earnings on AFS debt securities	**(797)**	(922)	**(2,194)**	(1,998)
Total noninterest income	**14,612**	7,979	**59,017**	24,848
Total revenue, net of interest expense	**26,035**	19,621	**94,567**	57,102
Provision for credit losses	**11,705**	6,450	**38,460**	18,290
Noninterest expense				
Personnel	**7,613**	5,198	**24,171**	14,344
Occupancy	**1,220**	926	**3,567**	2,623
Equipment	**617**	440	**1,855**	1,208
Marketing	**470**	605	**1,490**	1,813
Professional fees	**562**	424	**1,511**	1,071
Amortization of intangibles	**510**	464	**1,546**	1,357
Data processing	**592**	755	**1,861**	1,905
Telecommunications	**361**	288	**1,033**	814
Other general operating	**3,767**	2,313	**11,106**	4,818
Merger and restructuring charges	**594**	247	**2,188**	629
Total noninterest expense	**16,306**	11,660	**50,328**	30,582
Income (loss) before income taxes	**(1,976)**	1,511	**5,779**	8,230
Income tax expense (benefit)	**(975)**	334	**(691)**	2,433
Net income (loss)	**$ (1,001)**	$ 1,177	**$ 6,470**	$ 5,797
Preferred stock dividends	**1,240**	473	**3,478**	849
Net income (loss) applicable to common shareholders	**$ (2,241)**	$ 704	**$ 2,992**	$ 4,948
Per common share information				
Earnings (loss)	**$ (0.26)**	$ 0.15	**$ 0.39**	$ 1.09
Diluted earnings (loss)	**(0.26)**	0.15	**0.39**	1.09

Dividends paid	**0.01**	0.64	**0.03**	1.92
Average common shares issued and outstanding (in thousands)	**8,633,834**	4,543,963	**7,423,341**	4,469,517
Average diluted common shares issued and outstanding (in thousands)	**8,633,834**	4,547,578	**7,449,911**	4,477,994

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	September 30 2009	December 31 2008
Assets		
Cash and cash equivalents	$ 152,412	$ 32,857
Time deposits placed and other short-term investments	22,992	9,570
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$66,218** and $2,330 measured at fair value and **$187,634** and $82,099 pledged as collateral)	187,761	82,478
Trading account assets (includes **$55,151** and $69,348 pledged as collateral)	204,838	134,315
Derivative assets	94,855	62,252
Debt securities:		
Available-for-sale (includes **$99,615** and $158,939 pledged as collateral)	247,200	276,904
Held-to-maturity, at cost (fair value - **$7,879** and $685)	9,545	685
Total debt securities	256,745	277,589
Loans and leases (includes **$6,197** and $5,413 measured at fair value and **$117,523** and $166,891 pledged as collateral)	914,266	931,446
Allowance for loan and lease losses	(35,832)	(23,071)
Loans and leases, net of allowance	878,434	908,375
Premises and equipment, net	15,373	13,161
Mortgage servicing rights (includes **$17,539** and $12,733 measured at fair value)	17,850	13,056
Goodwill	86,009	81,934
Intangible assets	12,715	8,535
Loans held-for-sale (includes **$28,803** and $18,964 measured at fair value)	40,124	31,454
Other assets (includes **$63,666** and $55,113 measured at fair value)	280,935	162,367
Total assets	$ 2,251,043	$ 1,817,943
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	$ 246,729	$ 213,994
Interest-bearing (includes **$1,652** and $1,717 measured at fair value)	652,730	576,938
Deposits in foreign offices:		
Noninterest-bearing	4,889	4,004
Interest-bearing	70,551	88,061
Total deposits	974,899	882,997
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$51,804** measured at fair value at September 30, 2009)	249,578	206,598
Trading account liabilities	71,672	51,723
Derivative liabilities	52,624	30,709
Commercial paper and other short-term borrowings (includes **$568** measured at fair value at September 30, 2009)	62,280	158,056
Accrued expenses and other liabilities (includes **$17,489** and $7,542 measured at fair value and **$1,567** and $421 of reserve for unfunded lending commitments)	126,019	42,516
Long-term debt (includes **$43,967** measured at fair value at September 30, 2009)	456,288	268,292
Total liabilities	1,993,360	1,640,891
Commitments and contingencies (*Note 9 Variable Interest Entities* and *Note 12 Commitments and Contingencies*)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized - **100,000,000** shares; issued and outstanding **5,760,660** and 8,202,042 shares	58,840	37,701
Common stock and additional paid-in capital, $0.01 par value; authorized **10,000,000,000** shares; issued and outstanding **8,650,314,133** and 5,017,435,592 shares	128,823	76,766
Retained earnings	76,881	73,823
Accumulated other comprehensive income (loss)	(6,705)	(10,825)
Other	(156)	(413)
Total shareholders equity	257,683	177,052

Total liabilities and shareholders equity	**$ 2,251,043**	$ 1,817,943

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss) [1]	Other	Total Shareholders Equity	Comprehensive Income
		Shares	Amount					
Balance, December 31, 2007	$ 4,409	4,437,885	$ 60,328	$ 81,393	$ 1,129	$ (456)	$ 146,803	
Net income				5,797			5,797	$ 5,797
Net changes in available-for-sale debt and marketable equity securities					(7,054)		(7,054)	(7,054)
Net changes in foreign currency translation adjustments					(242)		(242)	(242)
Net changes in derivatives					485		485	485
Employee benefit plan adjustments					35		35	35
Dividends paid:								
Common				(8,646)			(8,646)	
Preferred				(849)			(849)	
Issuance of preferred stock	19,742						19,742	
Stock issued in acquisition [2]		106,776	4,201				4,201	
Common stock issued under employee plans and related tax effects		17,394	832			(65)	767	
Balance, September 30, 2008	$ 24,151	4,562,055	$ 65,361	$ 77,695	$ (5,647)	$ (521)	$ 161,039	$ (979)
Balance, December 31, 2008	**$ 37,701**	**5,017,436**	**$ 76,766**	**$ 73,823**	**$ (10,825)**	**$ (413)**	**$ 177,052**	
Cumulative adjustment for accounting change Other-than-temporary impairments on debt securities [3]				**71**	**(71)**		**-**	
Net income				**6,470**			**6,470**	**$ 6,470**
Net changes in available-for-sale debt and marketable equity securities					**3,110**		**3,110**	**3,110**
Net changes in foreign currency translation adjustments					**26**		**26**	**26**
Net changes in derivatives					**721**		**721**	**721**
Employee benefit plan adjustments					**334**		**334**	**334**
Dividends paid:								
Common				**(238)**			**(238)**	
Preferred [4]				**(3,295)**			**(3,295)**	
Issuance of preferred stock and stock warrants [5]	**26,800**		**3,200**				**30,000**	
Stock issued in acquisition	**8,605**	**1,375,476**	**20,504**				**29,109**	
Issuance of common stock		**1,250,000**	**13,468**				**13,468**	
Exchange of preferred stock	**(14,797)**	**999,935**	**14,221**	**576**			**-**	
Common stock issued under employee plans and related tax effects		**7,467**	**664**			**257**	**921**	
Other	**531**			**(526)**			**5**	
Balance, September 30, 2009	**$ 58,840**	**8,650,314**	**$ 128,823**	**$ 76,881**	**$ (6,705)**	**$ (156)**	**$ 257,683**	**$ 10,661**

[1] Amounts shown are net-of-tax. For additional information on accumulated OCI, see *Note 13 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

[2] Includes adjustments for the fair value of certain Countrywide stock-based compensation awards of 507 thousand shares and $86 million.

(3) Effective January 1, 2009, the Corporation adopted new accounting guidance related to the recognition of other-than-temporary impairment charges on debt securities. For additional information on the adoption of this accounting pronouncement, see *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities* to the Consolidated Financial Statements. Amounts shown are net-of-tax.

(4) Excludes $233 million of third quarter 2009 cumulative preferred dividends not declared as of September 30, 2009 and $526 million of accretion of discounts on preferred stock.

(5) Proceeds from the issuance of Series Q and Series R Preferred Stock were allocated to the preferred stock and warrants on a relative fair value basis. For more information, see *Note 13 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Cash Flows

(Dollars in millions)	Nine Months Ended September 30 2009	2008
Operating activities		
Net income	**$ 6,470**	$ 5,797
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses	**38,460**	18,290
Gains on sales of debt securities	**(3,684)**	(362)
Depreciation and premises improvements amortization	**1,755**	1,074
Amortization of intangibles	**1,546**	1,357
Deferred income tax expense (benefit)	**3,560**	(1,429)
Net decrease (increase) in trading and derivative instruments	**42,827**	(17,963)
Net decrease in other assets	**21,970**	6,422
Net (decrease) increase in accrued expenses and other liabilities	**(20,945)**	17,987
Other operating activities, net	**5,718**	103
Net cash provided by operating activities	**97,677**	31,276
Investing activities		
Net decrease in time deposits placed and other short-term investments	**20,291**	64
Net decrease in federal funds sold and securities borrowed or purchased under agreements to resell	**33,541**	49,163
Proceeds from sales of available-for-sale debt securities	**122,756**	69,218
Proceeds from paydowns and maturities of available-for-sale debt securities	**47,238**	18,825
Purchases of available-for-sale debt securities	**(82,377)**	(109,219)
Proceeds from maturities of held-to-maturity debt securities	**1,831**	176
Purchases of held-to-maturity debt securities	**(2,677)**	(840)
Proceeds from sales of loans and leases	**6,565**	42,209
Other changes in loans and leases, net	**19,221**	(62,464)
Net purchases of premises and equipment	**(1,532)**	(1,526)
Proceeds from sales of foreclosed properties	**1,352**	506
Cash received upon acquisition, net	**31,804**	6,650
Other investing activities, net	**9,812**	(214)
Net cash provided by investing activities	**207,825**	12,548
Financing activities		
Net (decrease) increase in deposits	**(6,205)**	5,884
Net decrease in federal funds purchased and securities loaned or sold under agreements to repurchase	**(68,600)**	(15,398)
Net decrease in commercial paper and other short-term borrowings	**(133,672)**	(45,277)
Proceeds from issuance of long-term debt	**62,809**	24,038
Retirement of long-term debt	**(80,302)**	(26,559)
Proceeds from issuance of preferred stock	**30,000**	19,742
Proceeds from issuance of common stock	**13,468**	229
Cash dividends paid	**(3,533)**	(9,495)
Excess tax benefits of share-based payments	**-**	34
Other financing activities, net	**(37)**	(85)
Net cash used in financing activities	**(186,072)**	(46,887)
Effect of exchange rate changes on cash and cash equivalents	**125**	(127)
Net increase (decrease) in cash and cash equivalents	**119,555**	(3,190)
Cash and cash equivalents at January 1	**32,857**	42,531
Cash and cash equivalents at September 30	**$ 152,412**	$ 39,341

The Corporation securitized $11.6 billion of residential mortgage loans into mortgage-backed securities which were retained by the Corporation during the nine months ended September 30, 2009.

During the nine months ended September 30, 2009, the Corporation exchanged $14.8 billion of preferred stock by issuing 1.0 billion shares of common stock valued at $11.5 billion.

During the nine months ended September 30, 2009, the Corporation transferred credit card loans of $8.5 billion and the related allowance for loan and lease losses of $750 million in exchange for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. Credit Card Securitization Trust.

During the nine months ended September 30, 2009, the Corporation transferred $1.7 billion of ARS from trading account assets to AFS debt securities.

The fair values of noncash assets acquired and liabilities assumed in the Merrill Lynch acquisition were $618.9 billion and $626.4 billion.

Approximately 1.4 billion shares of common stock valued at approximately $20.5 billion and 376 thousand shares of preferred stock valued at $8.6 billion were issued in connection with the Merrill Lynch acquisition.

During the nine months ended September 30, 2008, the Corporation reclassified $12.6 billion of AFS debt securities to trading account assets in connection with the Countrywide acquisition.

The Corporation securitized $23.4 billion of residential mortgage loans into mortgage-backed securities and $4.9 billion of automobile loans into asset-backed securities which were retained by the Corporation during the nine months ended September 30, 2008.

The fair values of noncash assets acquired and liabilities assumed in the Countrywide acquisition were $157.4 billion and $157.8 billion.

Approximately 107 million shares of common stock, valued at approximately $4.2 billion were issued in connection with the Countrywide acquisition.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 Summary of Significant Accounting Principles

On January 1, 2009, Bank of America Corporation and its subsidiaries (the Corporation) acquired all of the outstanding shares of Merrill Lynch & Co., Inc. (Merrill Lynch) through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion. On July 1, 2008, the Corporation acquired all of the outstanding shares of Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation in exchange for common stock with a value of $4.2 billion. Consequently, Merrill Lynch s and Countrywide s results of operations were included in the Corporation s results from their dates of acquisition. For more information related to the Merrill Lynch and Countrywide acquisitions, see *Note 2 Merger and Restructuring Activity*.

The Corporation, through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At September 30, 2009, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and FIA Card Services, N.A. In addition, with the acquisition of Merrill Lynch, the Corporation acquired Merrill Lynch Bank USA and Merrill Lynch Bank & Trust Co., FSB. Effective April 27, 2009, Countrywide Bank, FSB merged into Bank of America, N.A. Effective July 1, 2009, Merrill Lynch Bank USA merged into Bank of America, N.A. In addition, effective November 2, 2009, Merrill Lynch Bank & Trust Co., FSB merged into Bank of America, N.A. These mergers had no impact on the Consolidated Financial Statements of the Corporation.

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are included from the dates of acquisition and for VIEs, from the dates that the Corporation became the primary beneficiary. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies for which it owns a voting interest of 20 percent to 50 percent and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting. These investments are included in other assets and are subject to impairment testing. The Corporation s proportionate share of income or loss is included in equity investment income.

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

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009. The nature of the Corporation s business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. The Corporation evaluates subsequent events through the date of filing with the SEC. Certain prior period amounts have been reclassified to conform to current period presentation.

Recently Proposed and Issued Accounting Pronouncements

On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement of Financial Accounting Standards (SFAS) No. 168, FASB Accounting Standards Codification and the Hierarchy of Generally Accepted

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Accounting Principles, which is included in FASB Accounting Standards Codification (ASC) 105 Generally Accepted Accounting Principles. This new guidance approved the FASB ASC as the single source of authoritative nongovernmental GAAP. The FASB ASC is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded and all other accounting literature not included in the FASB ASC will be considered nonauthoritative. The ASC is a restructuring of GAAP designed to simplify access to all authoritative literature by providing a topically organized structure. The adoption of FASB ASC did not impact the Corporation s financial condition or results of operations. Technical references to GAAP included in these Notes to the Consolidated Financial Statements are provided under the new FASB ASC structure.

On June 12, 2009, the FASB issued two new accounting standards: SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166) and SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167), which will amend FASB ASC 860-10, Transfers and Servicing, and FASB ASC 810-10, Consolidation of Variable Interest Entities. These statements are effective on January 1, 2010. SFAS 166 revises existing sale accounting criteria for transfers of financial assets. As described more fully in *Note 8 Securitizations*, the Corporation routinely transfers mortgage loans, credit card receivables, and other financial instruments to special purpose entities (SPEs) that meet the definition of a qualifying special purpose entity (QSPE) which are not currently subject to consolidation by the transferor. Among other things, SFAS 166 eliminates the concept of a QSPE. As a result, existing QSPEs generally will be subject to consolidation in accordance with the guidance provided in SFAS 167.

SFAS 167 significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE. A VIE is an entity, typically an SPE, which has insufficient equity at risk or which is not controlled through voting rights held by equity investors. Currently, a VIE is consolidated by the enterprise that will absorb a majority of the expected losses or expected residual returns created by the assets of the VIE. SFAS 167 requires that a VIE be consolidated by the enterprise that has both the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. SFAS 167 also requires that an enterprise continually reassess, based on current facts and circumstances, whether it should consolidate the VIEs with which it is involved.

The adoption of SFAS 166 and 167 on January 1, 2010 will result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Corporation s Consolidated Balance Sheet, which will result in an increase in net loans and leases, securities, short-term borrowings and long-term debt. Consolidation of currently unconsolidated VIEs may also result in an increase in the allowance for credit losses for newly consolidated loans, along with changes in classification in the Corporation s Consolidated Statement of Income. The Corporation expects to consolidate on January 1, 2010 certain vehicles including credit card securitization trusts, commercial paper conduits and revolving home equity securitization trusts with a net incremental impact on total assets of approximately $121 billion (based on estimates at September 30, 2009) of which approximately $80 billion is related to credit card securitizations and commercial paper conduits that are currently included at the appropriate risk weighting in the Corporation s risk-weighted asset calculation for regulatory capital purposes, based on current guidance. The Corporation is also evaluating other VIEs with which it is involved to determine the impact of adoption.

On April 9, 2009, the FASB issued FASB Staff Position (FSP) No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, which amends FASB ASC 820-10, Fair Value Measurements and Disclosures. This amendment provides guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurement guidance, and acknowledges that in these circumstances quoted prices may not be determinative of fair value. Additionally, this amendment requires enhanced disclosures regarding financial assets and liabilities that are recorded at fair value. The Corporation elected to early adopt this new guidance effective January 1, 2009 and the adoption did not have a material impact on the Corporation s financial condition or results of operations. The enhanced disclosures are included in *Note 16 Fair Value Disclosures*.

On April 9, 2009, the FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments, which amends FASB ASC 320-10, Investments Debt and Equity Securities. This new guidance requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income (OCI) when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. The new guidance also requires expanded disclosures. The Corporation elected to early adopt this new guidance effective January 1, 2009, and recorded a cumulative-effect adjustment to reclassify $71 million, net-of-tax, from retained earnings to accumulated OCI as of January 1, 2009. The new guidance does not change the recognition of other-than-temporary

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impairment for equity securities. The expanded disclosures are included in *Note 5 Securities* and on the Corporation s Consolidated Statement of Income.

On April 9, 2009, the FASB issued FSP No. FAS 107-1 and APB Opinion 28-1, Interim Disclosures about Fair Value of Financial Instruments, which amends FASB ASC 825-10, Financial Instruments. This new guidance requires that disclosures for financial instruments such as loans that are not measured at fair value through earnings be provided on a quarterly basis, whereas previously these disclosures were required to be provided only annually. The expanded disclosure requirements were effective for the Corporation s quarterly financial statements for the period ended June 30, 2009. The adoption of this new guidance did not impact the Corporation s financial condition or results of operations. These disclosures are included in *Note 17 Fair Value of Financial Instruments.*

On April 1, 2009, the FASB issued FSP No. FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, which amends FASB ASC 805, Business Combinations, and requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing accounting guidance. This new guidance is effective for acquisitions consummated on or after January 1, 2009. The Corporation applied this new guidance to its January 1, 2009 acquisition of Merrill Lynch. See *Note 2 Merger and Restructuring Activity.*

NOTE 2 Merger and Restructuring Activity

Merrill Lynch

On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion, creating a financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. Under the terms of the merger agreement, Merrill Lynch common shareholders received 0.8595 of a share of Bank of America Corporation common stock in exchange for each share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially similar terms. Merrill Lynch convertible preferred stock remains outstanding and is convertible into Bank of America common stock at an equivalent exchange ratio. With the acquisition, the Corporation has one of the largest wealth management businesses in the world with approximately 15,000 financial advisors and more than $1.9 trillion in client assets. Global investment management capabilities include an economic ownership of approximately 48 percent in BlackRock, Inc. (BlackRock), a publicly traded investment management company. In addition, the acquisition adds strengths in debt and equity underwriting, sales and trading, and merger and acquisition advice, creating significant opportunities to deepen relationships with corporate and institutional clients around the globe. Merrill Lynch s results of operations were included in the Corporation s results beginning January 1, 2009.

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The Merrill Lynch merger is being accounted for under the acquisition method of accounting. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities based on their estimated fair values at the Merrill Lynch acquisition date as summarized in the following table. Preliminary goodwill of $4.8 billion is calculated as the purchase premium after adjusting for the fair value of net assets acquired and represents the value expected from the synergies created from combining the Merrill Lynch wealth management and corporate and investment banking businesses with the Corporation s capabilities in consumer and commercial banking as well as the economies of scale expected from combining the operations of the two companies.

Merrill Lynch Preliminary Purchase Price Allocation

(Dollars in billions, except per share amounts)	
Purchase price	
Merrill Lynch common shares exchanged (in millions)	**1,600**
Exchange ratio	0.8595
The Corporation s common shares issued (in millions)	1,375
Purchase price per share of the Corporation s common stock[1]	$ 14.08
Total value of the Corporation s common stock and cash exchanged for fractional shares	$ 19.4
Merrill Lynch preferred stock [2]	8.6
Fair value of outstanding employee stock awards	1.1
Total purchase price	**$ 29.1**
Preliminary allocation of the purchase price	
Merrill Lynch stockholders equity	19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Derivatives and securities	(1.2)
Loans	(6.1)
Intangible assets [3]	5.7
Other assets	(1.5)
Long-term debt [4]	15.8
Pre-tax total adjustments	12.7
Deferred income taxes	(5.7)
After-tax total adjustments	7.0
Fair value of net assets acquired	24.3
Preliminary goodwill resulting from the Merrill Lynch merger [5]	**$ 4.8**

(1) The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of the Corporation s common stock at December 31, 2008, the last trading day prior to the date of acquisition.

(2) Represents Merrill Lynch s preferred stock exchanged for Bank of America preferred stock having substantially similar terms and also includes $1.5 billion of convertible preferred stock.

(3) Consists of trade name of $1.2 billion and customer relationship and core deposit intangibles of $4.5 billion. The amortization life is 10 years for the customer relationship and core deposit intangibles which are primarily amortized on a straight-line basis.

(4) The change in the estimated fair value of long-term debt of approximately $400 million had an immaterial impact on net income for the first and second quarters of 2009.

(5) No goodwill is expected to be deductible for federal income tax purposes. The goodwill was allocated to *Global Wealth & Investment Management (GWIM)* and *Global Markets.*

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Preliminary Condensed Statement of Net Assets Acquired

The following condensed statement of net assets acquired reflects the preliminary values assigned to Merrill Lynch s net assets as of the acquisition date.

(Dollars in billions)		January 1, 2009
Assets		
Federal funds sold and securities borrowed or purchased under agreements to resell	$	138.8
Trading account assets		87.9
Derivative assets		97.1
Investment securities		70.5
Loans and leases		55.9
Intangible assets		5.7
Other assets		194.8
Total assets	**$**	**650.7**
Liabilities		
Deposits	$	98.1
Federal funds purchased and securities loaned or sold under agreements to repurchase		111.6
Trading account liabilities		18.1
Derivative liabilities		72.0
Commercial paper and other short-term borrowings		37.9
Accrued expenses and other liabilities		99.6
Long-term debt		189.1
Total liabilities	**$**	**626.4**
Fair value of net assets acquired [(1)]	**$**	**24.3**

(1) The fair value of net assets acquired excludes preliminary goodwill resulting from the Merrill Lynch merger of $4.8 billion.

The fair value of net assets acquired includes preliminary fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. These fair value adjustments were determined using incremental spreads for credit and liquidity risk which are part of the rate used to discount contractual cash flows. However, the Corporation believes that all contractual cash flows related to these financial instruments are collectible. These receivables include non-impaired loans and customer receivables with a preliminary fair value and gross contractual amounts receivable of $152.8 billion and $159.8 billion at the date of acquisition. For more information on the purchased impaired loan portfolio, see *Note 6 Outstanding Loans and Leases*.

Contingencies

The fair value of net assets acquired includes certain contingent liabilities that were recorded as of the acquisition date. Merrill Lynch has been named as a defendant in various pending legal actions and proceedings arising in connection with its activities as a global diversified financial services institution. Some of these legal actions and proceedings include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. Due to the number of variables and assumptions involved in assessing the possible outcome of these legal actions, sufficient information does not exist to reasonably estimate the fair value of these contingent liabilities. As such, these contingencies have been measured in accordance with accounting guidance on contingencies which states that a loss is recognized when it is probable of occurring and the loss amount can be reasonably estimated. For further information, see *Note 12 Commitments and Contingencies.*

In connection with the Merrill Lynch acquisition, on January 1, 2009, the Corporation recorded certain guarantees, primarily standby liquidity facilities and letters of credit, with a fair value of approximately $1 billion. At the time of acquisition, the maximum amount that could be drawn under these guarantees was approximately $20 billion.

Countrywide

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for each share of Countrywide common stock. The acquisition of Countrywide significantly expanded the Corporation s mortgage originating and servicing capabilities, making it a leading mortgage originator and servicer. As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 107 million shares of the Corporation s common stock. Countrywide s results of operations were included in the Corporation s results beginning July 1, 2008.

LaSalle

On October 1, 2007, the Corporation acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. As part of the acquisition, ABN AMRO Bank N.V. (the seller) capitalized approximately $6.3 billion as equity of intercompany debt prior to the date of acquisition. With this acquisition, the Corporation significantly expanded its presence in metropolitan Chicago, Illinois and Michigan by adding LaSalle s commercial banking clients, retail customers and banking centers. LaSalle s results of operations were included in the Corporation s results beginning October 1, 2007.

U.S. Trust Corporation

On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. U.S. Trust Corporation s results of operations were included in the Corporation s results beginning July 1, 2007. The acquisition increased the size and capabilities of the Corporation s wealth management business and positions it as one of the largest financial services companies managing private wealth in the U.S.

Unaudited Pro Forma Condensed Combined Financial Information

If the Merrill Lynch and Countrywide mergers had been completed on January 1, 2008, total revenue, net of interest expense would have been $20.4 billion and $62.9 billion, net loss from continuing operations would have been $3.8 billion and $8.5 billion, and basic and diluted loss per common share would have been $1.16 and $2.24 for the three and nine months ended September 30, 2008. These results include the impact of amortizing certain purchase accounting adjustments such as intangible assets as well as fair value adjustments to loans, securities and issued

debt. The pro forma financial information does not include the impact of possible business model changes nor does it consider any potential impacts of current market conditions or revenues, expense efficiencies, asset dispositions, share repurchases, or other factors. For the three and nine months ended September 30, 2009, Merrill Lynch contributed $5.1 billion and $16.8 billion in revenue, net of interest expense, and $690 million and $2.2 billion in net income. These amounts are before the consideration of certain merger-related costs, revenue opportunities and certain consolidating tax benefits that were recognized in legacy Bank of America legal entities.

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Merger and Restructuring Charges

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation, Merrill Lynch, Countrywide, LaSalle and U.S. Trust Corporation. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Severance and employee-related charges	**$ 225**	$ 15	**$ 1,207**	$ 90
Systems integrations and related charges	**329**	186	**813**	431
Other	**40**	46	**168**	108
Total merger and restructuring charges	**$ 594**	$ 247	**$ 2,188**	$ 629

Included for the three and nine months ended September 30, 2009 are merger-related charges of $371 million and $1.5 billion related to the Merrill Lynch acquisition, $212 million and $632 million related to the Countrywide acquisition, and $11 million and $92 million related to the LaSalle acquisition. Included for the three and nine months ended September 30, 2008 are merger-related charges of $72 million for both periods related to the Countrywide acquisition, $159 million and $462 million related to the LaSalle acquisition and $16 million and $95 million related to the U.S. Trust Corporation acquisition.

During the three and nine months ended September 30, 2009, the $371 million and $1.5 billion of merger-related charges for the Merrill Lynch acquisition included $196 million and $1.1 billion for severance and other employee-related costs, $153 million and $294 million of system integration costs, and $22 million and $94 million in other merger-related costs.

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Merger-related Exit Cost and Restructuring Reserves

The following table presents the changes in exit cost and restructuring reserves for the three and nine months ended September 30, 2009 and 2008.

	Exit Cost Reserves [1]		Restructuring Reserves [2]	
(Dollars in millions)	**2009**	2008	**2009**	2008
Balance, January 1	**$ 523**	$ 377	**$ 86**	$ 108
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**732**	n/a
Countrywide	**-**	n/a	**108**	n/a
LaSalle	**-**	87	**(5)**	46
U.S. Trust Corporation	**-**	-	**(1)**	26
MBNA	**-**	(2)	**-**	-
Cash payments	**(305)**	(112)	**(490)**	(67)
Balance, June 30	**218**	350	**430**	113
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**132**	n/a
Countrywide	**-**	588	**37**	32
LaSalle	**(6)**	(56)	**(2)**	(22)
U.S. Trust Corporation	**-**	-	**-**	5
MBNA	**-**	(4)	**-**	(3)
Cash payments	**(58)**	(203)	**(226)**	(50)
Balance, September 30	**$ 154**	$ 675	**$ 371**	$ 75

[1] Exit cost reserves were established in purchase accounting resulting in an increase in goodwill.

[2] Restructuring reserves were established by a charge to merger and restructuring charges.
n/a = not applicable

As of December 31, 2008, there were $523 million of exit cost reserves related to the Countrywide, LaSalle and U.S. Trust Corporation acquisitions, including $347 million for severance, relocation and other employee-related costs and $176 million for contract terminations. Cash payments of $58 million during the three months ended September 30, 2009 consisted of $38 million in severance, relocation and other employee-related costs and $20 million in contract terminations. Cash payments of $363 million during the nine months ended September 30, 2009 consisted of $261 million in severance, relocation and other employee-related costs and $102 million in contract terminations. Exit costs were not recorded in purchase accounting for the Merrill Lynch acquisition in accordance with amendments to the accounting guidance for business combinations which were effective on January 1, 2009.

As of December 31, 2008, there were $86 million of restructuring reserves related to the Countrywide, LaSalle and U.S. Trust Corporation acquisitions for severance and other employee-related costs. During the three and nine months ended September 30, 2009, $167 million and $1.0 billion were added to the restructuring reserves related to severance and other employee-related costs primarily associated with the Merrill Lynch acquisition. Cash payments of $226 million and $716 million during the three and nine months ended September 30, 2009 were all related to severance and other employee-related costs.

Payments under exit cost and restructuring reserves associated with the U.S. Trust Corporation acquisition will be substantially completed in 2009 while payments associated with the LaSalle, Countrywide and Merrill Lynch acquisitions will continue into 2010.

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NOTE 3 Trading Account Assets and Liabilities

The following table presents the fair values of the components of trading account assets and liabilities at September 30, 2009 and December 31, 2008.

(Dollars in millions)	September 30 2009	December 31 2008
Trading account assets		
U.S. government and agency securities [1]	**$ 63,982**	$ 60,038
Corporate securities, trading loans and other	**59,046**	34,056
Equity securities	**33,500**	20,258
Foreign sovereign debt	**29,879**	13,614
Mortgage trading loans and asset-backed securities	**18,431**	6,349
Total trading account assets	**$ 204,838**	$ 134,315
Trading account liabilities		
U.S. government and agency securities	**$ 25,287**	$ 27,286
Equity securities	**18,560**	12,128
Foreign sovereign debt	**20,072**	7,252
Corporate securities and other	**7,753**	5,057
Total trading account liabilities	**$ 71,672**	$ 51,723

(1) Includes $29.8 billion and $52.6 billion at September 30, 2009 and December 31, 2008 of government-sponsored enterprise obligations.

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NOTE 4 Derivatives

The Corporation designates derivatives as trading derivatives, economic hedges, or as derivatives designated as hedging instruments under applicable GAAP. For additional information on the Corporation s derivatives and hedging activities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

Derivative Balances

The Corporation enters into derivatives to facilitate client transactions, for proprietary trading purposes and to manage risk exposures. The following table identifies derivative instruments included on the Corporation s Consolidated Balance Sheet in derivative assets and liabilities at September 30, 2009 and December 31, 2008. Balances are provided on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	September 30, 2009						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [(1)]	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as Hedging Instruments [(2)]	Total	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as Hedging Instruments [(2)]	Total
Interest rate contracts							
Swaps	**$ 48,676.6**	**$ 1,385.8**	**$ 5.8**	**$ 1,391.6**	**$ 1,349.5**	**$ 0.7**	**$ 1,350.2**
Futures and forwards	**8,890.7**	**6.4**	**-**	**6.4**	**7.4**	**0.1**	**7.5**
Written options	**2,831.4**	**-**	**-**	**-**	**93.4**	**-**	**93.4**
Purchased options	**2,591.5**	**92.7**	**-**	**92.7**	**-**	**-**	**-**
Foreign exchange contracts							
Swaps	**669.2**	**28.1**	**5.9**	**34.0**	**32.4**	**0.6**	**33.0**
Spot, futures and forwards	**1,979.4**	**32.8**	**-**	**32.8**	**32.6**	**0.1**	**32.7**
Written options	**416.7**	**-**	**-**	**-**	**15.3**	**-**	**15.3**
Purchased options	**398.9**	**15.8**	**-**	**15.8**	**-**	**-**	**-**
Equity contracts							
Swaps	**54.1**	**2.0**	**-**	**2.0**	**2.4**	**-**	**2.4**
Futures and forwards	**103.0**	**4.5**	**-**	**4.5**	**3.6**	**-**	**3.6**
Written options	**382.8**	**-**	**-**	**-**	**34.0**	**0.2**	**34.2**
Purchased options	**342.1**	**36.1**	**-**	**36.1**	**-**	**-**	**-**
Commodity contracts							
Swaps	**78.1**	**9.5**	**0.1**	**9.6**	**9.0**	**-**	**9.0**
Futures and forwards	**2,092.1**	**14.8**	**-**	**14.8**	**13.6**	**-**	**13.6**
Written options	**98.4**	**-**	**-**	**-**	**8.1**	**-**	**8.1**
Purchased options	**95.8**	**7.7**	**-**	**7.7**	**-**	**-**	**-**
Credit derivatives							
Purchased protection:							
Credit default swaps	**2,739.4**	**130.4**	**-**	**130.4**	**38.7**	**-**	**38.7**
Total return swaps/other	**14.0**	**1.7**	**-**	**1.7**	**0.7**	**-**	**0.7**
Written protection:							
Credit default swaps	**2,811.8**	**37.7**	**-**	**37.7**	**129.1**	**-**	**129.1**

Total return swaps/other	**24.9**	**2.1**	**-**	**2.1**	**4.6**	**-**	**4.6**
Gross derivative assets/liabilities		**$ 1,808.1**	**$ 11.8**	**1,819.9**	**$ 1,774.4**	**$ 1.7**	**1,776.1**
Less: Legally enforceable master netting agreements				**(1,653.1)**			**(1,653.1)**
Less: Cash collateral applied				**(71.9)**			**(70.4)**
Total derivative assets/liabilities				**$ 94.9**			**$ 52.6**

(1) Represents the total contract/notional amount of the derivatives outstanding and includes both written and purchased protection.

(2) Excludes $4.4 billion of long-term debt designated as a hedge of foreign currency risk.

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	December 31, 2008						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [1]	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as Hedging Instruments [2]	Total	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as Hedging Instruments [2]	Total
Interest rate contracts							
Swaps	$ 26,577.4	$ 1,213.2	$ 2.2	$ 1,215.4	$ 1,186.0	$ -	$ 1,186.0
Futures and forwards	4,432.1	5.1	-	5.1	7.9	-	7.9
Written options	1,731.1	-	-	-	62.7	-	62.7
Purchased options	1,656.6	60.3	-	60.3	-	-	-
Foreign exchange contracts							
Swaps	438.9	17.5	3.6	21.1	20.5	1.3	21.8
Spot, futures and forwards	1,376.5	52.3	-	52.3	51.3	-	51.3
Written options	199.8	-	-	-	7.5	-	7.5
Purchased options	175.7	8.0	-	8.0	-	-	-
Equity contracts							
Swaps	34.7	1.8	-	1.8	1.0	-	1.0
Futures and forwards	14.1	0.3	-	0.3	0.1	-	0.1
Written options	214.1	-	-	-	31.6	0.1	31.7
Purchased options	217.5	32.6	-	32.6	-	-	-
Commodity contracts							
Swaps	2.1	2.4	-	2.4	2.1	-	2.1
Futures and forwards	9.6	1.2	-	1.2	1.0	-	1.0
Written options	17.6	-	-	-	3.8	-	3.8
Purchased options	15.6	3.7	-	3.7	-	-	-
Credit derivatives							
Purchased protection:							
Credit default swaps	1,025.9	125.7	-	125.7	3.4	-	3.4
Total return swaps	6.6	1.8	-	1.8	0.2	-	0.2
Written protection:							
Credit default swaps	1,000.0	3.4	-	3.4	118.8	-	118.8
Total return swaps	6.2	0.4	-	0.4	0.1	-	0.1
Gross derivative assets/liabilities		$ 1,529.7	$ 5.8	1,535.5	$ 1,498.0	$ 1.4	1,499.4
Less: Legally enforceable master netting agreements				(1,438.4)			(1,438.4)
Less: Cash collateral applied				(34.8)			(30.3)
Total derivative assets/liabilities				$ 62.3			$ 30.7

(1) Represents the total contract/notional amount of the derivatives outstanding and includes both written and purchased protection.

(2) Excludes $2.0 billion of long-term debt designated as a hedge of foreign currency risk.

ALM and Risk Management Derivatives

The Corporation s asset and liability management (ALM) and risk management activities include the use of derivatives to mitigate risk to the Corporation including both derivatives that are designated as hedging instruments and economic hedges. Interest rate, commodity, credit and foreign exchange contracts are utilized in the Corporation s ALM and risk management activities.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. As a result of interest rate fluctuations hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, assist the Corporation in the management of its interest rate risk position. Non-leveraged generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps, floors and swaptions. Futures contracts used for the Corporation s ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index.

Interest rate and market risk can be substantial in the mortgage business. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and euro-dollar futures as economic hedges of the fair value of mortgage servicing rights (MSRs). For additional information on MSRs, see *Note 18 Mortgage Servicing Rights*.

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

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

The Corporation purchases credit derivatives to manage credit risk related to certain funded and unfunded credit exposures. Credit derivatives include credit default swaps, total return swaps and swaptions. These derivatives are accounted for as economic hedges and changes in fair value are recorded in other income.

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Derivatives Designated as Hedging Instruments

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, exchange rates and commodity prices (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts that typically settle in 90 days, cross-currency basis swaps, and by issuing foreign-denominated debt.

The following table summarizes certain information related to the Corporation s derivatives designated as fair value hedge relationships for the three and nine months ended September 30, 2009 and 2008.

	Amounts Recognized in Income for the Three Months Ended					
	September 30, 2009			September 30, 2008		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedge relationships						
Interest rate risk on long-term debt [1]	**$ 1,591**	**$ (1,778)**	**$ (187)**	$ 599	$ (529)	$ 70
Interest rate and foreign currency risk on long-term debt [1]	**1,561**	**(1,568)**	**(7)**	(1,771)	1,694	(77)
Interest rate risk on available-for-sale securities [2]	**(603)**	**433**	**(170)**	68	(70)	(2)
Commodity price risk on commodity inventory [3]	**3**	**(2)**	**1**	n/a	n/a	n/a
Total	**$ 2,552**	**$ (2,915)**	**$ (363)**	$ (1,104)	$ 1,095	$ (9)

	Amounts Recognized in Income for the Nine Months Ended					
	September 30, 2009			September 30, 2008		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedge relationships						
Interest rate risk on long-term debt [1]	**$ (3,025)**	**$ 2,387**	**$ (638)**	$ 541	$ (466)	$ 75
Interest rate and foreign currency risk on long-term debt [1]	**1,624**	**(1,546)**	**78**	(602)	524	(78)
Interest rate risk on available-for-sale securities [2]	**(343)**	**121**	**(222)**	75	(79)	(4)
Commodity price risk on commodity inventory [3]	**63**	**(59)**	**4**	n/a	n/a	n/a
Total	**$ (1,681)**	**$ 903**	**$ (778)**	$ 14	$ (21)	$ (7)

(1) Amounts are recorded in interest expense on long-term debt.
(2) Amounts are recorded in interest income on AFS securities.
(3) Amounts are recorded in trading account profits (losses).
n/a = not applicable

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The following table summarizes certain information related to the Corporation s derivatives designated as cash flow hedge relationships and net investment hedges for the three and nine months ended September 30, 2009 and 2008. During the next 12 months, net losses in accumulated OCI of approximately $577 million ($364 million after-tax) on derivative instruments that qualify as cash flow hedge relationships are expected to be reclassified in earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

	Three Months Ended September 30					
	2009			2008		
(Dollars in millions, amounts pre-tax)	**Amounts Recognized in OCI on Derivatives**	**Amounts Reclassified from OCI into Income**	**Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [(1)]**	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [(1)]
Derivatives designated as cash flow hedge relationships						
Interest rate risk on variable rate portfolios [(2,3,4,5)]	**$ 246**	**$ (247)**	**$ 19**	$ 166	$ (313)	$ 1
Commodity price risk on forecasted purchases and sales [(6)]	**(4)**	**53**	**(1)**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**(101)**	**-**	**-**	272	-	-
Total	**$ 141**	**$ (194)**	**$ 18**	$ 438	$ (313)	$ 1
Net investment hedges						
Foreign exchange risk [(7)]	**$ (737)**	**$ -**	**$ 19**	$ 1,402	$ -	$ (57)

	Nine Months Ended September 30					
	2009			2008		
(Dollars in millions, amounts pre-tax)	**Amounts Recognized in OCI on Derivatives**	**Amounts Reclassified from OCI into Income**	**Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [(1)]**	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [(1)]
Derivatives designated as cash flow hedge relationships						
Interest rate risk on variable rate portfolios [(2,3,4,5)]	**$ 211**	**$ (1,033)**	**$ 58**	$ (279)	$ (921)	$ (7)
Commodity price risk on forecasted purchases and sales[(6)]	**64**	**59**	**(1)**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**(155)**	**-**	**-**	125	-	-
Total	**$ 120**	**$ (974)**	**$ 57**	$ (154)	$ (921)	$ (7)
Net investment hedges						
Foreign exchange risk [(7)]	**$ (2,736)**	**$ -**	**$ (88)**	$ 1,410	$ -	$ (136)

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

(2) Amounts reclassified from OCI increased (decreased) interest income on assets by $5 million and $(7) million and increased interest expense $252 million and $306 million during the three months ended September 30, 2009 and 2008. Amounts reclassified from OCI reduced interest income on assets by $103 million and $134 million and increased interest expense $930 million and $787 million during the nine months ended September 30, 2009 and 2008.

(3) Hedge ineffectiveness of $36 million and $3 million was recorded in interest income and $17 million and $2 million was recorded in interest expense during the three months ended September 30, 2009 and 2008. Hedge ineffectiveness of $75 million and $7 million was recorded in interest income and $17 million and $14 million was recorded in interest expense during the nine months ended September 30, 2009 and 2008.

(4) Amounts recognized in OCI on derivatives exclude amounts related to terminated hedges of AFS securities of $23 million and $88 million for the three and nine months ended September 30, 2009 compared to $31 million and $49 million for the same periods in 2008.

(5) Amounts reclassified from OCI exclude amounts related to derivative interest accruals which increased interest income by $49 million and $104 million for the three and nine months ended September 30, 2009 compared to amounts which increased interest expense by $4 million and $73 million for the same periods in 2008.

(6) Gains reclassified from OCI into income were recorded in trading account profits (losses). Included in the gains reclassified into trading account profits (losses) during the three and nine months ended September 30, 2009 were $44 million related to the discontinuance of cash flow hedging because it was probable that the original forecasted transaction would not occur.

(7) Amounts recognized in OCI on derivatives exclude gains of $74 million and losses of $365 million related to long-term debt designated as a net investment hedge for the three and nine months ended September 30, 2009.

n/a = not applicable

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Economic Hedges

Derivatives designated as economic hedges are used by the Corporation to reduce certain risk exposure but are not accounted for as qualifying derivatives designated as hedging instruments. The following table presents gains (losses) on these derivatives for the three and nine months ended September 30, 2009 and 2008. These gains (losses) are largely offset by the income or expense that is recorded on the economic hedged item.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Price risk on mortgage banking production income [1, 2]	**$ 1,209**	$ 275	**$ 5,734**	$ 419
Interest rate risk on mortgage banking servicing income [1]	**1,309**	831	**(1,867)**	539
Credit risk on loans and leases [3]	**(330)**	24	**(603)**	88
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [3]	**3,437**	(2,889)	**2,919**	(569)
Other [3]	**18**	(25)	**-**	10
Total	**$ 5,643**	$ (1,784)	**$ 6,183**	$ 487

(1) Gains (losses) on these derivatives are recorded in mortgage banking income.

(2) Includes gains on interest rate lock commitments related to the origination of mortgage loans that will be held for sale, which are considered derivative instruments, of $2.6 billion and $6.3 billion for the three and nine months ended September 30, 2009 compared to $485 million and $554 million for the same periods in 2008.

(3) Gains (losses) on these derivatives are recorded in other income.

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Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for proprietary trading purposes, and to manage risk exposures arising from trading assets and liabilities. It is the Corporation s policy to include these derivative instruments in its trading activities which include derivative and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation s *Global Markets* business segment. The related sales and trading revenue generated within *Global Markets* is recorded on different income statement line items including trading account profits (losses) and net interest income as well as other revenue categories. However, the vast majority of income related to derivative instruments is recorded in trading account profits (losses). The following table identifies the amounts in the income statement line items attributable to the Corporation s sales and trading revenue categorized by primary risk for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30							
	2009				2008			
(Dollars in millions)	**Trading Account Profits**	**Other Revenues (1)**	**Net Interest Income**	**Total**	Trading Account Profits (Losses)	Other Revenues (1)	Net Interest Income	Total
Interest rate risk	**$ 258**	**$ (1)**	**$ 237**	**$ 494**	$ 556	$ (16)	$ 93	$ 633
Foreign exchange risk	**219**	**1**	**14**	**234**	341	2	7	350
Equity risk	**617**	**585**	**63**	**1,265**	(51)	182	39	170
Credit risk	**2,177**	**(95)**	**1,051**	**3,133**	(1,330)	(1,416)	1,053	(1,693)
Other risk	**109**	**40**	**(51)**	**98**	(15)	16	(1)	-
Total sales and trading revenue	**$ 3,380**	**$ 530**	**$ 1,314**	**$ 5,224**	$ (499)	$ (1,232)	$ 1,191	$ (540)

	Nine Months Ended September 30							
	2009				2008			
(Dollars in millions)	**Trading Account Profits**	**Other Revenues (1)**	**Net Interest Income**	**Total**	Trading Account Profits (Losses)	Other Revenues (1)	Net Interest Income	Total
Interest rate risk	**$ 2,923**	**$ 19**	**$ 847**	**$ 3,789**	$ 1,480	$ (4)	$ 124	$ 1,600
Foreign exchange risk	**753**	**6**	**27**	**786**	827	6	12	845
Equity risk	**1,762**	**2,024**	**165**	**3,951**	(8)	575	172	739
Credit risk	**4,073**	**(1,565)**	**3,724**	**6,232**	(4,300)	(3,286)	3,030	(4,556)
Other risk	**803**	**(1)**	**(348)**	**454**	83	60	(8)	135
Total sales and trading revenue	**$ 10,314**	**$ 483**	**$ 4,415**	**$ 15,212**	$ (1,918)	$ (2,649)	$ 3,330	$ (1,237)

(1) Represents investment and brokerage services and other income recorded in *Global Markets* that the Corporation includes in its definition of sales and trading revenue.

Credit Derivatives

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

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Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at September 30, 2009 and December 31, 2008 are summarized as follows. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation.

			September 30, 2009 Carrying Value		
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade [1]	$ 940	$ 7,117	$ 10,763	$ 27,199	$ 46,019
Non-investment grade [2]	1,657	14,817	24,877	41,777	83,128
Total	2,597	21,934	35,640	68,976	129,147
Total return swaps/other:					
Investment grade [1]	123	4	436	1,540	2,103
Non-investment grade [2]	-	190	491	1,802	2,483
Total	123	194	927	3,342	4,586
Total credit derivatives	$ 2,720	$ 22,128	$ 36,567	$ 72,318	$ 133,733
			Maximum Payout/Notional		
Credit default swaps:					
Investment grade [1]	$ 125,714	$ 329,927	$ 631,153	$ 354,000	$ 1,440,794
Non-investment grade [2]	105,360	311,464	466,507	487,693	1,371,024
Total	231,074	641,391	1,097,660	841,693	2,811,818
Total return swaps/other:					
Investment grade [1]	169	68	3,144	7,780	11,161
Non-investment grade [2]	167	963	1,052	11,530	13,712
Total	336	1,031	4,196	19,310	24,873
Total credit derivatives	$ 231,410	$ 642,422	$ 1,101,856	$ 861,003	$ 2,836,691

			December 31, 2008 Carrying Value		
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade [1]	$ 1,039	$ 13,062	$ 32,594	$ 29,153	$ 75,848
Non-investment grade [2]	1,483	9,222	19,243	13,012	42,960

Total	2,522	22,284	51,837	42,165	118,808
Total return swaps/other:					
Non-investment grade [2]	36	8	-	13	57
Total credit derivatives	$ 2,558	$ 22,292	$ 51,837	$ 42,178	$ 118,865
			Maximum Payout/Notional		
Credit default swaps:					
Investment grade [1]	$ 49,535	$ 169,508	$ 395,768	$ 187,075	$ 801,886
Non-investment grade [2]	17,217	48,829	89,650	42,452	198,148
Total	66,752	218,337	485,418	229,527	1,000,034
Total return swaps/other:					
Non-investment grade [2]	1,178	628	37	4,360	6,203
Total credit derivatives	$ 67,930	$ 218,965	$ 485,455	$ 233,887	$ 1,006,237

(1) The Corporation considers ratings of BBB- or higher as meeting the definition of investment grade.

(2) Includes non-rated credit derivative instruments.

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

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting

derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit protection for which the Corporation held purchased protection with identical underlying referenced names

at September 30, 2009 was $110.2 billion and $2.5 trillion compared to $92.4 billion and $819.4 billion at December 31, 2008.

Credit Risk Management of Derivatives and Credit-related Contingent Features

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

Substantially all of the Corporation s derivative contracts contain credit risk-related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master agreements that aid in enhancing the creditworthiness of these instruments as compared to other obligations of the respective counterparty with whom the Corporation has transacted (e.g., other debt or equity). These contingent features may be for the benefit of the Corporation, as well as its counterparties in respect to changes in the Corporation s creditworthiness. At September 30, 2009, the Corporation received cash and securities collateral of $86.6 billion and posted cash and securities collateral of $78.9 billion in the normal course of business under derivative agreements.

In connection with certain over-the-counter derivatives transactions and other trading agreements, the Corporation could be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of Bank of America Corporation and its subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure. At September 30, 2009, the amount of additional collateral and termination payments that would be required for such derivative transactions and trading agreements was approximately $2.1 billion if the long-term credit rating of Bank of America Corporation and its subsidiaries was incrementally downgraded by one level by all rating agencies. A second incremental one level downgrade by the rating agencies would have required approximately $1.0 billion in additional collateral.

The Corporation records counterparty credit risk valuation adjustments on derivative assets, including its credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments can be reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral, and creditworthiness of the counterparty. During the three and nine months ended September 30, 2009, credit valuation gains for counterparty credit risk related to derivative assets of $1.0 billion and $1.5 billion compared to losses of $467 million and $1.4 billion during the same periods in 2008 were recognized as trading account profits (losses). At September 30, 2009, the cumulative counterparty credit risk valuation adjustment that was netted against the derivative asset balance was $7.8 billion.

In addition, the fair value of the Corporation or its subsidiaries derivative liabilities is adjusted to reflect the impact of the Corporation s credit quality. During the three and nine months ended September 30, 2009, credit valuation losses of $714 million and $631 million compared to gains of $106 million and $346 million for the same periods in 2008 were recognized in trading account profits (losses) for changes in the Corporation or its subsidiaries credit risk. At September 30, 2009, the Corporation s cumulative credit risk valuation adjustment that was netted against the derivative liabilities balance was $774 million.

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NOTE 5 Securities

The amortized cost, gross unrealized gains and losses, and fair value of AFS debt and marketable equity securities at September 30, 2009 and December 31, 2008 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, September 30, 2009				
U.S. Treasury securities and agency debentures	**$ 26,562**	**$ 439**	**$ (32)**	**$ 26,969**
Mortgage-backed securities:				
Agency MBSs	**120,653**	**3,007**	**(165)**	**123,495**
Agency collateralized mortgage obligations	**16,012**	**243**	**(135)**	**16,120**
Non-agency MBSs	**44,343**	**1,864**	**(5,253)**	**40,954**
Foreign securities	**5,017**	**40**	**(897)**	**4,160**
Corporate/Agency bonds	**5,853**	**156**	**(122)**	**5,887**
Other taxable securities [1]	**18,844**	**300**	**(505)**	**18,639**
Total taxable securities	**237,284**	**6,049**	**(7,109)**	**236,224**
Tax-exempt securities	**10,939**	**209**	**(172)**	**10,976**
Total available-for-sale debt securities	**$ 248,223**	**$ 6,258**	**$ (7,281)**	**$ 247,200**
Available-for-sale marketable equity securities [2]	**$ 6,189**	**$ 3,172**	**$ (612)**	**$ 8,749**
Available-for-sale debt securities, December 31, 2008				
U.S. Treasury securities and agency debentures	$ 4,540	$ 121	$ (14)	$ 4,647
Mortgage-backed securities:				
Agency MBSs	191,913	3,064	(146)	194,831
Non-agency MBSs	43,224	860	(9,337)	34,747
Foreign securities	5,675	6	(678)	5,003
Corporate/Agency bonds	5,560	31	(1,022)	4,569
Other taxable securities [1]	24,832	11	(1,300)	23,543
Total taxable securities	275,744	4,093	(12,497)	267,340
Tax-exempt securities	10,501	44	(981)	9,564
Total available-for-sale debt securities	$ 286,245	$ 4,137	$ (13,478)	$ 276,904
Available-for-sale marketable equity securities [2]	$ 18,892	$ 7,717	$ (1,537)	$ 25,072

(1) Includes ABS.

(2) Represents those AFS marketable equity securities that are recorded in other assets on the Corporation s Consolidated Balance Sheet.

At September 30, 2009, the amortized cost and fair value of held-to-maturity debt securities were $9.5 billion and $7.9 billion, which include asset-backed securities that were issued by the Corporation s credit card securitization trust and retained by the Corporation with an amortized cost of $6.9 billion and a fair value of $5.3 billion. At December 31, 2008, both the amortized cost and fair value of held-to-maturity debt securities were $685 million. The accumulated net unrealized gains (losses) on AFS debt and marketable equity securities included in

accumulated OCI were $(596) million and $1.6 billion, net of the related income tax expense (benefit) of $(427) million and $947 million at September 30, 2009. For more information on accumulated OCI see *Note 13 Shareholders Equity and Earnings Per Common Share.* At September 30, 2009 and December 31, 2008, the Corporation had nonperforming AFS debt securities of $779 million and $291 million.

The Corporation obtained certain securities as part of the Merrill Lynch acquisition with evidence of deterioration and for which it was probable that all contractually required payments would not be collected. The securities par value was approximately $6.6 billion and fair value was approximately $1.8 billion as of the acquisition date.

The Corporation adopted new accounting guidance related to the recognition of other-than-temporary impairment charges on debt securities as of January 1, 2009. As prescribed by the new guidance, for the three and nine months ended September 30, 2009, the Corporation recognized the credit component of an other-than-temporary impairment of its debt securities in earnings and the non-credit component in OCI for those securities which the Corporation does not intend to sell and it is more likely than not that the Corporation will not be required to sell the security prior to recovery. Upon adoption, $71 million, net-of-tax, of other-than-temporary impairment charges previously recorded through earnings were reclassified to OCI with an offset to retained earnings as a cumulative-effect adjustment. For additional information on the adoption of this accounting pronouncement see *Note 1 Summary of Significant Accounting Principles.*

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During the three and nine months ended September 30, 2009, the Corporation recorded other-than-temporary impairment losses on AFS debt securities as follows:

	Three Months Ended September 30, 2009				
(Dollars in millions)	Non-agency MBSs	Foreign Securities	Corporate / Agency Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized)	$ (538)	$ (107)	$ (19)	$ (183)	**$ (847)**
Less: Unrealized other-than-temporary impairment losses recognized in OCI [1]	50	-	-	-	**50**
Net impairment losses recognized in earnings [2]	$ (488)	$ (107)	$ (19)	$ (183)	**$ (797)**

	Nine Months Ended September 30, 2009				
(Dollars in millions)	Non-agency MBSs	Foreign Securities	Corporate / Agency Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized)	$ (1,801)	$ (342)	$ (87)	$ (441)	**$ (2,671)**
Less: Unrealized other-than-temporary impairment losses recognized in OCI [1]	477	-	-	-	**477**
Net impairment losses recognized in earnings [2]	$ (1,324)	$ (342)	$ (87)	$ (441)	**$ (2,194)**

(1) Represents the non-credit component of the other-than-temporary impairment on AFS debt securities. For securities where the credit loss exceeds the total unrealized loss, the non-credit component is recognized as an unrealized gain in OCI. Balances above exclude $149 million and $430 million of gross unrealized gains recorded in OCI related to these securities for the three and nine months ended September 30, 2009.

(2) Represents the credit component of the other-than-temporary impairment on AFS debt securities.

Activity related to the credit component recognized in earnings on debt securities held by the Corporation for which a portion of the other-than-temporary impairment loss remains in OCI for the three and nine months ended September 30, 2009 is as follows:

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Balance, beginning of period	**$ 296**	**$ -**
Credit component of other-than-temporary impairment not reclassified to OCI in conjunction with the cumulative-effect transition adjustment [1]	**-**	**22**

Additions for the credit component on debt securities in which other-than-temporary impairment was not previously recognized [2]		**36**		**310**
Additions for the credit component on debt securities in which other-than-temporary impairment was previously recognized [2]		**9**		**9**
Balance, September 30, 2009	**$**	**341**	**$**	**341**

(1) As of January 1, 2009, the Corporation had securities with $134 million of other-than-temporary impairment previously recognized in earnings of which $22 million represented the credit component and $112 million represented the non-credit component which was reclassified back to OCI through a cumulative-effect transition adjustment.

(2) During the three and nine months ended September 30, 2009, the Corporation recognized $752 million and $1.9 billion of other-than-temporary impairments on debt securities in which no portion of other-than-temporary impairment loss remained in OCI. Other-than-temporary impairments related to these securities are excluded from these amounts.

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As of September 30, 2009, those debt securities with other-than-temporary impairment for which a portion of the other-than-temporary impairment loss remains in OCI consisted entirely of non-agency mortgage-backed securities. The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model. The Corporation estimates the expected cash flows of the underlying collateral using internal credit risk, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions, such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to determine how the underlying collateral cash flows will be distributed to each security issued from a structure. Expected principal and interest cash flows on an impaired debt security are discounted using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value for the specific security. Based on the expected cash flows derived from the model, the Corporation expects to recover the remaining unrealized losses on non-agency mortgage-backed securities.

Significant assumptions used in the modeling of the credit component of the non-agency mortgage-backed securities with other-than-temporary impairments were as follows as of September 30, 2009.

		Range	
	Weighted-average	**10th Percentile**	**90th Percentile**
Prepayment speed [1]	**11.8** %	**3.0** %	**32.7** %
Loss severity [2]	**56.3**	**27.8**	**67.4**
Life default rate [3]	**57.0**	**3.2**	**98.7**

(1) Annual constant prepayment speed.

(2) Loss severity rates are projected considering collateral characteristics such as loan-to-value (LTV), creditworthiness of borrowers (FICO score) and geographic concentration. Weighted-average severity by collateral type was 52 percent for prime bonds, 57 percent for Alt-A bonds, and 58 percent for subprime bonds.

(3) Default rates are projected by considering collateral characteristics including, but not limited to, LTV, FICO and geographic concentration. Weighted-average default rate by collateral type was 40 percent for prime bonds, 62 percent for Alt-A bonds, and 61 percent for subprime bonds.

During the nine months ended September 30, 2009, the Corporation recognized $326 million of other-than-temporary impairment losses on AFS marketable equity securities compared to $388 million during the same period in 2008. During the three months ended September 30, 2008, the Corporation recognized $374 million of other-than-temporary impairment losses on AFS marketable equity securities. No such losses were recognized for the three months ended September 30, 2009.

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The following table presents the current fair value and the associated gross unrealized losses on investments in securities with gross unrealized losses at September 30, 2009 and December 31, 2008, including debt securities for which a portion of other-than-temporary impairment has been recognized in OCI. The table also discloses whether these securities have had gross unrealized losses for less than twelve months, or for twelve months or longer.

	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily-impaired available-for-sale debt securities as of September 30, 2009						
U.S. Treasury securities and agency debentures	$ 3,875	$ (32)	$ -	$ -	$ 3,875	$ (32)
Mortgage-backed securities:						
Agency MBSs	10,011	(162)	172	(3)	10,183	(165)
Agency collateralized mortgage obligations	4,236	(135)	-	-	4,236	(135)
Non-agency MBSs	9,673	(1,581)	12,028	(3,567)	21,701	(5,148)
Foreign securities	180	(54)	3,669	(843)	3,849	(897)
Corporate/Agency bonds	456	(91)	373	(31)	829	(122)
Other taxable securities	311	(25)	3,491	(480)	3,802	(505)
Total taxable securities	28,742	(2,080)	19,733	(4,924)	48,475	(7,004)
Tax-exempt securities	157	(5)	1,881	(167)	2,038	(172)
Total temporarily-impaired available-for-sale debt securities	28,899	(2,085)	21,614	(5,091)	50,513	(7,176)
Temporarily-impaired available-for-sale marketable equity securities	49	(1)	2,089	(611)	2,138	(612)
Total temporarily-impaired available-for-sale securities	28,948	(2,086)	23,703	(5,702)	52,651	(7,788)
Other-than-temporarily impaired available-for-sale debt securities [(1)]						
Mortgage-backed securities:						
Non-agency MBSs	171	(33)	555	(72)	726	(105)
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities	$ 29,119	$ (2,119)	$ 24,258	$ (5,774)	$ 53,377	$ (7,893)

Temporarily-impaired available-for-sale debt securities as of December 31, 2008						
U.S. Treasury securities and agency debentures	$ 306	$ (14)	$ -	$ -	$ 306	$ (14)
Mortgage-backed securities:						
Agency MBSs	2,282	(12)	7,508	(134)	9,790	(146)
Non-agency MBSs	20,068	(6,776)	4,141	(2,561)	24,209	(9,337)
Foreign securities	3,491	(562)	1,126	(116)	4,617	(678)
Corporate/Agency bonds	2,573	(934)	666	(88)	3,239	(1,022)
Other taxable securities	12,870	(1,077)	501	(223)	13,371	(1,300)
Total taxable securities	41,590	(9,375)	13,942	(3,122)	55,532	(12,497)
Tax-exempt securities	6,386	(682)	1,540	(299)	7,926	(981)
Total temporarily-impaired available-for-sale debt securities	47,976	(10,057)	15,482	(3,421)	63,458	(13,478)
Temporarily-impaired available-for-sale marketable equity securities	3,431	(499)	1,555	(1,038)	4,986	(1,537)
Total temporarily-impaired available-for-sale securities	$ 51,407	$ (10,556)	$ 17,037	$ (4,459)	$ 68,444	$ (15,015)

(1) Includes other-than-temporarily impaired available-for-sale debt securities in which a portion of the other-than-temporary impairment loss remains in OCI.

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At September 30, 2009, the amortized cost of approximately 10,000 AFS securities, including securities with other-than-temporary impairment in which a portion of the impairment remains in OCI, exceeded their fair value by $7.9 billion. Included in the $7.9 billion of gross unrealized losses on these AFS securities at September 30, 2009, was $2.1 billion of gross unrealized losses that have existed for less than twelve months and $5.8 billion of gross unrealized losses that have existed for a period of twelve months or longer. Of the gross unrealized losses existing for twelve months or longer, $3.6 billion, or 62 percent, of the gross unrealized loss is related to approximately 400 mortgage-backed securities due to continued deterioration in non-agency MBS values driven by a lack of market liquidity. The Corporation does not intend to sell these securities and it is more likely than not that the Corporation will not be required to sell these securities before recovery of its amortized cost basis. In addition, $611 million, or 11 percent, of the gross unrealized loss is related to approximately 400 AFS marketable equity securities primarily due to the decline in the market. The Corporation has the ability and intent to hold these securities for a period of time sufficient to recover all gross unrealized losses.

The Corporation had investments in AFS mortgage-backed securities from Fannie Mae, Freddie Mac and Ginnie Mae that exceeded 10 percent of consolidated shareholders equity as of September 30, 2009. These investments had market values of $76.6 billion, $32.8 billion and $30.2 billion at September 30, 2009 and total amortized cost of $75.3 billion, $31.8 billion and $29.6 billion, respectively. The Corporation had investments in AFS debt securities from Fannie Mae, Freddie Mac and Ginnie Mae that exceeded 10 percent of consolidated shareholders equity as of December 31, 2008. These investments had market values of $104.1 billion, $46.9 billion and $44.6 billion at December 31, 2008 and total amortized cost of $102.9 billion, $46.1 billion and $43.7 billion, respectively.

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $99.6 billion and $158.9 billion at September 30, 2009 and December 31, 2008.

The expected maturity distribution of the Corporation s mortgage-backed securities and the contractual maturity distribution of the Corporation s other debt securities, and the yields of the Corporation s AFS debt securities portfolio at September 30, 2009 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

September 30, 2009

	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Total	
(Dollars in millions)	Amount	Yield [(1)]	Amount	Yield [(1)]	Amount	Yield [(1)]	Amount	Yield [(1)]	Amount	Yield [(1)]
Fair value of available-for-sale debt securities										
U.S. Treasury securities and agency debentures	$ 171	2.24 %	$ 14,719	1.60 %	$ 2,910	4.65 %	$ 9,169	4.17 %	$ 26,969	2.80 %
Mortgage-backed securities:										
Agency MBSs	42	5.01	64,500	5.03	37,758	4.95	21,195	4.57	123,495	4.92
Agency collateralized mortgage obligations	425	1.03	7,777	1.73	7,914	1.43	4	5.22	16,120	1.56
Non-agency MBSs	821	7.95	21,991	8.84	9,984	9.17	8,158	5.29	40,954	8.17
Foreign securities	544	1.43	2,210	6.19	88	4.03	1,318	4.12	4,160	4.68
Corporate/Agency bonds	875	0.85	1,881	4.29	2,613	9.47	518	4.36	5,887	6.01
Other taxable securities	10,468	1.07	6,110	3.76	415	9.99	1,646	4.13	18,639	2.43
Total taxable securities	13,346	1.65	119,188	5.11	61,682	5.41	42,008	4.60	236,224	4.89

Tax-exempt securities [2]	1,283	1.49	1,858	6.85	4,513	6.97	3,322	4.19	10,976	5.43
Total available-for-sale debt securities	**$ 14,629**	**1.63**	**$ 121,046**	**5.13**	**$ 66,195**	**5.51**	**$ 45,330**	**4.57**	**$ 247,200**	**4.91**
Amortized cost of available-for-sale debt securities	**$ 15,157**		**$ 121,308**		**$ 65,059**		**$ 46,699**		**$ 248,223**	

(1) Yields are calculated based on the amortized cost of the securities.

(2) Yields of tax-exempt securities are calculated on a fully taxable-equivalent (FTE) basis.

The components of realized gains and losses on sales of debt securities for the three and nine months ended September 30, 2009 and 2008 were:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Gross gains	**$ 1,639**	$ 58	**$ 3,920**	$ 477
Gross losses	**(85)**	(48)	**(236)**	(115)
Net gains on sales of debt securities	**$ 1,554**	$ 10	**$ 3,684**	$ 362

The income tax expense attributable to realized net gains on debt securities sales was $575 million and $1.4 billion for the three and nine months ended September 30, 2009 compared to $3 million and $134 million for the same periods in 2008.

Certain Corporate and Strategic Investments

At September 30, 2009 and December 31, 2008, the Corporation owned approximately 11 percent, or 25.6 billion common shares and 19 percent, or 44.7 billion common shares of CCB. During the first quarter of 2009, the Corporation sold 5.6 billion common shares of its initial investment of 19.1 billion common shares in CCB for a pre-tax gain of approximately $1.9 billion. During the second quarter of 2009, the Corporation sold its remaining 13.5 billion common shares of its initial investment in CCB for a pre-tax gain of approximately $5.3 billion. These shares were accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. The remaining investment of 25.6 billion common shares is accounted for at cost, is recorded in other assets and is non-transferable until August 2011. At September 30, 2009 and December 31, 2008, the cost of the CCB investment was $9.2 billion and $12.0 billion. At September 30, 2009 and December 31, 2008, the carrying value was $9.2 billion and $19.7 billion and the fair value was $20.4 billion and $24.5 billion. Dividend income on this investment is recorded in equity investment income. The Corporation remains a significant shareholder in CCB and intends to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, the Corporation expects to continue to provide advice and assistance to CCB.

Additionally, the Corporation owned approximately 188.4 million and 171.3 million of preferred shares and 56.5 million and 51.3 million of common shares of Itaú Unibanco Holding S.A. (Itaú Unibanco) at September 30, 2009 and December 31, 2008. During the third quarter of 2009, the Corporation received a stock dividend resulting in an increase of preferred shares of 17.1 million and common shares of 5.2 million. The Itaú Unibanco investment is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. Dividend income on this investment is recorded in equity investment income. At September 30, 2009 and December 31, 2008, the cost of this investment was $2.6 billion and the fair value was $4.9 billion and $2.5 billion.

At September 30, 2009 and December 31, 2008, the Corporation had a 24.9 percent, or $2.4 billion and $2.1 billion, investment in Grupo Financiero Santander, S.A., the subsidiary of Grupo Santander, S.A. This investment is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

As part of the acquisition of Merrill Lynch, the Corporation acquired an economic ownership in BlackRock, a publicly traded investment company. At September 30, 2009, the carrying value was $8.7 billion representing an approximate 48 percent economic ownership in BlackRock. This investment is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

On June 26, 2009, the Corporation entered into a joint venture agreement with First Data Corporation creating Banc of America Merchant Services, LLC. Approximately 46.5 percent of this joint venture is owned by the Corporation and 48.5 percent is owned by First Data Corporation, with the remaining stake held by a third party investor. In the second quarter of 2009, the Corporation recorded in other income a pre-tax gain of $3.8 billion related to the contribution of its merchant processing business to the joint venture. The investment in the joint venture, which was initially recorded at a fair value of $4.7 billion is being accounted for under the equity method of accounting with income being recorded in equity investment income. The carrying value at September 30, 2009 was $4.7 billion.

For additional information on securities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

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NOTE 6 Outstanding Loans and Leases

Outstanding loans and leases at September 30, 2009 and December 31, 2008 were:

(Dollars in millions)	**September 30 2009**	December 31 2008
Consumer		
Residential mortgage [1]	**$ 238,921**	$ 248,063
Home equity	**152,039**	152,483
Discontinued real estate [2]	**15,460**	19,981
Credit card domestic	**49,221**	64,128
Credit card foreign	**20,985**	17,146
Direct/Indirect consumer [3]	**98,366**	83,436
Other consumer [4]	**3,264**	3,442
Total consumer	**578,256**	588,679
Commercial		
Commercial domestic [5]	**207,607**	219,233
Commercial real estate [6]	**72,662**	64,701
Commercial lease financing	**21,910**	22,400
Commercial foreign	**27,634**	31,020
Total commercial loans	**329,813**	337,354
Commercial loans measured at fair value [7]	**6,197**	5,413
Total commercial	**336,010**	342,767
Total loans and leases	**$ 914,266**	$ 931,446

(1) Includes foreign residential mortgages of $533 million at September 30, 2009. The Corporation did not have any foreign residential mortgage loans at December 31, 2008.

(2) Includes $13.9 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at September 30, 2009 and December 31, 2008 obtained as part of the acquisition of Countrywide. The Corporation no longer originates these products.

(3) Includes dealer financial services loans of $41.4 billion and $40.1 billion, consumer lending loans of $21.9 billion and $28.2 billion, securities-based lending margin loans of $11.7 billion and $0, and foreign consumer loans of $7.9 billion and $1.8 billion at September 30, 2009 and December 31, 2008.

(4) Includes consumer finance loans of $2.3 billion and $2.6 billion, and other foreign consumer loans of $683 million and $618 million at September 30, 2009 and December 31, 2008.

(5) Includes small business commercial domestic loans, primarily card related, of $17.9 billion and $19.1 billion at September 30, 2009 and December 31, 2008.

(6) Includes domestic commercial real estate loans of $69.1 billion and $63.7 billion, and foreign commercial real estate loans of $3.5 billion and $979 million at September 30, 2009 and December 31, 2008.

(7) Certain commercial loans are measured at fair value in accordance with fair value option and include commercial domestic loans of $4.0 billion and $3.5 billion, commercial foreign loans of $2.1 billion and $1.7 billion, and commercial real estate loans of $98 million and $203 million at September 30, 2009 and December 31, 2008. See *Note 16 Fair Value Disclosures* for additional discussion of fair value for certain financial instruments.

The Corporation mitigates a portion of its credit risk in the residential mortgage portfolio through cash collateralized synthetic securitizations which provide mezzanine risk protection of $2.6 billion and are designed to reimburse the Corporation in the event that losses exceed 10 bps of

the original pool balance. As of September 30, 2009 and December 31, 2008, $76.3 billion and $109.3 billion of mortgage loans were referenced to these agreements. During the three and nine months ended September 30, 2009, $37 million and $673 million were recognized in other income for amounts that will be reimbursed under these structures. As of September 30, 2009, the Corporation had a receivable of $1.1 billion from these structures for reimbursement of losses. In addition, the Corporation has entered into credit protection agreements with government-sponsored enterprises on $5.5 billion and $9.6 billion as of September 30, 2009 and December 31, 2008, providing full protection on conforming residential mortgage loans that become severely delinquent. Combined these structures provided risk mitigation for approximately 34 percent and 48 percent of the residential mortgage portfolio at September 30, 2009 and December 31, 2008.

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Nonperforming Loans and Leases

The following table presents the Corporation s nonperforming loans and leases at September 30, 2009 and December 31, 2008. This table excludes purchased impaired loans, performing troubled debt restructurings (TDRs) and loans measured at fair value under the fair value option. See the discussions that follow on impaired loans and troubled debt restructurings, and the purchased impaired loan portfolio.

Nonperforming Loans and Leases [1]

(Dollars in millions)	**September 30 2009**	December 31 2008
Consumer [2]		
Residential mortgage	**$ 15,509**	$ 7,057
Home equity	**3,741**	2,637
Discontinued real estate	**207**	77
Direct/Indirect consumer	**92**	26
Other consumer	**105**	91
Total consumer	**19,654**	9,888
Commercial		
Commercial domestic [3]	**4,886**	2,245
Commercial real estate	**6,943**	3,906
Commercial lease financing	**170**	56
Commercial foreign	**261**	290
Total commercial	**12,260**	6,497
Total nonperforming loans and leases	**$ 31,914**	$ 16,385

(1) Only real estate secured accounts are generally placed into nonaccrual status and classified as nonperforming at 90 days past due. These loans may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Troubled debt restructurings are generally reclassified as performing after six consecutive, on-time payments.

(2) The definition of nonperforming generally does not include consumer credit card and consumer non-real estate loans and leases. These loans are charged off no later than the end of the month in which the account becomes 180 days past due.

(3) Includes small business commercial domestic loans of $167 million and $205 million at September 30, 2009 and December 31, 2008.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. These amounts exclude all commercial leases, purchased impaired loans, and loans measured at fair value under the fair value option. See the discussion that follows on the purchased impaired loan portfolio.

Included in certain loan categories in the nonperforming table above are TDRs that were classified as nonperforming. At September 30, 2009 and December 31, 2008, the Corporation had $2.9 billion and $209 million of residential mortgages, $1.6 billion and $302 million of home equity, $330 million and $44 million of commercial domestic loans, and $34 million and $5 million of discontinued real estate loans that were modified in TDRs and nonperforming. In addition to these amounts the Corporation had TDRs that were performing in accordance with their modified terms of $1.6 billion and $320 million of residential mortgage, $433 million and $1 million of home equity, $32 million and $66 million of discontinued real estate, and $130 million and $13 million of commercial domestic loans at September 30, 2009 and December 31, 2008.

At September 30, 2009 and December 31, 2008, the recorded investment in impaired loans (commercial nonperforming loans, commercial accruing TDRs and consumer accruing and non-accruing TDRs) requiring an allowance for loan and lease losses was $17.5 billion and $6.9 billion, and the related allowance for loan and lease losses was $2.7 billion and $720 million.

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The Corporation seeks to assist customers that are experiencing financial difficulty through renegotiating credit card and consumer lending loans, while ensuring compliance with Federal Financial Institutions Examination Council (FFIEC) guidelines. At September 30, 2009 and December 31, 2008, the Corporation had renegotiated consumer credit card domestic held loans of $3.8 billion and $2.3 billion, of which $2.8 billion and $1.7 billion were current or less than 30 days past due under the modified terms. In addition at September 30, 2009 and December 31, 2008, the Corporation had renegotiated consumer credit card foreign held loans of $895 million and $517 million, of which $478 million and $287 million were current or less than 30 days past due under the modified terms, and consumer lending loans of $1.9 billion and $1.3 billion, of which $1.4 billion and $854 million were current or less than 30 days past due under the modified terms. These renegotiated loans are excluded from nonperforming loans.

Purchased Impaired Loans

Purchased impaired loans are acquired loans with evidence of credit quality deterioration since origination and for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. For additional information on the accounting for purchased impaired loans see the *Loans and Leases* section of *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

As of January 1, 2009, the Merrill Lynch purchased impaired consumer and commercial loans had an unpaid principal balance of $2.7 billion and $2.9 billion and a fair value of $2.3 billion and $1.9 billion. At September 30, 2009, the unpaid principal balance on both consumer and commercial loans was $2.5 billion and the carrying value on these loans was $2.0 billion and $1.2 billion, net of the allowance for loan and lease losses. The following table provides details on purchased impaired loans obtained in connection with the Merrill Lynch acquisition.

Acquired Loan Information for Merrill Lynch, as of January 1, 2009

(Dollars in millions)	
Contractually required payments including interest	$ 6,205
Less: Nonaccretable difference	(1,357)
Cash flows expected to be collected [(1)]	4,848
Less: Accretable yield	(627)
Fair value of loans acquired	$ 4,221

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

Under purchased impaired loan accounting, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to expected principal cash flows will result in a charge to provision for credit losses and a corresponding increase to allowance for loan and lease losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and an increase from expected cash flows to accretable yield for any remaining increase. All changes in expected interest cash flows will result in an increase or decrease of accretable yield.

Loans in the purchased impaired loan population that are modified subsequent to acquisition are reviewed to compare modified contractual cash flows to the purchased impaired loan carrying value. If modified cash flows are lower than the carrying value, the loan is removed from the purchased impaired loan pool at its carrying value, as well as the related allowance for loan and lease losses, and classified as a TDR. The

carrying value of purchased impaired loan TDRs totaled $2.1 billion at September 30, 2009 of which $1.8 billion were on accrual status. The carrying basis of these modified loans, net of allowance, was approximately 68 percent of the unpaid principal balance.

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The Corporation recorded $1.3 billion and $3.0 billion in net reserve additions related to the purchased impaired loan portfolio during the three and nine months ended September 30, 2009 due to a decrease in expected principal cash flows. The amount of the allowance for loan and lease losses associated with the purchased impaired loan portfolio was $3.8 billion at September 30, 2009 of which $3.5 billion related to Countrywide and $232 million related to Merrill Lynch.

The following table provides activity for the accretable yield on purchased impaired loans acquired from Countrywide and Merrill Lynch for the three and nine months ended September 30, 2009. The decrease in expected cash flows during the three and nine months ended September 30, 2009 of $3.8 billion and $248 million is primarily attributable to lower expected interest cash flows due to increased expected credit losses and faster prepayment assumptions.

Accretable Yield Activity

(Dollars in millions)	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Accretable yield, beginning of period	**$ 14,326**	**$ 12,860**
Merrill Lynch balance, January 1, 2009	**-**	**627**
Accretions	**(618)**	**(2,296)**
Disposals/Transfers [(1)]	**(321)**	**(1,376)**
Decrease in expected cash flows [(2)]	**(3,820)**	**(248)**
Accretable yield, September 30, 2009	**$ 9,567**	**$ 9,567**

(1) Includes $225 million and $1.1 billion in accretable yield related to loans restructured in TDRs in which the modified cash flows were lower than expectations at acquisition for the three and nine months ended September 30, 2009. These TDRs have been removed from the purchased impaired loan pool.

(2) Represents reclassifications to/from nonaccretable difference, increases/decreases in interest cash flows due to prepayments and/or changes in interest rates.

NOTE 7 Allowance for Credit Losses

The following table summarizes the changes in the allowance for the three and nine months ended September 30, 2009 and 2008. The Corporation recorded $1.3 billion and $3.0 billion in net reserve additions during the three and nine months ended September 30, 2009, specifically for the purchased impaired loan portfolio. The amount of the allowance for loan and lease losses associated with the purchased impaired loan portfolio was $3.8 billion at September 30, 2009.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Allowance for loan and lease losses, beginning of period	**$ 33,785**	$ 17,130	**$ 23,071**	$ 11,588
Loans and leases charged off	**(10,059)**	(4,697)	**(26,541)**	(11,760)
Recoveries of loans and leases previously charged off	**435**	341	**1,274**	1,070
Net charge-offs	**(9,624)**	(4,356)	**(25,267)**	(10,690)
Provision for loan and lease losses	**11,658**	6,530	**38,357**	18,381
Other [(1)]	**13**	1,042	**(329)**	1,067
Allowance for loan and lease losses, September 30	**35,832**	20,346	**35,832**	20,346
Reserve for unfunded lending commitments, beginning of period	**1,992**	507	**421**	518
Provision for unfunded lending commitments	**47**	(80)	**103**	(91)
Other [(2)]	**(472)**	-	**1,043**	-
Reserve for unfunded lending commitments, September 30	**1,567**	427	**1,567**	427

Allowance for credit losses, September 30	**$ 37,399**	$ 20,773	**$ 37,399**	$ 20,773

(1) For the nine months ended September 30, 2009, amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. Credit Card Securitization Trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursed under residential mortgage cash collateralized synthetic securitizations.

(2) For the three and nine months ended September 30, 2009, this amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for in accordance with fair value option, net of accretion and the impact of funding previously unfunded positions.

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NOTE 8 Securitizations

The Corporation routinely securitizes loans and debt securities. These securitizations are a source of funding for the Corporation in addition to transferring the economic risk of the loans or debt securities to third parties. In a securitization, various classes of debt securities may be issued and are generally collateralized by a single class of transferred assets which most often consist of residential mortgages, but may also include commercial mortgages, credit card receivables, home equity loans, automobile loans, municipal bonds or mortgage-backed securities. The securitized loans may be serviced by the Corporation or by third parties. With each securitization, the Corporation may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables, and, in some cases, overcollateralization and cash reserve accounts, all of which are called retained interests. These retained interests are recorded in other assets, AFS debt securities, trading account assets or derivative assets and are carried at fair value or amounts that approximate fair value with changes recorded in income or accumulated OCI. Changes in the fair value of credit card related interest-only strips are recorded in card income. In addition, the Corporation may enter into derivatives with the securitization trust to mitigate the trust s interest rate or foreign exchange risk. These derivatives are entered into at market terms and are generally senior in payment. The Corporation also may serve as the underwriter and distributor of the securitization, serve as the administrator of the trust, and from time to time, make markets in securities issued by the securitization trusts. For more information related to derivatives, see *Note 4 Derivatives*.

On June 12, 2009, the FASB issued SFAS 166 and SFAS 167 which will result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Corporation s Consolidated Balance Sheet. For more information on SFAS 166 and SFAS 167, see *Note 1 Summary of Significant Accounting Principles.*

First Lien Mortgage-related Securitizations

As part of its mortgage banking activities, the Corporation securitizes a portion of the residential mortgage loans it originates or purchases from third parties in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages that it originates or purchases from other entities.

The following tables summarize selected information related to mortgage securitizations for the three and nine months ended September 30, 2009 and 2008 and at September 30, 2009 and December 31, 2008.

	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
	Three Months Ended September 30									
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Cash proceeds from new securitizations [1]	**$ 99,029**	$ 47,184	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 313**	$ -
Gains on securitizations [2, 3]	**16**	6	**-**	-	**-**	-	**-**	-	**-**	-
Cash flows received on residual interests	**-**	-	**4**	2	**21**	23	**1**	1	**6**	1
	Nine Months Ended September 30									
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Cash proceeds from new securitizations [1]	**$ 270,314**	$ 85,169	**$ -**	$ 1,038	**$ -**	$ -	**$ -**	$ -	**$ 313**	$ 3,557
Gains on securitizations [2, 3]	**37**	27	**-**	2	**-**	-	**-**	-	**-**	29
Cash flows received on residual interests	**-**	-	**18**	2	**52**	23	**4**	1	**17**	1

(1) The Corporation sells residential mortgage loans to government-sponsored agencies in the normal course of business and receives mortgage-backed securities in exchange. These mortgage-backed securities may then be subsequently sold into the market to third party investors for cash proceeds.

(2) Net of hedges

(3) Substantially all of the residential mortgages securitized are initially classified as LHFS and recorded at fair value in accordance with the fair value option. As such, gains are recognized on these LHFS prior to securitization. During the three and nine months ended September 30, 2009, the Corporation recognized $1.7 billion and $4.2 billion of gains on these LHFS compared to $211 million and $750 million during the same periods in 2008.

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	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	**September 30 2009**	December 31 2008	**September 30 2009**	December 31 2008	**September 30 2009**	December 31 2008	**September 30 2009**	December 31 2008	**September 30 2009**	December 31 2008
Principal balance outstanding [1]	**$ 1,245,674**	$ 1,123,916	**$ 83,718**	$ 111,683	**$ 89,277**	$ 57,933	**$ 152,129**	$ 136,027	**$ 62,777**	$ 55,403
Residual interests held	**-**	-	**13**	-	**2**	13	**-**	-	**65**	7
Senior securities [2, 3]:										
Trading account assets	**$ 749**	$ 1,308	**$ 583**	$ 367	**$ 13**	$ -	**$ 433**	$ 278	**$ 213**	$ 168
Available-for-sale debt securities	**15,392**	12,507	**4,230**	4,559	**181**	121	**521**	569	**1,196**	16
Total senior securities	**$ 16,141**	$ 13,815	**$ 4,813**	$ 4,926	**$ 194**	$ 121	**$ 954**	$ 847	**$ 1,409**	$ 184
Subordinated securities [2, 4]:										
Trading account assets	**$ -**	$ -	**$ 5**	$ 23	**$ -**	$ 3	**$ 5**	$ 1	**$ 139**	$ 136
Available-for-sale debt securities	**-**	-	**20**	20	**27**	1	**6**	17	**26**	-
Total subordinated securities	**$ -**	$ -	**$ 25**	$ 43	**$ 27**	$ 4	**$ 11**	$ 18	**$ 165**	$ 136

(1) Generally, the Corporation as transferor will service the sold loans and thus recognize an MSR upon securitization. See additional information to follow related to the Corporation s role as servicer and *Note 18 Mortgage Servicing Rights*.

(2) As a holder of these securities, the Corporation receives scheduled interest and principal payments. During the three and nine months ended September 30, 2009 and 2008, there were no significant other-than-temporary impairments recorded on those securities classified as AFS debt securities.

(3) Substantially all of the residential mortgage senior securities were valued using quoted market prices at September 30, 2009 and December 31, 2008. At September 30, 2009, substantially all of the commercial mortgage senior securities were valued using quoted market prices while substantially all were valued using model valuations at December 31, 2008.

(4) At September 30, 2009, substantially all of the residential mortgage subordinated securities and all of the commercial mortgage subordinated securities were valued using quoted market prices while substantially all were valued using model valuations at December 31, 2008.

The Corporation sells loans with various representations and warranties related to, among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, the process used in selecting the loans for inclusion in a transaction, the loan s compliance with any applicable loan criteria established by the buyer, and the loan s compliance with applicable local, state and federal laws. Under the Corporation s representations and warranties, the Corporation may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. The Corporation s representations and warranties are generally not subject to stated limits. However, the Corporation s contractual liability arises only when the representations and warranties are breached. The Corporation attempts to limit its risk of incurring these losses by structuring its operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain of the Corporation s securitizations include a corporate guarantee which is a contract written to protect purchasers of the loans from credit losses up to a specified amount. The estimated losses to be absorbed by the guarantees are recorded when the Corporation sells the loans with guarantees. The Corporation records its liability for representations and warranties, and corporate guarantees in accrued expenses and other liabilities and records the related expense through mortgage banking income. During the three and nine months ended September 30, 2009, the Corporation repurchased $340 million and $922 million of loans from securitization trusts as a result of the Corporation s representations and warranties, and corporate guarantees. In addition, the Corporation repurchased $2.3 billion and $3.3 billion of loans from the securitization trusts as a result of modifications, loan delinquencies or optional clean-up calls during the three and nine months ended September 30, 2009.

In addition to the amounts included in the table above, during the three and nine months ended September 30, 2009, the Corporation purchased $11.7 billion and $27.7 billion of mortgage-backed securities from third parties and resecuritized them compared to $4.0 billion and $11.2 billion for the same periods in 2008. Net gains, which include net interest income earned during the holding period, totaled $94 million and $156 million for the three and nine months ended September 30, 2009 compared to $26 million and $64 million for the same periods in 2008. At September 30, 2009 and December 31, 2008, the Corporation retained $2.1 billion and $1.0 billion of the senior securities issued in these transactions which were valued using quoted market prices and recorded in trading account assets.

The Corporation has consumer MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $1.6 billion and $4.6 billion during the three and nine months ended September 30, 2009 compared to $1.5 billion and $2.0 billion for the same periods in 2008. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $15.6 billion and $8.8 billion at September 30, 2009 and December 31,

2008. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $13 million and $37 million during the three and nine months ended September 30, 2009 compared to $7 million and $28 million for the same periods in 2008. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $91 million and $14 million at September 30, 2009 and December 31, 2008. For more information on MSRs, see *Note 18 Mortgage Servicing Rights*.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation s continuing involvement includes servicing the receivables, retaining an undivided interest (the seller s interest) in the receivables, and holding certain retained interests (e.g., senior and subordinated securities, interest-only strips, discount receivables, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts) in credit card securitization vehicles. The securitization trusts legal documents require the Corporation to maintain a minimum seller s interest of four to five percent, and at September 30, 2009, the Corporation is in compliance with this requirement. The seller s interest in the trusts represents the Corporation s undivided interests in the receivables transferred to the trust and is pari passu to the investors interest. The seller s interest is not represented by security certificates, is carried at historical cost, and is classified within loans on the Corporation s Consolidated Balance Sheet. At September 30, 2009 and December 31, 2008, the Corporation had $10.3 billion and $14.8 billion related to its undivided interests in the trusts.

As specifically permitted by the terms of the transaction documents, and in an effort to address the recent decline in the excess spread due to the performance of the underlying credit card receivables in the U.S. Credit Card Securitization Trust, an additional subordinated security with a stated interest rate of zero percent was issued by the trust to the Corporation in the first quarter of 2009 (the Class D security). As the issuance was not treated as a sale, the Class D security was recorded at $7.8 billion, which represents the $8.5 billion book value of the loans exchanged less the associated $750 million allowance for loan and lease losses, and was classified as held-to-maturity. In addition, as permitted by the transaction documents, the Corporation specified that from March 1, 2009 through September 30, 2009 a percentage of new receivables transferred to the trust will be deemed discount receivables and collections thereon will be added to finance charges, which has increased the yield in the trust. The Corporation extended this agreement through March 31, 2010. The carrying amount of discount receivables was $3.5 billion and the carrying amount and fair value of the retained Class D security were $6.9 billion and $5.3 billion at September 30, 2009. These actions did not have a significant impact on the Corporation s results of operations.

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The following tables summarize selected information related to credit card securitizations for the three and nine months ended September 30, 2009 and 2008 and at September 30, 2009 and December 31, 2008.

	Credit Card			
	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Cash proceeds from new securitizations	**$ -**	$ 3,300	**$ -**	$ 16,348
Gains on securitizations	**-**	16	**-**	79
Collections reinvested in revolving period securitizations	**32,635**	37,340	**101,700**	126,130
Cash flows received on residual interests	**1,233**	1,374	**3,738**	4,647

	Credit Card	
(Dollars in millions)	**September 30, 2009**	December 31, 2008
Principal balance outstanding [1]	**$ 106,658**	$ 114,141
Senior securities held [2]	**3,999**	4,965
Subordinated securities held [3]	**8,452**	1,837
Residual interests held [4]	**5,245**	2,233

(1) Principal balance outstanding represents the principal balance of credit card receivables that have been legally isolated from the Corporation including those loans that are still held on the Corporation s Consolidated Balance Sheet (i.e., seller s interest).

(2) At September 30, 2009 and December 31, 2008, held senior securities issued by credit card securitization vehicles were valued using quoted market prices, were all classified as AFS debt securities and there were no other-than-temporary impairments recorded on these securities.

(3) At September 30, 2009, subordinated securities held included a $6.9 billion Class D held-to-maturity debt security that does not receive interest and was measured at amortized cost. In addition, $1.5 billion of other held subordinated securities were valued using quoted market prices and classified as AFS debt securities. At September 30, 2009, there were no other-than-temporary impairments recorded on these securities classified as held-to-maturity or AFS debt securities. At December 31, 2008, all of the held subordinated securities were valued using quoted market prices and classified as AFS debt securities.

(4) Residual interests include subordinated interests in certain principal receivables called discount receivables, subordinated interests in accrued interest and fees on the securitized receivables, cash reserve accounts and interest-only strips which are carried at fair value or amounts that approximate fair value. The residual interests were valued using model valuations.

Economic assumptions are used in measuring the fair value of certain residual interests that continue to be held by the Corporation. The expected loss rate assumption used to measure the discount receivables at September 30, 2009 was 13 percent. A 10 percent and 20 percent adverse change to the expected loss rate would have caused a decrease of $269 million and $1.7 billion to the discount receivables at September 30, 2009. The discount rate assumption used to measure the Class D security at September 30, 2009 was 19 percent. A 100 bps and 200 bps increase in the discount rate would have caused a decrease of $87 million and $172 million to the fair value of the Class D security. Conversely, a 100 bps and 200 bps decrease in the discount rate would have caused an increase of $90 million and $183 million to the fair value of the Class D security. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear.

At September 30, 2009 and December 31, 2008, there were no recognized servicing assets or liabilities associated with any of these credit card securitization transactions. The Corporation recorded $500 million and $1.5 billion in servicing fees related to credit card securitizations during the three and nine months ended September 30, 2009 compared to $544 million and $1.6 billion for the same periods in 2008.

During 2008, the Corporation became one of the liquidity support providers for the Corporation s commercial paper program that obtains financing by issuing tranches of commercial paper backed by credit card receivables to third party investors from a trust sponsored by the

Corporation. Subsequent to September 30, 2009, the Corporation became the sole liquidity support provider for the program and increased its liquidity commitment from $1.7 billion to $2.3 billion. Due to illiquidity in the marketplace, the Corporation held $4.0 billion and $5.0 billion of the outstanding commercial paper as of September 30, 2009 and December 31, 2008, which is classified in AFS debt securities on the Corporation s Consolidated Balance Sheet. The maximum amount of commercial paper that can be issued under this program given the current level of liquidity support is $8.8 billion, all of which was outstanding at September 30, 2009 and December 31, 2008. If certain conditions set forth in the legal documents governing the trust are not met, such as not being able to reissue the commercial paper due to market illiquidity, the commercial paper maturity dates will be extended to 390 days from the original issuance date. This extension would cause the outstanding commercial paper to convert to an interest-bearing note and subsequent credit card receivable collections would be applied to the outstanding note balance. If these notes are still outstanding at the end of the extended maturity period, the liquidity commitment obligates the Corporation to purchase maturity notes from

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the trust in order to retire the interest-bearing notes held by investors. As a maturity note holder, the Corporation would be entitled to the remaining cash flows from the collateralizing credit card receivables. At September 30, 2009 and December 31, 2008, none of the commercial paper had been extended and there were no maturity notes outstanding.

The Corporation seeks to assist customers that are experiencing financial difficulty through renegotiating credit card loans, while ensuring compliance with FFIEC guidelines. At September 30, 2009 and December 31, 2008, the Corporation had renegotiated domestic managed credit card loans of $10.9 billion and $7.5 billion of which $8.2 billion and $5.6 billion were current or less than 30 days past due under the modified terms. In addition, at September 30, 2009 and December 31, 2008, the Corporation had renegotiated foreign managed credit card loans of $1.4 billion and $987 million of which $733 million and $538 million were current or less than 30 days past due under the modified terms. These renegotiated loans are excluded from nonperforming loans.

Other Securitizations

The Corporation also maintains interests in other securitization vehicles to which the Corporation transferred assets including municipal bonds, automobile loans and home equity loans. These retained interests include senior and subordinated securities and residual interests. During the three and nine months ended September 30, 2009, the Corporation had cash proceeds from new securitizations of municipal bonds of $247 million and $422 million as well as cash flows received on residual interests of $78 million and $253 million. At September 30, 2009, the principal balance outstanding for municipal bonds securitization vehicles was $7.3 billion, senior securities held were $1.3 billion and residual interests held were $256 million. The residual interests were valued using model valuations and substantially all are classified in derivative assets. At September 30, 2009, all of the held senior securities issued by municipal bond securitization vehicles were valued using quoted market prices and classified as trading account assets. For additional information on municipal bond securitization vehicles, see *Note 9 Variable Interest Entities.*

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During the third quarter of 2009, the Corporation securitized $7.6 billion of automobile loans that did not qualify for sale treatment under GAAP and therefore are recorded on the Corporation s Consolidated Balance Sheet and excluded from the other securitizations table below. The Corporation had no new off-balance sheet automobile securitizations or repurchases of loans from the trusts as well as no significant cash flows received on residual interests during the three and nine months ended September 30, 2009. However, during the nine months ended September 30, 2008, the Corporation had repurchases of automobile loans of $181 million which were due to the exercise of an optional clean-up call.

There were no new securitizations of home equity loans during the three and nine months ended September 30, 2009 and 2008. The following tables summarize selected information related to home equity loans securitizations for the three and nine months ended September 30, 2009 and 2008 as well as home equity and automobile loan securitizations at September 30, 2009 and December 31, 2008.

	Home Equity			
	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Collections reinvested in revolving period securitizations	**$ 34**	$ 122	**$ 157**	$ 134
Repurchase of loans from trust [1]	**36**	18	**113**	110
Cash flows received on residual interests	**4**	12	**27**	20

[1] The repurchases of loans from the trust for home equity loans are typically a result of the Corporation s representations and warranties, modifications or the exercise of an optional clean-up call.

	Home Equity		Automobile	
	September 30	December 31	**September 30**	December 31
(Dollars in millions)	**2009**	2008	**2009**	2008
Principal balance outstanding	**$ 33,109**	$ 34,169	**$ 3,471**	$ 5,385
Senior securities held [1, 2]	**11**	-	**2,604**	4,102
Subordinated securities held [3]	**53**	3	**222**	383
Residual interests held [4]	**93**	93	**130**	84

[1] As a holder of these securities, the Corporation receives scheduled interest and principal payments. During the three and nine months ended September 30, 2009, there were no significant other-than-temporary impairments recorded on those securities classified as AFS debt securities.

[2] At September 30, 2009, all of the held senior securities issued by the home equity securitization vehicles were valued using model valuations and classified as AFS debt securities. At September 30, 2009 and December 31, 2008, substantially all of the held senior securities issued by the automobile securitization vehicles were valued using quoted market prices and classified as trading account asset securities.

[3] At September 30, 2009 and December 31, 2008, substantially all of the held subordinated securities issued by the home equity securitization vehicles were valued using model valuations and classified as AFS debt securities. At September 30, 2009 and December 31, 2008, substantially all of the subordinated securities issued by the automobile securitization vehicles were valued using quoted market prices and classified as AFS debt securities.

[4] Residual interests include the residual asset, overcollateralization and cash reserve accounts, which are carried at fair value or amounts that approximate fair value. The residual interests were valued using model valuations and substantially all are classified in other assets.

Under the terms of the Corporation s home equity securitizations, advances are made to borrowers when they draw on their line of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun its rapid amortization period, reimbursement of the Corporation s advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation s advances are outstanding. In

particular, if loan losses requiring draws on monoline insurers policies (which protect the bondholders in the securitization) exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurers have priority for repayment. As of September 30, 2009 and December 31, 2008, the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was $207 million and $345 million.

The Corporation has retained consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $31 million and $100 million of servicing fees related to home equity securitizations during the three and nine months ended September 30, 2009 and $41 million for both of the same periods in 2008. For more information on MSRs, see *Note 18 Mortgage Servicing Rights*. At September 30, 2009 and December 31, 2008, there were no recognized servicing assets or liabilities associated with any of the automobile securitization transactions. The Corporation recorded $10 million and $36 million in servicing fees related to automobile securitizations during the three and nine months ended September 30, 2009 compared to $3 million and $11 million for the same periods in 2008.

Economic assumptions are used in measuring the fair value of certain residual interests that continue to be held by the Corporation in municipal bond securitizations. The carrying amount of residual interests for municipal bond securitizations was $256 million and the weighted-average discount rate was 3.70 percent at September 30, 2009. A 100 bps and 200 bps favorable change to the discount rate would have caused an increase of $87 million and $190 million to the residual interests at September 30, 2009. A 100 bps and 200 bps adverse change to the discount rate would have caused a decrease of $26 million and $38 million to the residual interests at September 30, 2009. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

NOTE 9 Variable Interest Entities

In addition to the securitization vehicles described in *Note 8 Securitizations* and *Note 18 Mortgage Servicing Rights*, which are typically structured as QSPEs, the Corporation utilizes SPEs in the ordinary course of business to support its own and its customers financing and investing needs. These SPEs are typically structured as VIEs and are thus subject to consolidation by the reporting enterprise that absorbs the majority of the economic risks and rewards of the VIE. To determine whether it must consolidate a VIE, the Corporation qualitatively analyzes the design of the VIE to identify the creators of variability within the VIE, including an assessment as to the nature of the risks that are created by the assets and other contractual arrangements of the VIE, and identifies whether it will absorb a majority of that variability.

On June 12, 2009, the FASB issued SFAS 166 and SFAS 167 which will result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Corporation s Consolidated Balance Sheet. For more information on SFAS 166 and SFAS 167, see *Note 1 Summary of Significant Accounting Principles*.

In addition to the VIEs discussed below, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in more detail in *Note 12 Short-term Borrowings and Long-term Debt* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio as described in *Note 6 Outstanding Loans and Leases.* The Corporation has also provided support to or has loss exposure resulting from its involvement with other VIEs, including certain cash funds managed within *GWIM,* as described in more detail in *Note 12 Commitments and Contingencies.*

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The table below presents the assets and liabilities of VIEs which have been consolidated on the Corporation s Consolidated Balance Sheet at September 30, 2009, total assets of consolidated VIEs at December 31, 2008, and the Corporation s maximum exposure to loss resulting from its involvement with consolidated VIEs as of September 30, 2009 and December 31, 2008. The Corporation s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation s Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements.

Consolidated VIEs

		Loan & Other				
(Dollars in millions)	Multi-Seller Conduits	Investment Vehicles	CDOs	Leveraged Lease Trusts	Other Vehicles	Total
Consolidated VIEs, September 30, 2009 [1]						
Maximum loss exposure [2]	$ 8,724	$ 8,288	$ 4,699	$ 5,815	$ 1,976	$ 29,502
Consolidated Assets [3]						
Trading account assets	$ -	$ 288	$ 2,710	$ -	$ 1,006	$ 4,004
Derivative assets	-	547	-	-	896	1,443
Available-for-sale debt securities	3,899	1,798	1,991	-	-	7,688
Held-to-maturity debt securities	2,276	-	-	-	-	2,276
Loans and leases	345	11,691	300	5,871	-	18,207
All other assets	15	2,013	-	-	199	2,227
Total	$ 6,535	$ 16,337	$ 5,001	$ 5,871	$ 2,101	$ 35,845
Consolidated Liabilities[3]						
Commercial paper and other short-term borrowings	$ 6,609	$ 700	$ -	$ -	$ 1,166	$ 8,475
All other liabilities	-	10,243	2,967	56	165	13,431
Total	$ 6,609	$ 10,943	$ 2,967	$ 56	$ 1,331	$ 21,906
Consolidated VIEs, December 31, 2008 [1]						
Maximum loss exposure [2]	$ 11,304	$ 3,189	$ 2,443	$ 5,774	$ 1,497	$ 24,207
Total assets [3]	9,368	4,449	2,443	5,829	1,631	23,720

(1) Cash flows generated by the assets of the consolidated VIEs must generally be used to settle the specific obligations of the VIEs before they are available to the Corporation for general purposes.

(2) Maximum loss exposure for consolidated VIEs includes on-balance sheet assets, net of non-recourse liabilities, plus off-balance sheet exposures. It does not include losses previously recognized through write-downs of assets.

(3) Total assets and liabilities of consolidated VIEs are reported net of intercompany balances that have been eliminated in consolidation.

At September 30, 2009, the Corporation s total maximum loss exposure to consolidated VIEs was $29.5 billion, which includes $6.8 billion attributable to the addition of Merrill Lynch, primarily loan and other investment vehicles and CDOs.

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The table below presents total assets of unconsolidated VIEs in which the Corporation holds a significant variable interest and Corporation-sponsored unconsolidated VIEs in which the Corporation holds a variable interest, even if not significant, at September 30, 2009 and December 31, 2008. The table also presents the Corporation s maximum exposure to loss resulting from its involvement with these VIEs at September 30, 2009 and December 31, 2008. The Corporation s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation s Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. Certain QSPEs, principally municipal bond trusts, in which the Corporation has continuing involvement are discussed in *Note 8 Securitizations* and are also included in the table. Assets and liabilities of unconsolidated VIEs recorded on the Corporation s Consolidated Balance Sheet at September 30, 2009 are also summarized below.

Unconsolidated VIEs

(Dollars in millions)	Multi-Seller Conduits	Loan & Other Investment Vehicles	Real Estate Investment Vehicles	Municipal Bond Trusts	CDOs	Customer Vehicles	Other Vehicles	Total
Unconsolidated VIEs, September 30, 2009 [1]								
Maximum loss exposure [2]	$ 27,380	$ 5,776	$ 4,760	$ 11,693	$ 7,778	$ 13,420	$ 1,317	$ 72,124
Total assets of VIEs	15,275	11,244	4,760	12,826	54,804	16,914	1,317	117,140
On-Balance Sheet Assets								
Trading account assets	$ -	$ 185	$ -	$ 1,611	$ 929	$ 3,282	$ -	$ 6,007
Derivative assets	-	145	-	214	2,321	5,172	53	7,905
Available-for-sale debt securities	-	-	-	-	566	-	11	577
Loans and leases	296	1,304	-	-	-	-	-	1,600
All other assets	60	4,886	4,760	-	177	-	-	9,883
Total	$ 356	$ 6,520	$ 4,760	$ 1,825	$ 3,993	$ 8,454	$ 64	$ 25,972
On-Balance Sheet Liabilities								
Derivative liabilities	$ -	$ 127	$ -	$ 281	$ 957	$ 479	$ 52	$ 1,896
All other liabilities	-	565	1,383	-	-	863	-	2,811
Total	$ -	$ 692	$ 1,383	$ 281	$ 957	$ 1,342	$ 52	$ 4,707
Unconsolidated VIEs, December 31, 2008 [1]								
Maximum loss exposure [2]	$ 42,046	$ 2,789	$ 5,696	$ 7,145	$ 2,383	$ 5,741	$ 4,170	$ 69,970
Total assets of VIEs	27,922	5,691	5,980	7,997	2,570	6,032	4,211	60,403

(1) Includes unconsolidated VIEs and certain municipal bond trusts which are QSPEs and are also included in *Note 8 Securitizations.*

(2) Maximum loss exposure for unconsolidated VIEs includes on-balance sheet assets plus off-balance sheet exposures. It does not include losses previously recognized through write-downs of assets or the establishment of derivative or other liabilities.

At September 30, 2009, the Corporation s total maximum loss exposure to unconsolidated VIEs was $72.1 billion, which includes $22.9 billion attributable to the addition of Merrill Lynch, primarily customer vehicles, municipal bond trusts and CDOs.

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

Multi-Seller Conduits

The Corporation administers four multi-seller conduits which provide a low-cost funding alternative to its customers by facilitating their access to the commercial paper market. These customers sell or otherwise transfer assets to the conduits, which in turn issue short-term commercial paper that is rated high-grade and is collateralized by the underlying assets. The Corporation receives fees for providing combinations of liquidity and standby letters of credit (SBLCs) or similar loss protection commitments to the conduits. The Corporation also receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. The Corporation s liquidity commitments are collateralized by various classes of assets which incorporate features such as overcollateralization and cash reserves that are designed to provide credit support to the conduits at a level equivalent to investment grade as determined in accordance with internal risk rating guidelines. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation.

The Corporation determines whether it must consolidate a multi-seller conduit based on an analysis of projected cash flows using Monte Carlo simulations which are driven principally by credit risk inherent in the assets of the conduits. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors. Instead, the assets of the conduits pay variable rates of interest based on the conduits funding costs. The assets of the conduits typically carry a risk rating of AAA to BBB based on the Corporation s current internal risk rating equivalent, which reflects structural enhancements of the assets, including third party insurance. Projected loss calculations are based on maximum binding commitment amounts, probability of default based on the average one year Moody s Corporate Finance transition table, and recovery rates of 90 percent, 65 percent and 45 percent for senior, mezzanine and subordinate exposures. Approximately 97 percent of commitments in the unconsolidated conduits and 69 percent of commitments in the consolidated conduit are supported by senior exposures. Certain assets funded by one of the unconsolidated conduits benefit from embedded credit enhancement provided by the Corporation. Credit risk created by these assets is deemed to be credit risk of the Corporation which is absorbed by third party investors.

The Corporation does not consolidate three conduits as it does not expect to absorb a majority of the variability created by the credit risk of the assets held in the conduits. On a combined basis, these three conduits have issued approximately $147 million of capital notes and equity interests to third parties, $142 million of which was outstanding at September 30, 2009. These instruments will absorb credit risk on a first loss basis. The Corporation consolidates the fourth conduit which has not issued capital notes or equity interests to third parties.

At September 30, 2009, the assets of the consolidated conduit, which consist primarily of debt securities, and the conduit s unfunded liquidity commitments, were mainly collateralized by $1.8 billion in credit card loans (20 percent), $1.1 billion in student loans (13 percent), $1.0 billion in auto loans (12 percent), $657 million in equipment loans (eight percent), and $578 million in trade receivables (seven percent). In addition, $3.0 billion of the Corporation s liquidity commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements will be repaid when cash flows due under the long-term contracts are received. Approximately 74 percent of this exposure is insured. At September 30, 2009, the weighted-average life of assets in the consolidated conduit was estimated to be 3.5 years and the weighted-average maturity of commercial paper issued by this conduit was 27 days. Assets of the Corporation are not available to pay creditors of the consolidated conduit except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the consolidated conduit are not available to pay creditors of the Corporation.

The Corporation s liquidity commitments to the unconsolidated conduits, all of which were unfunded at September 30, 2009, pertained to facilities that were mainly collateralized by $4.7 billion in trade receivables (19 percent), $4.2 billion in auto loans (17 percent), $3.5 billion in credit card loans (14 percent), $2.6 billion in student loans (10 percent), and $2.2 billion in equipment loans (nine percent). In addition, $6.1 billion (24 percent) of the Corporation s commitments were collateralized by the conduits short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls. At September 30, 2009, the weighted-average life of assets in the unconsolidated conduits was estimated to be 2.4 years and the weighted-average maturity of commercial paper issued by these conduits was 36 days.

The Corporation s liquidity, SBLCs and similar loss protection commitments obligate it to purchase assets from the conduits at the conduits cost. Subsequent realized losses on assets purchased from the unconsolidated conduits would be reimbursed from restricted cash accounts that were funded by the issuance of capital notes and equity interests to third party

investors. The Corporation would absorb losses in excess of such amounts. If a conduit is unable to re-issue commercial paper due to illiquidity in the commercial paper markets or deterioration in the asset portfolio, the Corporation is obligated to provide funding subject to the following limitations. The Corporation s obligation to purchase assets under the SBLCs and similar loss protection commitments are subject to a maximum commitment amount which is typically set at eight to 10 percent of total outstanding commercial paper. The Corporation s obligation to purchase assets under the liquidity agreements, which comprise the remainder of its exposure, is generally limited to the amount of non-defaulted assets. Although the SBLCs are unconditional, the Corporation is not obligated to fund under other liquidity or loss protection commitments if the conduit is the subject of a voluntary or involuntary bankruptcy proceeding.

One of the unconsolidated conduits holds CDO investments with aggregate outstanding funded amounts of $309 million and $388 million and unfunded commitments of $236 million and $162 million at September 30, 2009 and December 31, 2008. At September 30, 2009, $179 million of the conduit s total exposure pertained to an insured CDO which holds middle market loans. The underlying collateral of the remaining CDO investments includes $35 million of subprime mortgages and other investment grade securities. All of the unfunded commitments are revolving commitments to the insured CDO. During 2008 and the first nine months of 2009, these investments were downgraded or threatened with a downgrade by the rating agencies. In accordance with the terms of the Corporation s existing liquidity obligations, the conduit had transferred the funded investments to the Corporation in a transaction that was accounted for as a financing transaction due to the conduit s continuing exposure to credit losses of the investments. As a result of the transfer, the CDO investments no longer serve as collateral for commercial paper issuances.

The transfers were performed in accordance with existing contractual requirements. The Corporation did not provide support to the conduit that was not contractually required nor does it intend to provide support that is not contractually required in the future. The Corporation performs reconsideration analyses for the conduit at least quarterly, and the CDO investments are included in these analyses. The Corporation will be reimbursed for any realized credit losses on these CDO investments up to the amount of capital notes issued by the conduit which totaled $116 million at September 30, 2009 and $66 million at December 31, 2008. Any realized losses on the CDO investments that are caused by market illiquidity or changes in market rates of interest will be borne by the Corporation. The Corporation will also bear any credit-related losses in excess of the amount of capital notes issued by the conduit. The Corporation s maximum exposure to loss from the CDO investments was $429 million at September 30, 2009 and $484 million at December 31, 2008, based on the combined funded amounts and unfunded commitments less the amount of cash proceeds from the issuance of capital notes which are held in a segregated account.

There were no other significant downgrades or losses recorded in earnings from writedowns of assets held by any of the conduits during the nine months ended September 30, 2009.

The liquidity commitments and SBLCs provided to unconsolidated conduits are included in *Note 12 Commitments and Contingencies.*

Loan and Other Investment Vehicles

Loan and other investment vehicles at September 30, 2009 and December 31, 2008 include loan securitization trusts that did not meet QSPE status, loan financing arrangements, and vehicles that invest in financial assets, typically debt securities or loans. The Corporation determines whether it is the primary beneficiary of and must consolidate these investment vehicles based principally on a determination as to which party is expected to absorb a majority of the credit risk or market risk created by the assets of the vehicle. Typically, the party holding subordinated or residual interests in a vehicle will absorb a majority of the risk.

Certain loan securitization trusts were designed to meet QSPE requirements but fail to do so, typically as a result of derivatives entered into by the trusts that pertain to interests ultimately retained by the Corporation due to its inability to sell such interests as a result of illiquidity in the market. The assets have been pledged to the investors in the trusts. The Corporation consolidates these loan securitization trusts if it retains the residual interest in the trust and expects to absorb a majority of the variability in cash flows created by the loans held in the trust. Investors in consolidated loan securitization trusts have no recourse to the general credit of the Corporation as their investments are repaid solely from the assets of the vehicle.

The Corporation uses financing arrangements with SPEs administered by third parties to obtain low-cost funding for certain financial assets, principally commercial loans and debt securities. The third party SPEs, typically commercial paper conduits, hold the specified assets subject to total return swaps with the Corporation. If the assets are transferred to the third party from the Corporation, the transfer is accounted for as a secured borrowing. If the third party commercial paper

conduit issues a discrete series of commercial paper whose only source of repayment is the specified asset and the total return swap with the Corporation, thus creating a silo structure within the conduit, the Corporation consolidates that silo.

The Corporation has made investments in alternative investment funds that are considered to be VIEs because they do not have sufficient legal form equity at risk to finance their activities or the holders of the equity at risk do not have control over the activities of the vehicles. The Corporation consolidates these funds if it holds a majority of the investment in the fund. The Corporation also sponsors funds that provide a guaranteed return to investors at the maturity of the fund. This guarantee may include a guarantee of the return of an initial investment or of the initial investment plus an agreed upon return depending on the terms of the fund. Investors in certain of these funds have recourse to the Corporation to the extent that the value of the assets held by the funds at maturity is less than the guaranteed amount. The Corporation consolidates these funds if the Corporation s guarantee is expected to absorb a majority of the variability created by the assets of the fund.

Real Estate Investment Vehicles

The Corporation s investment in real estate investment vehicles at September 30, 2009 and December 31, 2008 consisted principally of limited partnership investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects.

The Corporation determines whether it must consolidate these limited partnerships based on a determination as to which party is expected to absorb a majority of the risk created by the real estate held in the vehicle, which may include construction, market and operating risk. Typically, the general partner in a limited partnership will absorb a majority of this risk due to the legal nature of the limited partnership structure, which the Corporation does not consolidate. The Corporation s risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. The Corporation is not obligated to purchase the certificates under the standby liquidity facilities if a bond s credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. The weighted-average remaining life of bonds held in the trusts at September 30, 2009 was 13.0 years. There were no material writedowns or downgrades of assets or issuers during the nine months ended September 30, 2009.

In addition to standby liquidity facilities, the Corporation also provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by the Corporation. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the Corporation will make any required payments to the holders of the floating-rate certificates. Additional information regarding these guarantees is included in *Note 12 Commitments and Contingencies*.

Some of these trusts are QSPEs and, as such, are not subject to consolidation by the Corporation. The Corporation consolidates those trusts that are not QSPEs if it holds the residual interests or otherwise expects to absorb a majority of the variability created by changes in market value of assets in the trusts and changes in market rates of interest. The Corporation does not consolidate a trust if the customer holds the residual interest and the Corporation is protected from loss in connection with its liquidity obligations. For example, the Corporation may have the ability to trigger the liquidation of a trust that is not a QSPE if the market value of the bonds held in the trust declines below a specified threshold which is designed to limit market losses to an amount that is less than the customer s residual interest, effectively preventing the Corporation from absorbing the losses incurred on the assets held within the trust.

The Corporation s liquidity commitments to unconsolidated trusts totaled $9.9 billion and $6.8 billion at September 30, 2009 and December 31, 2008. The increase is due principally to the addition of unconsolidated trusts acquired through the Merrill Lynch acquisition. Liquidity commitments to these trusts are included in *Note 12 Commitments and Contingencies*.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed income securities, typically corporate debt or asset-backed securities, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of credit default swaps to synthetically create exposure to fixed income securities. Collateralized loan obligations (CLOs) are a subset of CDOs which hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third party portfolio managers. The Corporation transfers assets to these CDOs, holds securities issued by the CDOs, and may be a derivative counterparty to the CDOs, including credit default swap counterparty for synthetic CDOs. The Corporation receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation will absorb the economic returns generated by specified assets held by the CDO. No third parties provide a significant amount of similar commitments to these CDOs.

The Corporation evaluates whether it must consolidate a CDO based principally on a determination as to which party is expected to absorb a majority of the credit risk created by the assets of the CDO. The Corporation does not typically retain a significant portion of debt securities issued by a CDO. When the Corporation structured certain CDOs, it acquired the super senior tranches issued by the CDOs or provided commitments to support the issuance of super senior commercial paper to third parties. When the CDOs were first created, the Corporation did not expect its investments or its liquidity commitments to absorb a significant amount of the variability driven by the credit risk within the CDOs and did not consolidate the CDOs. When the Corporation subsequently acquired commercial paper or term securities issued by certain CDOs during 2008 and the first nine months of 2009, principally as a result of its liquidity obligations, updated consolidation analyses were performed. Due to credit deterioration in the pools of securities held by the CDOs, the updated analyses indicated that the Corporation would now be expected to absorb a majority of the variability and, accordingly, these CDOs were consolidated. Consolidation did not have a significant impact on net income, as the Corporation s investments and liquidity obligations were recorded at fair value prior to consolidation. The creditors of the consolidated CDOs have no recourse to the general credit of the Corporation.

The September 30, 2009 balances include a portfolio of CDO-related liquidity exposures obtained in connection with the Merrill Lynch acquisition, including $2.0 billion notional amount of liquidity support provided to certain synthetic CDOs in the form of unfunded lending commitments. These commitments pertain to super senior securities which are the most senior class of securities issued by the CDOs and benefit from the subordination of all other securities issued by the CDOs. The lending commitments obligate the Corporation to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. This portfolio also includes an additional $1.4 billion notional amount of liquidity exposure to non-SPE third parties which hold super senior cash positions on the Corporation s behalf. The Corporation s net exposure to loss on these positions, after writedowns and insurance, was $67 million at September 30, 2009.

Liquidity-related commitments also include $1.7 billion notional amount of derivative contracts with unconsolidated SPEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation s behalf. These derivatives are typically in the form of total return swaps which obligate the Corporation to purchase the securities at the SPE s cost to acquire the securities, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of the Corporation s exposures are insured. Accordingly, the Corporation s exposure to loss consists principally of counterparty risk to the insurers. The $5.1 billion of liquidity exposure is included in the table on page 43 titled Unconsolidated VIEs to the extent that the Corporation s involvement with the CDO vehicle meets the requirements for disclosure under GAAP. For example, if the Corporation did not sponsor a CDO vehicle and does not hold a significant variable interest, the vehicle is not included in the table.

Including the liquidity commitments described above that meet the disclosure criteria for VIEs, the portfolio of CDO investments obtained in connection with the Merrill Lynch acquisition and included in the table on page 43 titled Unconsolidated VIEs pertain to CDO vehicles with total assets of $53.5 billion. The Corporation s maximum exposure to loss with regard to these positions is $6.4 billion. This amount is significantly less than the total assets of the CDO vehicles because the Corporation typically has exposure to only a portion of the total assets. The Corporation has also purchased credit protection from some of the same CDO vehicles in which it invested, thus reducing net exposure to future loss.

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At December 31, 2008, liquidity commitments provided to CDOs included written put options with a notional amount of $542 million. All of these written put options were terminated in the first quarter of 2009.

Leveraged Lease Trusts

The Corporation s net involvement with consolidated leveraged lease trusts totaled $5.8 billion at September 30, 2009 and December 31, 2008. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation consolidates these trusts because it holds a residual interest which is expected to absorb a majority of the variability driven by credit risk of the lessee and, in some cases, by the residual risk of the leased property. The net investment represents the Corporation s maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Customer Vehicles

Customer vehicles include credit-linked and equity-linked note vehicles, repackaging vehicles, and asset acquisition vehicles, which are typically created on behalf of customers who wish to obtain market or credit exposure to a specific company or financial instrument.

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. The Corporation does not typically consolidate the vehicles because the derivatives create variability which is absorbed by the third party investors. The Corporation is exposed to loss if the collateral held by the vehicle declines in value and is insufficient to cover the vehicle s obligation to the Corporation under the above derivatives. In addition, the Corporation has entered into total return swaps with certain vehicles through which the Corporation absorbs any gains or losses generated by the collateral held in the vehicles. The Corporation consolidates these vehicles if the variability in cash flows expected to be generated by the collateral is greater than the variability in cash flows expected to be generated by the credit or equity derivatives. At September 30, 2009, the notional amount of such derivative contracts with unconsolidated vehicles was $2.9 billion.

Repackaging vehicles are created to provide an investor with a specific risk profile. The vehicles typically hold a security and a derivative that modifies the interest rate or currency of that security, and issues one class of notes to a single investor. These vehicles are generally QSPEs and, as such, are not subject to consolidation by the Corporation.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured notes to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into a total return swap with the customer such that the economic returns of the asset are passed through to the customer. As a result, the Corporation does not consolidate the vehicles. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swap. The Corporation s risk may be mitigated by collateral or other arrangements.

Other Vehicles

Other consolidated vehicles include municipal bond trusts, asset acquisition conduits and other vehicles. Other unconsolidated vehicles include asset acquisition conduits and other corporate conduits.

The Corporation administers three asset acquisition conduits which acquire assets on behalf of the Corporation or its customers. Two of the conduits, which are unconsolidated, acquire assets at the request of customers who wish to benefit from the economic returns of the specified assets, which consist principally of liquid exchange-traded equity securities and some leveraged loans, on a leveraged basis. The consolidated conduit holds subordinated debt securities for the Corporation s benefit. The conduits obtain funding by issuing commercial paper and subordinated certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swap contracts between the Corporation and the conduits and, for unconsolidated conduits the Corporation is reimbursed through total return swap contracts with its customers. The weighted-average maturity of commercial paper issued by the conduits at September 30, 2009 was 58 days. The Corporation receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits.

The Corporation determines whether it must consolidate an asset acquisition conduit based on the design of the conduit and whether the third party investors are exposed to the Corporation s credit risk or the market risk of the assets. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors, who receive current rates of interest that are appropriate for the tenor and relative risk of their investments. When a conduit acquires assets for the benefit of the Corporation s customers, the Corporation enters into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. The Corporation s performance under the derivatives is collateralized by the underlying assets and, as such, the third party investors are exposed primarily to credit risk of the Corporation. The Corporation s exposure to the counterparty credit risk of its customers is mitigated by the aforementioned collateral arrangements and the ability to liquidate an asset held in the conduit if the customer defaults on its obligation. When a conduit acquires assets on the Corporation s behalf and the Corporation absorbs the market risk of the assets, it consolidates the conduit. Derivative activity related to unconsolidated conduits is carried at fair value with changes in fair value recorded in trading account profits (losses).

Other corporate conduits at December 31, 2008 included several commercial paper conduits which held primarily high-grade, long-term municipal, corporate, and mortgage-backed securities. During the second quarter of 2009, the Corporation was unable to remarket the conduits commercial paper and, in accordance with existing contractual arrangements, the conduits were liquidated. Due to illiquidity in the financial markets, the Corporation purchased a majority of these assets. At September 30, 2009, the Corporation holds $204 million of assets acquired from the liquidation of other corporate conduits and previous mandatory sales of assets out of the conduits. These assets are recorded on the Consolidated Balance Sheet within trading account assets.

NOTE 10 Goodwill and Intangible Assets

The following table presents goodwill at September 30, 2009 and December 31, 2008, which includes $4.8 billion of goodwill related to the acquisition of Merrill Lynch. As discussed in more detail in *Note 19 Business Segment Information*, the Corporation changed its basis of presentation from three segments to six segments effective January 1, 2009 in connection with the Merrill Lynch acquisition. As a result, the reporting units to be utilized for goodwill impairment tests will be the business segments or one level below the business segments. For more information on the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity.*

(Dollars in millions)	**September 30 2009**	December 31 2008
Deposits	**$ 17,818**	$ 17,805
Global Card Services	**22,288**	22,271
Home Loans & Insurance	**4,797**	4,797
Global Banking	**27,684**	28,409
Global Markets	**3,207**	2,080
Global Wealth & Investment Management	**10,175**	6,503
All Other	**40**	69
Total goodwill	**$ 86,009**	$ 81,934

During the quarter ended September 30, 2009, the Corporation completed its annual goodwill impairment test on reporting unit balances as of June 30, 2009 and determined that no impairment existed. In performing the first step of the annual impairment analysis, the Corporation compared the fair value of each reporting unit to its carrying amount, including goodwill. To determine fair value, the Corporation utilized a combination of a market approach and an income approach. Based on the results of the first step test, the Corporation determined that the carrying amounts of the *Home Loans & Insurance* and *Global Card Services* reporting units, including goodwill, exceeded their respective fair values. Therefore, the Corporation performed the second step of the goodwill impairment test for these reporting units as of June 30, 2009. For all other reporting units, the second step was not required as their fair value exceeded their carrying value indicating there was no impairment.

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In the second step, the Corporation compared the implied fair value of each reporting unit s goodwill with the carrying amount of that goodwill. The Corporation determined the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The Corporation estimated the fair values of the assets and liabilities of a reporting unit, consistent with the requirements of the fair value measurements accounting standard, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Based on the results of the second step test as of June 30, 2009, the Corporation determined that no goodwill impairment existed for the *Home Loans & Insurance* and *Global Card Services* reporting units.

Based on the results of the annual impairment tests and due to continued stress in the consumer lending sector, the Corporation concluded, consistent with the first and second quarter of 2009, that an additional impairment analysis should be performed for *Home Loans & Insurance* and *Global Card Services* in the third quarter of 2009. In performing the first step of the additional impairment analysis, the Corporation compared the fair value of each reporting unit to its carrying amount, including goodwill. Consistent with the annual test, the Corporation utilized a combination of the market approach and the income approach for *Home Loans & Insurance* and the income approach for *Global Card Services*. Both *Home Loans & Insurance* and *Global Card Services* failed the first step analysis (i.e., their carrying value exceeded their fair value). Therefore, the second step analysis (i.e., comparing the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill) was performed for both *Home Loans & Insurance* and *Global Card Services*. As a result of the tests, which were consistent with the results of the annual impairment tests performed as of the second quarter of 2009, no goodwill impairment was recognized for the nine months ended September 30, 2009. For more information on goodwill impairment testing, see the Goodwill and Intangible Assets section of *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

The gross carrying values and accumulated amortization related to intangible assets at September 30, 2009 and December 31, 2008 are presented below:

	September 30, 2009		**December 31, 2008**	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	**Gross Carrying Value**	**Accumulated Amortization**
Purchased credit card relationships	**$ 7,147**	**$ 3,276**	$ 7,080	$ 2,740
Core deposit intangibles	**5,294**	**3,610**	4,594	3,284
Customer relationships	**4,944**	**693**	1,104	259
Affinity relationships	**1,648**	**710**	1,638	587
Other intangibles	**3,118**	**1,147**	2,009	1,020
Total intangible assets	**$ 22,151**	**$ 9,436**	$ 16,425	$ 7,890

Amortization of intangibles expense was $510 million and $1.5 billion for the three and nine months ended September 30, 2009 compared to $464 million and $1.4 billion for the same periods in 2008. The Corporation estimates aggregate amortization expense is expected to be approximately $490 million for the fourth quarter of 2009. In addition, the Corporation estimates aggregate amortization expense will be approximately $1.8 billion, $1.6 billion, $1.4 billion, $1.3 billion and $1.0 billion for 2010 through 2014, respectively.

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NOTE 11 Long-term Debt

The following table presents long-term debt at September 30, 2009 including long-term debt associated with the acquisition of Merrill Lynch.

(Dollars in millions)	September 30 2009
Long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries	
Senior debt issued by Merrill Lynch & Co., Inc.	**$ 87,586**
Senior debt issued by subsidiaries guaranteed by Merrill Lynch & Co., Inc.	**7,391**
Senior structured notes issued by Merrill Lynch & Co., Inc.	**33,220**
Senior structured notes issued by subsidiaries guaranteed by Merrill Lynch & Co., Inc.	**17,705**
Subordinated debt issued by Merrill Lynch & Co., Inc.	**11,903**
Junior subordinated notes (related to trust preferred securities)	**3,546**
Other subsidiary financing	**3,335**
Total long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries [1]	**164,686**
Other long-term debt issued by Bank of America Corporation and subsidiaries	**291,602**
Total long-term debt	**$ 456,288**

(1) Includes $81.8 billion of fixed-rate obligations and $82.9 billion of variable-rate obligations.

The weighted-average interest rate for debt (excluding structured notes) issued by Merrill Lynch & Co., Inc. and subsidiaries was 3.69 percent as of September 30, 2009. Including the Merrill Lynch acquisition, the Corporation has aggregate annual maturities on its long-term debt obligations of $94.5 billion maturing within one year, $62.5 billion maturing in two years, $77.0 billion maturing in three years, $34.8 billion maturing in four years, $37.2 billion maturing in five years and $150.3 billion for all years thereafter. Certain structured notes acquired in connection with the acquisition of Merrill Lynch are accounted for under the fair value option. For more information on these structured notes, see *Note 16 - Fair Value Disclosures*.

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NOTE 12 Commitments and Contingencies

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

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of $32.6 billion and $46.9 billion at September 30, 2009 and December 31, 2008. At September 30, 2009, the carrying amount of these commitments, excluding commitments measured at fair value under the fair value option, was $1.6 billion, including deferred revenue of $35 million and a reserve for unfunded legally binding lending commitments of $1.6 billion. At December 31, 2008, the comparable amounts were $454 million, $33 million and $421 million. The carrying amount of these commitments is recorded in accrued expenses and other liabilities.

The table below also includes the notional value of commitments of $28.6 billion and $16.9 billion at September 30, 2009 and December 31, 2008, which are measured at fair value under the fair value option. However, the table below excludes the fair value adjustment of $1.1 billion for both periods on these commitments that was recorded in accrued expenses and other liabilities. For information regarding the Corporation s loan commitments accounted for at fair value, see *Note 16 Fair Value Disclosures.*

(Dollars in millions)	Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total
Credit extension commitments, September 30, 2009					
Loan commitments	**$ 130,320**	**$ 178,576**	**$ 40,858**	**$ 17,771**	**$ 367,525**
Home equity lines of credit	**1,864**	**2,997**	**8,549**	**82,318**	**95,728**
Standby letters of credit and financial guarantees [1]	**29,708**	**27,223**	**5,701**	**14,971**	**77,603**
Commercial letters of credit	**1,999**	**69**	**4**	**1,434**	**3,506**
Legally binding commitments [2]	**163,891**	**208,865**	**55,112**	**116,494**	**544,362**
Credit card lines [3]	**572,403**	**-**	**-**	**-**	**572,403**
Total credit extension commitments	**$ 736,294**	**$ 208,865**	**$ 55,112**	**$ 116,494**	**$ 1,116,765**
Credit extension commitments, December 31, 2008					
Loan commitments	$ 128,992	$ 120,234	$ 67,111	$ 31,200	$ 347,537
Home equity lines of credit	3,883	2,322	4,799	96,415	107,419
Standby letters of credit and financial guarantees [1]	33,350	26,090	8,328	9,812	77,580
Commercial letters of credit	2,228	29	1	1,507	3,765
Legally binding commitments [2]	168,453	148,675	80,239	138,934	536,301
Credit card lines [3]	827,350	-	-	-	827,350
Total credit extension commitments	$ 995,803	$ 148,675	$ 80,239	$ 138,934	$ 1,363,651

(1) At September 30, 2009, the notional values of SBLC and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name were $45.1 billion and $32.5 billion compared to $54.4 billion and $23.2 billion at December 31, 2008.

(2) Includes commitments to unconsolidated VIEs and certain QSPEs disclosed in *Note 9 Variable Interest Entities*, including $27.0 billion and $41.6 billion to multi-seller conduits, and $9.9 billion and $6.8 billion to municipal bond trusts at September 30, 2009 and December 31, 2008. Also includes commitments to SPEs that are not disclosed in *Note 9 Variable Interest Entities* because the Corporation does not hold a significant variable interest, including $615 million and $980 million to customer-sponsored conduits at September 30, 2009 and December 31, 2008.

(3) Includes business card unused lines of credit.

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

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Other Commitments

Global Principal Investments and Other Equity Investments

At September 30, 2009 and December 31, 2008, the Corporation had unfunded equity investment commitments of approximately $3.0 billion and $1.9 billion. These commitments generally relate to the Corporation s Global Principal Investments business which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund. Bridge equity commitments provide equity bridge financing to facilitate clients investment activities. These conditional commitments are generally retired prior to or shortly following funding via syndication or the client s decision to terminate. Where the Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there is heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At September 30, 2009, the Corporation did not have any unfunded bridge equity commitments. The Corporation had funded equity bridges of $1.2 billion that were committed prior to the market disruption. These equity bridges are considered held for investment and recorded in other assets at $214 million. During the three and nine months ended September 30, 2009, the Corporation recorded $193 million and $456 million in losses related to these investments through equity investment income.

Loan Purchases

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period, ending June 30, 2010. The Corporation purchased $4.6 billion of such loans for the nine months ended September 30, 2009 and purchased $12.0 billion of such loans in 2008 under this agreement. As of September 30, 2009, the Corporation was committed for additional purchases of $8.5 billion over the remaining term of the agreement. All loans purchased under this agreement are subject to a comprehensive set of credit criteria. This agreement is accounted for as a derivative liability which had a balance of $225 million at September 30, 2009 and $316 million at December 31, 2008.

At September 30, 2009, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $2.5 billion which upon settlement will be included in loans or loans held-for-sale.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate $800 million, $3.0 billion, $2.6 billion, $2.2 billion and $1.8 billion for the remainder of 2009 through 2013, respectively, and $9.3 billion for all years thereafter.

Other Commitments

At September 30, 2009, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $69.6 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $85.1 billion. All of these commitments expire within the next 12 months.

Beginning in the second half of 2007, the Corporation provided support to certain cash funds managed within *GWIM*. The funds for which the Corporation provided support typically invested in high quality, short-term securities with a portfolio weighted-average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and senior debt securities were downgraded by the rating agencies and experienced a decline in fair value. The Corporation entered into capital commitments, under which the Corporation provided cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. As of September 30, 2009, all outstanding commitments have been terminated. At December 31, 2008, the Corporation had gross (i.e., funded and unfunded) capital commitments to the funds of $1.0 billion. During the three and nine months ended September 30, 2009, the Corporation had losses of $132 million and $199 million related to these capital commitments compared to losses of $630 million and $886 million for the same periods in 2008.

The Corporation may from time to time, but is under no obligation to, provide additional support to certain funds. Future support, if any, may take the form of additional capital commitments to the funds or the purchase of assets from the funds.

The Corporation does not consolidate the cash funds managed within *GWIM* because the subordinated support provided by the Corporation will not absorb a majority of the variability created by the assets of the funds. In reaching this

conclusion, the Corporation considered both interest rate and credit risk. The cash funds had total assets under management of $113.7 billion and $185.9 billion at September 30, 2009 and December 31, 2008.

In connection with federal and state securities regulators, the Corporation agreed to purchase at par auction rate securities (ARS) held by certain customers. During the nine months ended September 30, 2009, the Corporation purchased a net $3.3 billion of ARS from its customers. At September 30, 2009, the Corporation s outstanding buyback commitment was $690 million.

In addition, the Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At September 30, 2009, the minimum fee commitments over the remaining life of these agreements totaled $1.8 billion.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed. In addition, investment parameters of the underlying portfolio are restricted. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At September 30, 2009 and December 31, 2008, the notional amount of these guarantees totaled $15.5 billion and $15.1 billion and the Corporation s maximum exposure related to these guarantees totaled $4.9 billion and $4.8 billion with estimated maturity dates between 2030 and 2040. As of September 30, 2009 and December 31, 2008, the Corporation has not made a payment under these products. The probability of surrender has increased due to investment manager underperformance and the deteriorating financial health of policyholders, but remains a small percentage of total notional.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed income securities and is intended to cover any shortfall in the event that plan participants continue to withdraw funds after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase high quality fixed income securities, typically government or government-backed agency securities with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At September 30, 2009 and December 31, 2008, the notional amount of these guarantees totaled $37.5 billion and $37.4 billion with estimated maturity dates between 2009 and 2014 if the exit option is exercised on all deals. As of September 30, 2009 and December 31, 2008, the Corporation has not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

Merchant Services

On June 26, 2009, the Corporation contributed its merchant processing business to a joint venture in exchange for a 46.5 percent ownership interest in the joint venture. The Corporation will indemnify the joint venture for any losses resulting from transactions processed through June 26, 2009 on the contributed merchant portfolio.

The Corporation, on behalf of the joint venture, provides credit and debit card processing services to various merchants by processing credit and debit card transactions on the merchants behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder s favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or

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service to present a chargeback to the joint venture as the merchant processor. If the joint venture is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three and nine months ended September 30, 2009, the Corporation processed $81.9 billion and $236.3 billion of transactions and recorded chargebacks of $7 million and $21 million. The joint venture is primarily liable for any losses on transactions from the contributed portfolio that occur after June 26, 2009. However, if the joint venture fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation could be held liable for the disputed amount. For the three and nine months ended September 30, 2008, the Corporation processed $95.7 billion and $279.0 billion of transactions and recorded losses as a result of chargebacks of $5 million and $15 million.

At September 30, 2009, the Corporation, on behalf of the joint venture, held as collateral $28 million of merchant escrow deposits which may be used to offset against amounts due from the individual merchants. At December 31, 2008, the Corporation held as collateral $38 million of merchant escrow deposits. The joint venture also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of September 30, 2009 and December 31, 2008, the maximum potential exposure totaled approximately $124.3 billion and $147.1 billion. The Corporation does not expect to make material payments in connection with these guarantees.

Brokerage Business

For a portion of the Corporation s brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation s clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in its issuing margin to the Corporation s clients. The maximum potential future payment under this indemnification was $660 million and $577 million at September 30, 2009 and December 31, 2008. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and SPEs that are not consolidated on the Corporation s Consolidated Balance Sheet. At September 30, 2009, the total notional amount of these derivative contracts was approximately $3.8 billion with commercial banks and $4.6 billion with SPEs. The underlying securities are senior securities and substantially all of the Corporation s exposures are insured. Accordingly, the Corporation s exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation also sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are recorded as derivatives and marked to market in the trading portfolio. At September 30, 2009 and December 31, 2008, the notional amount of these guarantees totaled $2.6 billion and $1.3 billion. These guarantees have various maturities ranging from two to five years. At September 30, 2009 and December 31, 2008, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $7.2

billion and $7.3 billion at September 30, 2009 and December 31, 2008. The estimated maturity dates of these obligations are between 2009 and 2033. The Corporation has made no material payments under these guarantees.

For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see *Note 8 Securitizations.*

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009 and in *Note 12 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009.

Adelphia Communications Corporation

Trial is now scheduled for April 8, 2010.

Auction Rate Securities (ARS) Claims

On September 9, 2009, the defendants filed a motion to dismiss the consolidated complaint in *Bondar v. Bank of America Corporation.*

Additional arbitrations and individual lawsuits have been filed against the Corporation, Bank of America, N.A. (BANA), Banc of America Securities LLC (BAS), Banc of America Investment Services, Inc. (BAI), Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S), Merrill Lynch and Merrill Lynch International, by parties who purchased auction rate securities. Plaintiffs in these and the previously disclosed cases, all of which assert substantially the same types of claims, seek compensatory damages totaling in excess of $2.3 billion, rescission and, in some cases, punitive damages, among other relief.

Countrywide Bond Insurance Litigation

On August 24, 2009, MBIA Insurance Corporation filed an amended complaint in the action in New York Supreme Court, entitled *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.,* which includes allegations regarding five additional securitizations, and adds the Corporation and Countrywide Home Loans Servicing, LP as defendants.

Countrywide Equity and Debt Securities Matters

Motions for class certification are pending in *Argent* and *In re Countrywide Financial Corp. Securities Litigation*. Trial is scheduled for June 2010 and August 2010, respectively.

Countrywide Mortgage-Backed Securities Litigation

On August 24, 2009, the plaintiffs in *Luther* filed a complaint in the U.S. District Court for the Central District of California seeking a declaratory judgment that the California state court has subject matter jurisdiction over their claims. The District Court dismissed the declaratory judgment action. Plaintiffs have filed a motion to vacate the stay of the state court proceeding with the California state court.

On October 13, 2009, the Federal Home Loan Bank of Pittsburgh filed a complaint entitled *Federal Home Loan Bank of Pittsburgh v. Countrywide Securities Corporation et al.*, in the Court of Common Pleas of Allegheny County Pennsylvania against Countrywide, Countrywide Securities Corporation, Countrywide Home Loans, Inc., CWALT, Inc. and CWMBS, Inc., among other defendants, alleging violations of the Securities Act of 1933 and the Pennsylvania Securities Act of 1972, as well as fraud and negligent misrepresentation under Pennsylvania

common law in connection with the offering of various mortgage-backed securities. The complaint seeks unspecified damages and rescission, among other relief.

IndyMac

On July 29, 2009, *Police & Fire Retirement System of the City of Detroit v. IndyMac MBS, Inc., et al.* and *Wyoming State Treasurer, et al. v. John Olinski, et al.*, were consolidated by the U.S. District Court for the Southern District of New York and a consolidated amended complaint was filed on October 9, 2009. Prior to the consolidation of these matters, the *IBEW Local 103 v. Indymac MBS et al.* case was voluntarily dismissed by plaintiffs and its allegations and claims are incorporated into the consolidated amended complaint.

In re Initial Public Offering Securities Litigation

On October 5, 2009, the U.S. District Court for the Southern District of New York granted final approval of the settlement. Certain objectors to the settlement have filed an appeal of the District Court s certification of the settlement class to the U.S. Court of Appeals for the Second Circuit.

Lehman Setoff Litigation

Lehman Brothers Holdings, Inc. (LBHI) voluntarily dismissed its counterclaims against Bank of America Trust and Banking Corporation (Cayman) Limited on July 23, 2009, but BANA remains a defendant on the counterclaims. On September 14, 2009, LBHI and Lehman Brothers Special Financing, Inc., on the one hand, and BANA, on the other hand, submitted cross-motions for summary judgment.

Lyondell Litigation

The U.S. Bankruptcy Court for the Southern District of New York has bifurcated the adversary proceeding to allow for the adjudication of certain of the fraudulent transfer and avoidance claims (the Phase I Claims) of the Official Committee of Unsecured Creditors of Lyondell Chemical Company and affiliates on an expedited basis. On August 26, 2009, MLPF&S and Merrill Lynch Capital Corporation moved to dismiss the Phase I Claims. Trial of these claims is set to begin on December 1, 2009. The Court has stayed all other claims pending a ruling on the Phase I Claims.

On October 1, 2009, a second adversary proceeding, *The Wilmington Trust Co. v. LyondellBasell Industries AF S.C.A., et al.*, was filed in the U.S. Bankruptcy Court for the Southern District of New York. This adversary proceeding, in which MLPF&S, Merrill Lynch Capital Corporation and Merrill Lynch International Bank Limited along with more than seventy other entities are named defendants, was filed by The Wilmington Trust Company as Successor Trustee for holders of certain Lyondell Senior Notes due 2015, and asserts causes of action for declaratory judgment, breach of contract, and equitable subordination. The declaratory judgment action alleges that the 2007 leveraged buyout of Lyondell violated a 2005 Intercreditor Agreement executed in connection with the August 2005 issuance of the Senior Notes and asks the Court to declare the 2007 Intercreditor Agreement, and specifically the debt priority provisions contained therein, null and void. The breach of contract action seeks unspecified damages. The equitable subordination action seeks to subordinate the defendants bankruptcy claims to the claims of the holders of the Senior Notes.

Merrill Lynch Merger-Related Matters

On October 12, 2009, the Delaware Court of Chancery denied defendants motion to dismiss the consolidated derivative complaint.

On September 14, 2009, the U.S. District Court for the Southern District of New York declined to approve the proposed consent judgment agreed to by the Corporation in an action filed by the Securities and Exchange Commission (SEC) relating to allegations that the joint proxy statement filed in connection with the proposed merger with Merrill Lynch on November 3, 2008 misrepresented that Merrill Lynch was prohibited from paying discretionary incentive compensation to its employees prior to the completion of the merger. On September 22, 2009, the District Court issued an order approving a joint Case Management Plan that schedules the case for trial beginning on March 1, 2010. On October 9, 2009, the Corporation s Board of Directors approved the waiver of the Corporation s attorney-client and attorney work product privileges as to certain subject matters under investigation by the U.S. Congress, and federal and state regulatory authorities. On October 14, 2009, the District Court approved a disclosure agreement and protective order concerning certain terms on which the Corporation will produce privileged information to the parties designated in the order. The SEC s inquiry relating to the Corporation s acquisition of Merrill Lynch is ongoing.

On September 25, 2009, plaintiffs in the securities actions consolidated in the U.S. District Court for the Southern District of New York under the caption *In re Bank of America Securities, Derivative, and Employment Retirement Income*

Security Act (ERISA) Litigation filed a consolidated amended class action complaint. The amended complaint is brought on behalf of a purported class, which consists of purchasers of the Corporation s common and preferred securities between September 15, 2008 and January 21, 2009, holders of the Corporation s common stock or Series B Preferred Stock as of October 10, 2008 and purchasers of the Corporation s common stock issued in the offering that occurred on or about October 7, 2008, and names as defendants the Corporation, Merrill Lynch and certain of their present or former directors, officers and affiliates. The amended complaint alleges violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder, based on, among other things, alleged false statements and omissions related to (i) the financial condition and 2008 fourth quarter losses experienced by the Corporation and Merrill Lynch; (ii) due diligence conducted in connection with the merger; (iii) bonus payments to Merrill Lynch employees; and (iv) the Corporation s contacts with government officials regarding the Corporation s consideration of invoking the material adverse change clause in the merger agreement and the possibility of obtaining additional assistance. The amended complaint also alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 based on, among other things, alleged false statements and omissions related to bonus payments to Merrill Lynch employees and the benefits and impact of the merger on the Corporation. The amended complaint seeks unspecified damages and other relief.

On October 9, 2009, plaintiffs in the derivative actions consolidated in the U.S. District Court for the Southern District of New York under the caption *In re Bank of America Securities, Derivative, and Employment Retirement Income Security Act (ERISA) Litigation* filed a consolidated amended derivative and class action complaint. The amended complaint names as defendants certain of the Corporation s present or former directors, officers and financial advisors, and certain of Merrill Lynch s present or former directors and officers. The amended complaint alleges, among other things, that: (i) certain of the Corporation s officers breached fiduciary duties by conducting an inadequate due diligence process surrounding the Corporation s acquisition of Merrill Lynch, failing to make adequate disclosures regarding Merrill Lynch s 2008 fourth quarter losses and the agreement to permit Merrill Lynch to pay bonuses, and failing to invoke the material adverse change clause or otherwise renegotiate the merger; (ii) certain of the Corporation s officers and certain Merrill Lynch officers received incentive compensation that was inappropriate in view of the work performed and the results achieved and, therefore, should return unearned compensation; (iii) certain of the Corporation s officers and directors exposed the Corporation to significant liability under state and federal law and should be held responsible to the Corporation for contribution; (iv) certain Merrill Lynch officers and directors and certain financial advisors to the Corporation aided and abetted breaches of fiduciary duties by causing and/or assisting with the consummation of the merger; and (v) defendants violated Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by allegedly making material misrepresentations and/or material omissions in the proxy statement for the merger and related materials and failing to update those materials to reflect Merrill Lynch s 2008 fourth quarter losses. The amended complaint also purports to bring a direct class action claim alleging violations of the duty of full disclosure and complete candor by failing to correct or update disclosures made in the proxy statement for the merger and for concealing the agreement authorizing Merrill Lynch to pay bonuses. The direct claim is purportedly brought on behalf of all persons who owned shares of the Corporation s common stock as of October 10, 2008. The amended complaint seeks an unspecified amount of monetary damages, equitable remedies, and other relief.

On October 9, 2009, plaintiffs in the ERISA actions consolidated in the U.S. District Court for the Southern District of New York under the caption *In re Bank of America Securities, Derivative, and Employment Retirement Income Security Act (ERISA) Litigation* filed a consolidated amended class action complaint. The amended complaint is brought on behalf of a purported class that consists of participants in the Corporation s 401(k) Plan, the Corporation s 401(k) Plan for Legacy Companies, the Countrywide Financial Corporation 401(k) Plan (collectively the 401(k) Plans), and the Corporation s Pension Plan. The amended complaint names as defendants the Corporation, the Corporation s Corporate Benefits Committee, the Compensation and Benefits Committee of the Corporation s Board of Directors and certain of its present or former directors and officers. The amended complaint alleges violations of ERISA, based on, among other things, (i) an alleged failure to prudently and loyally manage the 401(k) Plans and Pension Plan by continuing to offer the Corporation s common stock as an investment option or measure for participant contributions; (ii) an alleged failure to monitor the fiduciaries of the 401(k) Plans and Pension Plan; (iii) an alleged failure to provide complete and accurate information for the 401(k) Plans and Pension Plan participants with respect to the Merrill Lynch and Countrywide acquisitions and related matters; and (iv) alleged co-fiduciary liability for these purported fiduciary breaches. The amended complaint seeks an unspecified amount of monetary damages, equitable remedies, and other relief.

Merrill Lynch Subprime-Related Matters

In Re Merrill Lynch & Co., Inc. Securities, Derivative and ERISA Litigation

On August 25, 2009, the U.S. District Court for the Southern District of New York granted final approval of the settlement of the ERISA Action.

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Louisiana Sheriffs Pension & Relief Fund v. Conway, et al.

On August 25, 2009, the U.S. District Court for the Southern District of New York granted preliminary approval of the settlement.

Parmalat Finanziaria S.p.A.

Proceedings in the United States

On September 18, 2009, the U.S. District Court for the Southern District of New York granted the Corporation s Request for Entry of a Contribution Bar Order in the case entitled *Dr. Enrico Bondi, Extraordinary Commissioner of Parmalat Finanziaria, S.p.A., et al. v. Bank of America Corporation, et al.* and the settlement is now final.

On November 23, 2005, the Official Liquidators of Food Holdings Limited and Dairy Holdings Limited, two entities in liquidation proceedings in the Cayman Islands, filed a complaint in the U.S. District Court for the Southern District of New York against the Corporation and several related entities, entitled *Food Holdings Ltd, et al. v. Bank of America Corp., et al.* (the Food Holdings Action). The complaint in the Food Holdings Action alleges that the Corporation and other defendants conspired with Parmalat Finanziaria S.p.A. (Parmalat) in carrying out transactions involving the plaintiffs in connection with the funding of Parmalat s Brazilian entities, and asserts claims for fraud, negligent misrepresentation, breach of fiduciary duty and other related claims. The complaint seeks damages in excess of $400 million in compensatory damages and interest, among other relief. A bench trial was held the week of September 14, 2009, and a decision from the District Court is pending.

Short Term Interest Rate Trading (STIRT) Matter

On October 22, 2009, Merrill Lynch International Bank Limited reached a settlement of the matter with the Irish Financial Regulator that resulted in payment of a fine that was not material to the Corporation.

NOTE 13 - Shareholders Equity and Earnings Per Common Share

Common Stock

In January 2009, the Corporation issued 1.4 billion shares of common stock in connection with its acquisition of Merrill Lynch. For additional information regarding the Merrill Lynch acquisition, see *Note 2 - Merger and Restructuring Activity*. In addition, during the first quarter of 2009, the Corporation issued warrants to purchase approximately 199.1 million shares of common stock in connection with preferred stock issuances to the U.S. government. For more information, see the following preferred stock discussion. During the second quarter of 2009, the Corporation issued 1.25 billion shares of its common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion.

The Corporation may repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions through the Corporation s approved repurchase program. For the nine months ended September 30, 2009, the Corporation did not repurchase any shares of common stock and issued approximately 7.5 million shares under employee stock plans. As of September 30, 2009, 1.2 billion of unissued common shares have been reserved for future issuances.

In October 2009, the Board declared a fourth quarter cash dividend on common stock of $0.01 per share, payable on December 24, 2009 to common shareholders of record on December 4, 2009. In July 2009, the Board declared a third quarter cash dividend on common stock of $0.01 per share, which was paid on September 25, 2009 to common shareholders of record on September 4, 2009. In April 2009, the Board declared a second quarter cash dividend of $0.01 per common share which was paid on June 26, 2009 to common shareholders of record on June 5, 2009. In January 2009, the Board declared a first quarter cash dividend of $0.01 per common share which was paid on March 27, 2009 to common

shareholders of record on March 6, 2009.

Preferred Stock

In the second quarter of 2009, the Corporation entered into agreements with certain holders of non-government perpetual preferred shares to exchange their holdings of approximately $7.3 billion aggregate liquidation preference of perpetual preferred stock for approximately 545 million shares of common stock. In addition, the Corporation exchanged approximately $3.9 billion aggregate liquidation preference of non-government preferred stock for approximately 200 million shares of common stock in an exchange offer. In total, these exchanges resulted in the exchange of approximately $11.3 billion aggregate liquidation preference of preferred stock into approximately 745 million shares of common stock. The table below provides further details on the non-convertible perpetual preferred stock exchanges.

(Dollars in millions, actual shares) Series	Preferred Shares Exchanged	Carrying Value [(1)]	Common Shares Issued	Fair Value of Stock Issued
Negotiated exchanges				
Series K	173,298	$ 4,332	328,193,964	$ 3,635
Series M	102,643	2,566	192,970,068	2,178
Series 4	7,024	211	11,642,232	131
Series D	6,566	164	10,104,798	114
Series 7	33,404	33	2,069,047	23
Total negotiated exchanges	322,935	$ 7,306	544,980,109	$ 6,081
Exchange offer				
Series E	61,509	$ 1,538	78,670,451	$ 1,003
Series 5	29,810	894	45,753,525	583
Series 1	16,139	484	22,866,796	292
Series 2	19,453	584	27,562,975	351
Series 3	4,664	140	7,490,194	95
Series I	7,416	185	10,215,305	130
Series J	2,289	57	3,378,098	43
Series H	2,517	63	4,062,655	52
Total exchange offer	143,797	$ 3,945	199,999,999	$ 2,549
Total preferred exchanges	466,732	$ 11,251	744,980,108	$ 8,630

(1) Amounts shown before third party issuance costs.

In addition to the exchanges detailed in the table above, in the second quarter of 2009, the Corporation entered into agreements to exchange 3.6 million shares, or $3.6 billion aggregate liquidation preference of Series L 7.25% Non-Cumulative Perpetual Convertible preferred shares into 255 million shares of common stock valued at $2.8 billion, which was accounted for as an induced conversion of preferred stock.

During the second quarter of 2009, the Corporation recorded an increase to retained earnings and net income available to common shareholders of $576 million related to these exchanges. This represents the net of a $2.6 billion benefit due to the excess of the carrying value of the

Corporation s non-convertible preferred stock over the fair value of the common stock exchanged, partially offset by a $2.0 billion inducement to convertible preferred shareholders. The inducement represented the excess of the fair value of the common stock exchanged, which was accounted for as an induced conversion of convertible preferred stock, over the fair value of the common stock that would have been issued under the original conversion terms.

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The following table presents a summary of preferred stock previously issued by the Corporation and remaining outstanding (including the series of preferred stock issued and remaining outstanding in connection with the acquisition of Merrill Lynch), after consideration of the exchanges discussed above. All outstanding preferred stock of the Corporation has preference over the Corporation s common stock with respect to the payment of dividends and distribution of the Corporation s assets in the event of a liquidation or dissolution. For additional information regarding the acquisition of Merrill Lynch, see *Note 2 Merger and Restructuring Activity*. For additional information on the Corporation s preferred stock, see *Note 14 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

In connection with the Merrill Lynch acquisition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially similar terms. Merrill Lynch convertible preferred stock remains outstanding and is now convertible into Bank of America common stock at an exchange ratio equivalent to the exchange ratio for Merrill Lynch common stock in connection with the acquisition.

Preferred Stock Summary

(Dollars in millions, except as noted)

Series	Description	Initial Issuance Date	Total Shares Outstanding	Liquidation Preference per Share (in dollars)	Carrying Value (1)	Per Annum Dividend Rate	Redemption Period
Series B	7% Cumulative Redeemable	January 1998	7,571	$ 100	$ 1	7.00%	n/a
Series D (2)	6.204% Non-Cumulative	September 2006	26,434	25,000	661	6.204%	On or after September 14, 2011
Series E (2)	Floating Rate Non-Cumulative	November 2006	19,491	25,000	487	Annual rate equal to the greater of (a) 3-mo. LIBOR + 35 bps and (b) 4.00%	On or after November 15, 2011
Series H (2)	8.20% Non-Cumulative	May 2008	114,483	25,000	2,862	8.20%	On or after May 1, 2013
Series I (2)	6.625% Non-Cumulative	September 2007	14,584	25,000	365	6.625%	On or after October 1, 2017
Series J (2)	7.25% Non-Cumulative	November 2007	39,111	25,000	978	7.25%	On or after November 1, 2012
Series K (2)	Fixed-to-Floating Rate	January	66,702	25,000	1,668	8.00% through 1/29/18; 3-mo.	On or after

	Non-Cumulative	2008				LIBOR + 363 bps thereafter	January 30, 2018
Series L	7.25% Non-Cumulative Perpetual Convertible	January 2008	3,349,321	1,000	3,349	7.25%	n/a
Series M [2]	Fixed-to-Floating Rate Non-Cumulative	April 2008	57,357	25,000	1,434	8.125% through 5/14/18; 3-mo. LIBOR + 364 bps thereafter	On or after May 15, 2018
Series N [3]	Fixed Rate Cumulative Perpetual	October 2008	600,000	25,000	13,775	5.00% through 11/14/13; 9.00% thereafter	On or after November 15, 2011
Series Q [3]	Fixed Rate Cumulative Perpetual	January 2009	400,000	25,000	9,146	5.00% through 2/14/14; 9.00% thereafter	On or after February 15, 2012
Series R [3]	Fixed Rate Cumulative Perpetual	January 2009	800,000	25,000	17,956	8.00%	After redemption of Series N and Series Q

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Preferred Stock Summary (continued)

(Dollars in millions, except as noted)

Merrill Lynch Series	Description	Initial Issuance Date	Total Shares Outstanding	Liquidation Preference per Share (in dollars)	Carrying Value [1]	Per Annum Dividend Rate	Redemption Period
Series 1 [2, 4, 5]	Floating Rate Non-Cumulative	November 2004	4,861	$ 30,000	$ 146	3-mo LIBOR + 75 bps [6]	On or after November 28, 2009
Series 2 [2, 4, 5]	Floating Rate Non-Cumulative	March 2005	17,547	30,000	526	3-mo LIBOR + 65 bps [6]	On or after November 28, 2009
Series 3 [2, 4, 5]	6.375% Non-Cumulative	November 2005	22,336	30,000	670	6.375%	On or after November 28, 2010
Series 4 [2, 4, 5]	Floating Rate Non-Cumulative	November 2005	12,976	30,000	389	3-mo LIBOR + 75 bps [7]	On or after November 28, 2010
Series 5 [2, 4, 5]	Floating Rate Non-Cumulative	March 2007	20,190	30,000	606	3-mo LIBOR + 50 bps [7]	On or after May 21, 2012
Series 6 [2, 4, 8]	6.70% Non-Cumulative Perpetual	September 2007	65,000	1,000	65	6.70%	On or after February 03, 2009
Series 7 [2, 4, 8]	6.25% Non-Cumulative Perpetual	September 2007	16,596	1,000	17	6.25%	On or after March 18, 2010
Series 8 [2, 4, 5]	8.625% Non-Cumulative	April 2008	89,100	30,000	2,673	8.625%	On or after May 28, 2013
Series 2 (MC) [2, 9]	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	12,000	100,000	1,200	9.00%	On October 15, 2010
Series 3 (MC) [2, 9]	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	5,000	100,000	500	9.00%	On October 15, 2010

Total	5,760,660	59,474

(1) Amounts shown before third party issuance costs and other Merrill Lynch related adjustments of $634 million.

(2) The Corporation may redeem series of preferred stock on or after the redemption date, in whole or in part, at its option, at the liquidation preference plus declared and unpaid dividends.

(3) Subject to the approval of federal banking regulators, the Series N Preferred Stock may be redeemed on or after November 15, 2011, the Series Q Preferred Stock may be redeemed on or after February 15, 2012, and the Series R Preferred Stock may be redeemed after the Series N Preferred Stock and the Series Q Preferred Stock have been redeemed. Subject to the approval of federal banking regulators, the Series N Preferred Stock may be redeemed before November 15, 2011 with net proceeds from a specified amount of qualified equity offerings (which is defined generally as a sale or issuance of common or perpetual preferred stock to third parties that qualifies as Tier 1 Capital), and, if the Series N Preferred Stock has been redeemed, the Series Q Preferred Stock may be redeemed before February 15, 2012 with net proceeds from a specified amount of qualified equity offerings. Notwithstanding the foregoing, pursuant to the American Recovery and Reinvestment Act of 2009, the Emergency Economic Stabilization Act of 2008 was amended to add a new Section 111(g), which would allow the Corporation to redeem the Series N, the Series Q or the Series R Preferred Stock at any time, subject to approval of the appropriate federal banking agency, without raising additional cash proceeds from qualified equity offerings or without regard to waiting periods.

(4) Series of preferred stock are not convertible and have general voting rights.

(5) Ownership is held in the form of depositary shares, each representing a 1/1200th interest in a share of preferred stock, paying a quarterly cash dividend.

(6) Subject to 3.00% minimum rate per annum.

(7) Subject to 4.00% minimum rate per annum.

(8) Ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of preferred stock, paying a quarterly cash dividend.

(9) Represents shares outstanding of Merrill Lynch & Co., Inc. Each share of Mandatory Convertible Preferred Stock Series 2 and Series 3 will be converted on October 15, 2010 into a maximum of 2,605 and 3,820 shares of the Corporation s common stock plus cash in lieu of fractional shares and are optionally convertible prior to that time into 2,227 and 3,265 shares.

In January 2009, in connection with the TARP Capital Purchase Program and the Merrill Lynch acquisition, the Corporation issued 400 thousand shares of Series Q Preferred Stock and related warrants to purchase common stock of the Corporation for cash proceeds of $10.0 billion of which $9.0 billion was allocated to preferred stock and $1.0 billion to the warrants on a relative fair value basis. Also in January 2009, the U.S. government agreed to assist in the Merrill Lynch acquisition by making a further investment in the Corporation of 800 thousand shares of Series R Preferred Stock and related warrants to purchase common stock of the Corporation for cash proceeds of $20.0 billion of which $17.8 billion was allocated to preferred stock and $2.2 billion to the warrants on a relative fair value basis. The discount on the Series Q and R Preferred Stock is being accreted and recognized in retained earnings as a non-cash dividend which impacts diluted EPS, with a corresponding increase in the carrying value of the preferred stock, over a period of five years and 10 years. The Corporation utilized a Black-Scholes option model to fair value the stock warrants. The key assumptions used to determine the fair value of the warrants included volatility of 51.66 percent and 54.79 percent and a spot price equal to the exercise price of $30.79 and $13.30 for Series Q and Series R Preferred Stock. In addition, the Corporation assumed that the warrants for both series of preferred stock had a dividend yield of zero.

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During the first, second and third quarters of 2009, the aggregate dividends on preferred stock declared were $1.0 billion, $1.2 billion, and $1.1 billion, respectively, including $145 million, $144 million, and $123 million, respectively, related to preferred stock issued or remaining outstanding as a part of the Merrill Lynch acquisition.

Accumulated OCI

The following table presents the changes in accumulated OCI for the nine months ended September 30, 2009 and 2008, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities [1]	Available-for-Sale Marketable Equity Securities	Derivatives [2]	Employee Benefit Plans[3]	Foreign Currency [4]	Total
Balance, December 31, 2008	**$ (5,956)**	**$ 3,935**	**$ (3,458)**	**$ (4,642)**	**$ (704)**	**$ (10,825)**
Cumulative adjustment for accounting change - OTTI [5]	**(71)**	**-**	**-**	**-**	**-**	**(71)**
Net change in fair value recorded in accumulated OCI	**6,146**	**2,112**	**108**	**161**	**26**	**8,553**
Net realized (gains) losses reclassified into earnings [6, 7]	**(715)**	**(4,433)**	**613**	**173**	**-**	**(4,362)**
Balance, September 30, 2009	**$ (596)**	**$ 1,614**	**$ (2,737)**	**$ (4,308)**	**$ (678)**	**$ (6,705)**
Balance, December 31, 2007	$ (1,880)	$ 8,416	$ (4,402)	$ (1,301)	$ 296	$ 1,129
Net change in fair value recorded in accumulated OCI	(5,964)	(2,441)	(95)	-	(242)	(8,742)
Net realized losses reclassified into earnings [6]	1,145	206	580	35	-	1,966
Balance, September 30, 2008	$ (6,699)	$ 6,181	$ (3,917)	$ (1,266)	$ 54	$ (5,647)

(1) The nine months ended September 30, 2009 includes $267 million of net loss in fair value recorded in accumulated OCI and $201 million of realized losses reclassified into earnings on debt securities in which other-than-temporary impairment has been recognized and a portion of the unrealized loss remains in OCI. The September 30, 2009 ending balance includes $66 million of unrealized losses in which other-than-temporary impairment has been recognized.

(2) The amounts included in accumulated OCI for terminated interest rate derivative contracts were losses of $2.6 billion and $3.8 billion, net-of-tax, at September 30, 2009 and 2008.

(3) Net change in fair value represents after-tax adjustments based on the 2008 final year-end actuarial valuations.

(4) The net change in fair value recorded in accumulated OCI represents the after-tax fair value adjustments associated with the Corporation s foreign currency translation on its net investment in consolidated foreign operations offset by the related foreign currency exchange hedging results.

(5) Effective January 1, 2009, the Corporation adopted new accounting guidance impacting the recognition of other-than-temporary impairment charges on debt securities. For additional information on the adoption of this accounting pronouncement, see *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities*.

(6) Included in this line item are amounts related to derivatives used in cash flow hedge relationships. These amounts are reclassified into earnings in the same period or periods during which the hedged forecasted transactions affect earnings. This line item also includes (gains) losses on AFS debt and marketable equity securities and impairment charges. These amounts are reclassified into earnings upon sale of the related security or when the other-than-temporary impairment charge is recognized in earnings.

(7) Accumulated OCI related to AFS marketable equity securities was reduced by a $4.7 billion gain, net-of-tax, being reclassified from accumulated OCI into earnings on the Corporation s sale of 19.1 billion common shares of its initial investment in CCB.

Earnings Per Common Share

On January 1, 2009, the Corporation adopted new accounting guidance impacting EPS which defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that are included in computing EPS using the two-class method. Prior period EPS amounts have been reclassified to conform to current period presentation. For additional information on this accounting pronouncement, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

The two-class method is an earnings allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. Earnings per common share is calculated by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period.

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For the three and nine months ended September 30, 2009, average options to purchase 311 million and 318 million shares of common stock were outstanding but not included in the computation of earnings per common share because they were antidilutive compared to 211 million and 176 million for the same periods in 2008. For the three and nine months ended September 30, 2009, 117 million and 157 million average dilutive potential common shares associated with the convertible Series L and Mandatory Convertible Preferred Stock Series 2 and Series 3 were excluded from the diluted share count because the result would have been antidilutive under the if-converted method compared to 138 million and 124 million for the same periods in 2008. The calculation of earnings per common share and diluted earnings per common share for the three and nine months ended September 30, 2009 and 2008 is presented below.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	**2009**	2008
Earnings (loss) per common share				
Net income (loss)	**$ (1,001)**	$ 1,177	**$ 6,470**	$ 5,797
Preferred stock dividends	**(1,240)**	(473)	**(3,478)**	(849)
Net income (loss) applicable to common shareholders [1]	**$ (2,241)**	$ 704	**$ 2,992**	$ 4,948
Income (loss) allocated to participating securities	**(1)**	(19)	**(60)**	(59)
Net income (loss) allocated to common shareholders	**$ (2,242)**	$ 685	**$ 2,932**	$ 4,889
Average common shares issued and outstanding	**8,633,834**	4,543,963	**7,423,341**	4,469,517
Earnings (loss) per common share	**$ (0.26)**	$ 0.15	**$ 0.39**	$ 1.09
Diluted earnings (loss) per common share				
Net income (loss) applicable to common shareholders [1]	**$ (2,241)**	$ 704	**$ 2,992**	$ 4,948
Income (loss) allocated to participating securities	**(1)**	(19)	**(60)**	(59)
Net income (loss) allocated to common shareholders	**$ (2,242)**	$ 685	**$ 2,932**	$ 4,889
Average common shares issued and outstanding	**8,633,834**	4,543,963	**7,423,341**	4,469,517
Dilutive potential common shares [2, 3]	**-**	3,615	**26,570**	8,477
Total diluted average common shares issued and outstanding	**8,633,834**	4,547,578	**7,449,911**	4,477,994
Diluted earnings (loss) per common share	**$ (0.26)**	$ 0.15	**$ 0.39**	$ 1.09

(1) For the nine months ended September 30, 2009, the Corporation recorded an increase to retained earnings and net income available to common shareholders of $576 million related to the Corporation s preferred stock exchange for common stock.

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

(3) Due to a net loss for the three months ended September 30, 2009, no dilutive potential common shares were included in the calculations of diluted EPS because they would have been antidilutive.

NOTE 14 Pension, Postretirement and Other Employee Plans

The Corporation sponsors noncontributory trusteed qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The plans provide defined benefits based on an employee s compensation and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, generally based on years of service. For account balances based on compensation credits prior to January 1, 2008, the Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a periodic basis subject to the provisions of the Pension Plan. For account balances based on compensation credits subsequent to December 31, 2007, the account balance earnings rate is based on a benchmark rate. For eligible employees in the Pension Plan on or after January 1, 2008, the benefits become vested upon completion of three years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by ERISA. A detailed discussion of these plans is presented in *Note 16 Employee Benefit Plans* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations related to the plans of Merrill Lynch. These plans include a terminated U.S. pension plan, non-U.S. pension plans, and other postretirement plans. The non-U.S. pension plans vary based on the country and local practices.

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In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from, actual experience and investment performance of the annuity assets. The Corporation has contributed approximately $120 million toward this agreement during the nine months ended September 30, 2009. Additional contributions may be required under the supplemental agreement.

Net periodic benefit cost (income) of the Corporation s plans for the three and nine months ended September 30, 2009 and 2008 included the following components:

	Three Months Ended September 30					
	Qualified Pension Plans		Nonqualified and Other Pension Plans [1]		Postretirement Health and Life Plans	
(Dollars in millions)	**2009**	2008	**2009** [2]	2008	**2009** [2]	2008
Components of net periodic benefit cost (income)						
Service cost	**$ 97**	$ 92	**$ 7**	$ 2	**$ 4**	$ 4
Interest cost	**185**	213	**59**	20	**23**	22
Expected return on plan assets	**(308)**	(364)	**(54)**	-	**(2)**	(3)
Amortization of transition obligation	**-**	-	**-**	-	**8**	8
Amortization of prior service cost (credits)	**10**	8	**(2)**	(2)	**-**	-
Recognized net actuarial loss (gain)	**94**	19	**1**	3	**(19)**	(18)
Net periodic benefit cost (income)	**$ 78**	$ (32)	**$ 11**	$ 23	**$ 14**	$ 13

	Nine Months Ended September 30					
	Qualified Pension Plans		Nonqualified and Other Pension Plans [1]		Postretirement Health and Life Plans	
(Dollars in millions)	**2009**	2008	**2009** [2]	2008	**2009** [2]	2008
Components of net periodic benefit cost (income)						
Service cost	**$ 291**	$ 249	**$ 21**	$ 5	**$ 12**	$ 12
Interest cost	**556**	624	**178**	58	**68**	65
Expected return on plan assets	**(924)**	(1,080)	**(162)**	-	**(6)**	(9)
Amortization of transition obligation	**-**	-	**-**	-	**24**	24
Amortization of prior service cost (credits)	**30**	25	**(6)**	(6)	**-**	-
Recognized net actuarial loss (gain)	**282**	57	**3**	10	**(58)**	(54)
Recognized termination benefit cost	**8**	-	**-**	-	**-**	-
Net periodic benefit cost (income)	**$ 243**	$ (125)	**$ 34**	$ 67	**$ 40**	$ 38

[1] Includes nonqualified pension plans, the terminated U.S. pension plan and non-U.S. pension plans as described above.

[2] The net periodic benefit cost (income) of the Merrill Lynch Nonqualified and Other Pension Plans and Postretirement Health and Life Plans was $(6) million and $4 million and $(18) million and $12 million for the three and nine months ended September 30, 2009.

For 2009, the Corporation expects to contribute approximately $300 million and $150 million to its nonqualified and other pension plans and postretirement health and life plans. For the nine months ended September 30, 2009, the Corporation contributed $252 million and $101 million for these plans. The Corporation does not expect to be required to contribute to its qualified pension plans during 2009.

In connection with the Merrill Lynch acquisition, approximately 234 million stock-based compensation awards (e.g., options and restricted shares) were converted to Bank of America stock-based awards. The unamortized compensation expense at the time of acquisition was

approximately $700 million which will be substantially amortized into personnel expense through 2012.

NOTE 15 Income Taxes

The Corporation s net deferred tax assets increased by $19.6 billion as a result of the acquisition of Merrill Lynch on January 1, 2009. Included in these deferred tax assets are carryforward amounts generated in the U.S. and U.K. that are deductible in the future as net operating losses (NOLs). The U.K. NOL deferred tax asset of $9.7 billion has an unlimited carryforward period, but due to change-in-control limitations in the three years prior to and following the change in ownership, may be jeopardized by certain major changes in the nature or conduct of the Corporation s U.K. businesses. The Corporation has concluded that no valuation allowance is required. The U.S. federal NOL of $11.8 billion, which is represented by a deferred tax asset of $4.1 billion, can be carried forward against future tax periods of the Corporation until 2028, and no valuation allowance has been established based upon the Corporation s estimate that future taxable income will be sufficient to utilize the NOL prior to its expiration. Merrill Lynch also has U.S. federal capital loss and foreign tax credit carryforwards against which valuation allowances have been recorded to reduce the assets to the amounts the Corporation believes are more likely than not to be realized before their expiration.

The determination of the amount of deferred tax assets that are more likely than not to be realized involves the assessment of all available evidence, both positive and negative. This evidence includes, but is not limited to, historical taxable income and projected future taxable income, the character and geographic mix of projected future taxable income, and projected future reversals of existing deferred tax liabilities. During the quarter ended June 30, 2009, the Corporation released $750 million of the valuation allowance attributable to Merrill Lynch s federal capital loss carryforward as the capital gain recognized on the sale of CCB shares increased the portion of such carryforward that is more likely than not to be realized.

At September 30, 2009 and December 31, 2008, the balance of the Corporation s unrecognized tax benefits (UTBs) was $5.7 billion and $3.5 billion. The increase was primarily due to the acquisition of Merrill Lynch. As of September 30, 2009, $4.4 billion of the UTBs (net of items such as state income taxes and foreign tax credit offsets) would, if recognized, affect the Corporation s effective tax rate in future periods.

In December 2008, the U.S. Tax Court issued an adverse decision with respect to Merrill Lynch s tax treatment of a 1987 transaction and the Corporation has filed a notice of appeal. The UTBs with respect to this transaction have been included in the amounts disclosed above.

Merrill Lynch is under examination by the Internal Revenue Service (IRS) and other tax authorities in countries and states in which Merrill Lynch has significant business operations. The examinations of the U.S. federal income tax returns are ongoing for the years 2005 through 2007. Tax returns filed in the U.K. are currently under examination for the years 2006 and 2007. The Corporation has paid assessments issued by tax authorities in Japan for the tax years that ended March 31, 1999 through 2007 which assert that certain income on which Merrill Lynch previously paid income tax to other international jurisdictions, primarily the U.S., should have been allocated to Japan. The Corporation is in the process of obtaining clarification from international authorities (referred to as Competent Authority) to determine the appropriate allocation of income among multiple jurisdictions to prevent double taxation. The Corporation believes it is reasonably possible that portions of these proceedings will be concluded within the next 12 months.

During 2008, the IRS completed the examination of the Merrill Lynch 2004 tax year. Included in this examination were certain proposed adjustments for which the Corporation has filed a protest to the Appeals office of the IRS.

During 2009, the Corporation expects the IRS to issue Revenue Agent s Reports (RARs) for the Merrill Lynch tax years 2005 and 2006. The Corporation expects the RARs to disallow certain deductions and foreign tax credits that Merrill Lynch claimed on its U.S. income tax returns. Except with respect to any proposed adjustments that the Corporation may challenge, management believes it is reasonably possible that these examinations will be concluded within the next 12 months.

Due to the resolution of all examination matters reasonably possible to be concluded (including Merrill Lynch) within the next 12 months, the Corporation s UTB balance may decrease by as much as $2.0 billion during that period since resolved items would be removed from the balance whether their resolution resulted in payment or recognition.

As of September 30, 2009 and December 31, 2008, the Corporation s accrual for interest and penalties related to income taxes net of taxes and remittances, which included applicable interest on certain leveraged lease positions, was $1.1 billion and $677 million. The increase was primarily due to the Merrill Lynch acquisition.

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Upon the acquisition of Merrill Lynch, the cumulative undistributed earnings of non-U.S. subsidiaries for which no deferred U.S. federal income taxes have been provided (as such earnings are expected to be permanently reinvested in the subsidiaries non-U.S. operations) increased to $14.0 billion. It is not practicable to determine the amount of withholding and U.S. income tax that would be payable in the event these earnings were repatriated.

Note 16 Fair Value Disclosures

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established per GAAP which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. The Corporation carries certain corporate loans and loan commitments, LHFS, securities financing agreements, long-term deposits and certain structured notes that are classified as long-term debt at fair value under the fair value option. The Corporation also carries at fair value trading account assets and liabilities, derivative assets and liabilities, AFS debt securities, MSRs, and certain other assets. A detailed discussion regarding the fair value hierarchy and how the Corporation measures fair value is presented in *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

Fair Value Measurement

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

The Corporation also uses market indices for direct inputs to certain models, where the cash settlement is directly linked to appreciation or depreciation of that particular index (primarily in the context of structured credit products). In those cases, no material adjustments are made to the index-based values. In other cases, market indices are also used as inputs to valuation, but are adjusted for trade specific factors such as rating, credit quality, vintage and other factors.

Corporate Loans and Loan Commitments

The fair values of loans and loan commitments are based on market prices, where available, or discounted cash flows using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or comparable borrowers. Results of discounted cash flow calculations may be adjusted, as appropriate, to reflect other market conditions or the perceived credit risk of the borrower.

Securities Financing Agreements

The fair values of certain reverse repurchase arrangements, repurchase arrangements, and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. As part of certain securities lending agreements, securities are received as collateral and are recorded at fair market value in other assets, and the liability to return these securities is recorded at fair market value in accrued expenses and other liabilities.

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Deposits, Commercial Paper and Other Short-term Borrowings and Certain Structured Notes that are Classified as Long-term Debt

The fair values of deposits, commercial paper and other short-term borrowings and certain structured notes that are classified as long-term debt are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. The Corporation considers, consistent with the requirements of fair value measurements, the impact of its own creditworthiness in the valuation of these liabilities. The credit risk is determined by reference to existing direct market costs of credit.

Trading Account Assets and Liabilities and Available-for-Sale Debt Securities

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of AFS debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets or liabilities and AFS debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased such as certain CDO positions and certain ABS. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market s perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer s financial statements and changes in credit ratings made by one or more rating agencies.

Derivative Assets and Liabilities

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. Consistent with the way the Corporation fair values long-term deposits, commercial paper and other short-term borrowings and certain structured notes as discussed above, the Corporation incorporates, within its fair value measurements of over-the-counter derivatives, the net credit differential between the counterparty credit risk and the Corporation s own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on historical experience, adjusted for recent name specific expectations.

Mortgage Servicing Rights

The fair values of MSRs are determined using models which depend on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the OAS levels. For more information on MSRs, see *Note 18 Mortgage Servicing Rights*.

Loans Held-for-Sale

The fair values of LHFS are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation s current origination rates for similar loans adjusted to reflect the inherent credit risk.

Other Assets

The Corporation fair values certain other assets including AFS equity securities and certain retained residual interests in securitization vehicles. The fair values of AFS equity securities are generally based on quoted market prices or market prices for similar assets. However, non-public investments are initially valued at transaction price and subsequently adjusted when evidence is available to support such adjustments. Retained residual interests in securitization vehicles are

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based on certain observable inputs such as interest rates and credit spreads, as well as unobservable inputs such as estimated net charge-off and payment rates.

For private equity and principal investments held at fair value, valuation methodologies include publicly traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, entry level multiples, or discounted cash flows and are subject to appropriate discounts for lack of liquidity or marketability. Other factors which may influence changes to the fair value include, but are not limited to, recapitalizations, subsequent rounds of financing, and offerings in the equity or debt capital markets.

Asset-backed Secured Financings

The fair values of asset-backed secured financings are based on external broker bids, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation s current origination rates for similar loans adjusted to reflect the inherent credit risk. Asset-backed secured financings are recorded in accrued expenses and other liabilities on the Corporation s Consolidated Balance Sheet.

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Recurring Fair Value

Assets and liabilities measured at fair value on a recurring basis at September 30, 2009, including financial instruments which the Corporation accounts for at fair value under the fair value option, are summarized in the table below:

	September 30, 2009				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 66,218	$ -	$ -	$ 66,218
Trading account assets:					
U.S. government and agency securities	25,623	38,359	-	-	63,982
Corporate securities, trading loans, and other	5,969	40,059	13,018	-	59,046
Equity securities	19,944	6,978	6,578	-	33,500
Foreign sovereign debt	19,379	9,481	1,019	-	29,879
Mortgage trading loans and asset-backed securities	-	11,857	6,574	-	18,431
Total trading account assets	70,915	106,734	27,189	-	204,838
Derivative assets	7,277	1,783,914	28,654	(1,724,990)	94,855
Available-for-sale debt securities:					
U.S. Treasury securities and agency debentures	23,442	3,527	-	-	26,969
Mortgage-backed securities:					
Agency MBS	-	123,495	-	-	123,495
Agency collateralized mortgage obligations	-	16,120	-	-	16,120
Non-agency MBS	-	33,938	7,016	-	40,954
Foreign securities	128	3,395	637	-	4,160
Corporate/Agency bonds	-	4,831	1,056	-	5,887
Other taxable securities	1,508	11,799	5,332	-	18,639
Tax-exempt securities	-	8,819	2,157	-	10,976
Total available-for-sale debt securities	25,078	205,924	16,198	-	247,200
Loans and leases [2]	-	-	6,197	-	6,197
Mortgage servicing rights	-	-	17,539	-	17,539
Loans held-for-sale	-	21,660	7,143	-	28,803
Other assets [3]	30,481	25,878	7,307	-	63,666
Total assets	$ 133,751	$ 2,210,328	$ 110,227	$ (1,724,990)	$ 729,316
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,652	$ -	$ -	$ 1,652
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	51,804	-	-	51,804
Trading account liabilities:					
U.S. government and agency securities	20,150	5,137	-	-	25,287
Equity securities	11,471	7,089	-	-	18,560

Foreign sovereign debt	**18,990**	**687**	**395**	**-**	**20,072**
Corporate securities and other	**408**	**7,329**	**16**	**-**	**7,753**
Total trading account liabilities	**51,019**	**20,242**	**411**	**-**	**71,672**
Derivative liabilities	**7,442**	**1,748,586**	**20,124**	**(1,723,528)**	**52,624**
Commercial paper and other short-term borrowings	**-**	**568**	**-**	**-**	**568**
Accrued expenses and other liabilities	**14,849**	**898**	**1,742**	**-**	**17,489**
Long-term debt	**-**	**38,883**	**5,084**	**-**	**43,967**
Total liabilities	**$ 73,310**	**$ 1,862,633**	**$ 27,361**	**$ (1,723,528)**	**$ 239,776**

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

(2) Loans and leases at September 30, 2009 included $21.9 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments. Substantially all of other assets are eligible for, and the Corporation has not chosen to elect, fair value accounting at September 30, 2009.

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Assets and liabilities measured at fair value on a recurring basis at December 31, 2008, including financial instruments which the Corporation accounts for at fair value under the fair value option, are summarized in the table below:

	December 31, 2008				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 2,330	$ -	$ -	$ 2,330
Trading account assets	44,571	83,011	6,733	-	134,315
Derivative assets	2,109	1,525,106	8,289	(1,473,252)	62,252
Available-for-sale debt securities	2,789	255,413	18,702	-	276,904
Loans and leases [2]	-	-	5,413	-	5,413
Mortgage servicing rights	-	-	12,733	-	12,733
Loans held-for-sale	-	15,582	3,382	-	18,964
Other assets [3]	25,407	25,549	4,157	-	55,113
Total assets	$ 74,876	$ 1,906,991	$ 59,409	$ (1,473,252)	$ 568,024
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,717	$ -	$ -	$ 1,717
Trading account liabilities	37,410	14,313	-	-	51,723
Derivative liabilities	4,872	1,488,509	6,019	(1,468,691)	30,709
Accrued expenses and other liabilities	5,602	-	1,940	-	7,542
Total liabilities	$ 47,884	$ 1,504,539	$ 7,959	$ (1,468,691)	$ 91,691

[1] Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

[2] Loans and leases at December 31, 2008 included $22.4 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option.

[3] Other assets is primarily comprised of AFS equity securities and other equity investments. Substantially all of other assets are eligible for, and the Corporation has not chosen to elect, fair value accounting at December 31, 2008.

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The tables below present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2009 and 2008, including realized and unrealized gains (losses) included in earnings and OCI.

Level 3 Fair Value Measurements

	Three Months Ended September 30, 2009					
(Dollars in millions)	Balance July 1, 2009	Gains (Losses) included in Earnings	Gains included in OCI	Purchases, Issuances, and Settlements	Transfers in to / out of Level 3	Balance September 30, 2009
Trading account assets:						
Corporate securities, trading loans, and other	$ 8,578	$ 505	$ -	$ 3,411	$ 524	$ 13,018
Equity securities	7,433	(1)	-	(545)	(309)	6,578
Foreign sovereign debt	865	60	-	-	94	1,019
Mortgage trading loans and asset-backed securities	8,743	12	-	(3,319)	1,138	6,574
Total trading account assets	25,619	576		(453)	1,447	27,189
Net derivative assets [1]	9,401	787	-	(3,280)	1,622	8,530
Available-for-sale debt securities:						
Non-agency MBS	8,897	(446)	2	(1,936)	499	7,016
Foreign securities	1,061	-	51	(94)	(381)	637
Corporate/Agency bonds	1,942	-	23	559	(1,468)	1,056
Other taxable securities	7,776	(16)	88	(2,169)	(347)	5,332
Tax-exempt securities	2,106	-	7	(569)	613	2,157
Total available-for-sale debt securities	21,782	(462)	171	(4,209)	(1,084)	16,198
Loans and leases [2]	6,962	429	-	(1,194)	-	6,197
Mortgage servicing rights	18,535	(1,621)	-	625	-	17,539
Loans held-for-sale [2]	7,313	141	-	(691)	380	7,143
Other assets [3]	6,792	635	-	(163)	43	7,307
Trading account liabilities:						
Foreign sovereign debt	(352)	(39)	-	-	(4)	(395)
Corporate securities and other	(7)	-	-	8	(17)	(16)
Total trading account liabilities	(359)	(39)	-	8	(21)	(411)
Accrued expenses and other liabilities [2]	(2,063)	258	-	63	-	(1,742)
Long-term debt [2]	(5,289)	(561)	-	365	401	(5,084)

(1) Net derivatives at September 30, 2009 included derivative assets of $28.7 billion and derivative liabilities of $20.1 billion.

(2) Amounts represent items which are accounted for at fair value under the fair value option including commercial loan commitments, certain loans held-for-sale, structured notes that are recorded as long-term debt, and secured financings recorded in accrued expenses and other liabilities.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

Level 3 Fair Value Measurements

	Three Months Ended September 30, 2008						
(Dollars in millions)	Balance July 1, 2008	Countrywide acquisition	Gains (losses)	Gains (losses)	Purchases, Issuances, and Settlements	Transfers in to / out of Level 3	Balance

			included in Earnings	included in OCI			September 30, 2008
Trading account assets	$ 5,646	$ -	$ (1,308)	$ -	$ (47)	$ 2,632	$ 6,923
Net derivative assets [1]	1,317	(185)	1,795	-	(425)	(790)	1,712
Available-for-sale debt securities	8,324	528	(802)	(556)	1,468	767	9,729
Loans and leases [2]	5,014	-	(179)	-	548	-	5,383
Mortgage servicing rights	4,250	17,188	(179)	-	(448)	-	20,811
Loans held-for-sale [2]	2,012	1,425	(275)	-	(219)	545	3,488
Other assets [3]	4,012	1,407	(368)	-	(529)	-	4,522
Accrued expenses and other liabilities [2]	(723)	(1,212)	22	-	59	-	(1,854)

(1) Net derivatives at September 30, 2008 included derivative assets of $9.0 billion and derivative liabilities of $7.4 billion.

(2) Amounts represent items which are accounted for at fair value under the fair value option including commercial loans, loan commitments and loans held-for-sale.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

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Level 3 Fair Value Measurements

(Dollars in millions)	Balance January 1, 2009	Merrill Lynch Acquisition	Gains (Losses) included in Earnings	Gains (losses) included in OCI	Purchases, Issuances, and Settlements	Transfers in to / out of Level 3	Balance September 30, 2009
	Nine Months Ended September 30, 2009						
Trading account assets:							
Corporate securities, trading loans, and other	$ 4,540	$ 7,012	$ 233	$ -	$ (34)	$ 1,267	$ 13,018
Equity securities	546	3,848	(279)	-	2,998	(535)	6,578
Foreign sovereign debt	-	30	124	-	10	855	1,019
Mortgage trading loans and asset- backed securities	1,647	7,294	(277)	-	(1,576)	(514)	6,574
Total trading account assets	6,733	18,184	(199)	-	1,398	1,073	27,189
Net derivative assets [1]	2,270	2,307	5,061	-	(7,271)	6,163	8,530
Available-for-sale debt securities:							
Non-agency MBS	6,096	2,509	(1,186)	2,111	(3,614)	1,100	7,016
Foreign securities	1,247	-	(79)	(48)	(102)	(381)	637
Corporate/Agency bonds	1,598	-	(49)	118	510	(1,121)	1,056
Other taxable securities	9,599	-	(36)	575	(3,316)	(1,490)	5,332
Tax-exempt securities	162	-	-	32	723	1,240	2,157
Total available-for-sale debt securities	18,702	2,509	(1,350)	2,788	(5,799)	(652)	16,198
Loans and leases [2]	5,413	2,452	585	-	(2,253)	-	6,197
Mortgage servicing rights	12,733	209	3,306	-	1,291	-	17,539
Loans held-for-sale [2]	3,382	3,872	274	-	(645)	260	7,143
Other assets [3]	4,157	2,696	643	-	(242)	53	7,307
Trading account liabilities:							
Foreign sovereign debt	-	-	(65)	-	18	(348)	(395)
Corporate securities and other	-	-	-	-	1	(17)	(16)
Total trading account liabilities	-	-	(65)	-	19	(365)	(411)
Accrued expenses and other liabilities [2]	(1,940)	(1,337)	1,379	-	117	39	(1,742)
Long-term debt [2]	-	(7,481)	(2,165)	-	314	4,248	(5,084)

(1) Net derivatives at September 30, 2009 included derivative assets of $28.7 billion and derivative liabilities of $20.1 billion. Net derivatives acquired in connection with the acquisition of Merrill Lynch on January 1, 2009 included derivative assets of $37.3 billion and derivative liabilities of $35.0 billion.

(2) Amounts represent items which are accounted for at fair value under the fair value option including commercial loan commitments, certain loans held-for-sale, structured notes that are recorded as long-term debt, and secured financings recorded in accrued expenses and other liabilities.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

Level 3 Fair Value Measurements

	Nine Months Ended September 30, 2008						
(Dollars in millions)	Balance January 1, 2008	Countrywide acquisition	Gains (losses) included in Earnings	Gains (losses) included in OCI	Purchases, Issuances, and Settlements	Transfers in to /out of Level 3	Balance September 30, 2008
Trading account assets	$ 4,027	$ -	$ (2,079)	$ -	$ (842)	$ 5,817	$ 6,923
Net derivative assets [1]	(1,203)	(185)	1,484	-	2,048	(432)	1,712
Available-for-sale debt securities	5,507	528	(1,601)	(1,060)	457	5,898	9,729
Loans and leases [2]	4,590	-	(249)	-	1,042	-	5,383
Mortgage servicing rights	3,053	17,188	409	-	161	-	20,811
Loans held-for-sale [2]	1,334	1,425	(381)	-	(603)	1,713	3,488
Other assets [3]	3,987	1,407	282	-	(1,010)	(144)	4,522
Accrued expenses and other liabilities [2]	(660)	(1,212)	(41)	-	59	-	(1,854)

(1) Net derivatives at September 30, 2008 included derivative assets of $9.0 billion and derivative liabilities of $7.4 billion.

(2) Amounts represent items which are accounted for at fair value under the fair value option including commercial loans, loan commitments and loans held-for-sale.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

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The tables below summarize gains and losses due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during the three and nine months ended September 30, 2009 and 2008. These amounts include those gains (losses) generated by loans, LHFS, loan commitments and structured notes which are accounted for at fair value under the fair value option.

Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

Three Months Ended September 30, 2009

(Dollars in millions)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans, and other	$ -	$ 505	$ -	$ -	$ 505
Equity securities	-	(1)	-	-	(1)
Foreign sovereign debt	-	60	-	-	60
Mortgage trading loans and asset- backed securities	-	12	-	-	12
Total trading account assets	-	576	-	-	576
Net derivative assets	-	(1,905)	2,692	-	787
Available-for-sale debt securities:					
Non-agency MBS	-	-	-	(446)	(446)
Other taxable securities	-	-	-	(16)	(16)
Total available-for-sale debt securities	-	-	-	(462)	(462)
Loans and leases [2]	-	(4)	-	433	429
Mortgage servicing rights	-	-	(1,621)	-	(1,621)
Loans held-for-sale [2]	-	(10)	173	(22)	141
Other assets	570	-	65	-	635
Trading account liabilities Foreign sovereign debt	-	(39)	-	-	(39)
Accrued expenses and other liabilities [2]	-	(1)	(106)	365	258
Long-term debt [2]	-	(468)	-	(93)	(561)
Total	$ 570	$ (1,851)	$ 1,203	$ 221	$ 143

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

[2] Amounts represent items which are accounted for at fair value under the fair value option.

Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

Three Months Ended September 30, 2008

(Dollars in millions)	Card Income (Loss)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets	$ -	$ -	$ (1,308)	$ -	$ -	$ (1,308)
Net derivative assets	-	-	1,068	727	-	1,795
Available-for-sale debt securities	-	-	-	(25)	(777)	(802)
Loans and leases [2]	-	-	3	-	(182)	(179)

Mortgage servicing rights	-	-	-	(179)	-	(179)
Loans held-for-sale [2]	-	-	(165)	(110)	-	(275)
Other assets	(396)	52	-	(24)	-	(368)
Accrued expenses and other liabilities [2]	-	-	12	15	(5)	22
Total	$ (396)	$ 52	$ (390)	$ 404	$ (964)	$ (1,294)

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

[2] Amounts represent items which are accounted for at fair value under the fair value option.

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Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

(Dollars in millions)	Card Income	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
	Nine Months Ended September 30, 2009					
Trading account assets:						
Corporate securities, trading loans, and other	**$ -**	**$ -**	**$ 233**	**$ -**	**$ -**	**$ 233**
Equity securities	**-**	**-**	**(279)**	**-**	**-**	**(279)**
Foreign sovereign debt	**-**	**-**	**124**	**-**	**-**	**124**
Mortgage trading loans and asset-backed securities	**-**	**-**	**(277)**	**-**	**-**	**(277)**
Total trading account assets	**-**	**-**	**(199)**	**-**	**-**	**(199)**
Net derivative assets	**-**	**-**	**(1,195)**	**6,256**	**-**	**5,061**
Available-for-sale debt securities:						
Mortgage-backed securities:						
Non-agency MBS	**-**	**-**	**-**	**(12)**	**(1,174)**	**(1,186)**
Foreign securities	**-**	**-**	**-**	**-**	**(79)**	**(79)**
Corporate/Agency bonds	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Other taxable securities	**-**	**-**	**-**	**-**	**(36)**	**(36)**
Total available-for-sale debt securities	**-**	**-**	**-**	**(12)**	**(1,338)**	**(1,350)**
Loans and leases [2]	**-**	**-**	**(11)**	**-**	**596**	**585**
Mortgage servicing rights	**-**	**-**	**-**	**3,306**	**-**	**3,306**
Loans held-for-sale [2]	**-**	**-**	**(219)**	**85**	**408**	**274**
Other assets	**8**	**633**	**(3)**	**190**	**(185)**	**643**
Trading account liabilities Foreign sovereign debt	**-**	**-**	**(65)**	**-**	**-**	**(65)**
Accrued expenses and other liabilities [2]	**-**	**-**	**(2)**	**27**	**1,354**	**1,379**
Long-term debt [2]	**-**	**-**	**(1,813)**	**-**	**(352)**	**(2,165)**
Total	**$ 8**	**$ 633**	**$ (3,507)**	**$ 9,852**	**$ 483**	**$ 7,469**

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

[2] Amounts represent items which are accounted for at fair value under the fair value option.

Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

(Dollars in millions)	Card Income	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
	Nine Months Ended September 30, 2008					
Trading account assets	$ -	$ -	$ (2,079)	$ -	$ -	$ (2,079)
Net derivative assets	-	-	718	766	-	1,484
Available-for-sale debt securities	-	-	-	(25)	(1,576)	(1,601)
Loans and leases [2]	-	-	1	-	(250)	(249)
Mortgage servicing rights	-	-	-	409	-	409
Loans held-for-sale [2]	-	-	(205)	(175)	-	(380)
Other assets	(19)	317	-	(24)	8	282
Accrued expenses and other liabilities [2]	-	-	8	15	(64)	(41)
Total	$ (19)	$ 317	$ (1,557)	$ 966	$ (1,882)	$ (2,175)

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

[2] Amounts represent items which are accounted for at fair value under the fair value option.

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The tables below summarize changes in unrealized gains (losses) recorded in earnings during the three and nine months ended September 30, 2009 and 2008 for Level 3 assets and liabilities that were still held at September 30, 2009 and 2008. These amounts include changes in fair value generated by loans, LHFS, loan commitments and structured notes which are accounted for at fair value under the fair value option.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

Three Months Ended September 30, 2009

(Dollars in millions)	Card Income (Loss)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:						
Corporate securities, trading loans, and other	$ -	$ -	$ 340	$ -	$ -	$ 340
Equity securities	-	-	5	-	-	5
Foreign sovereign debt	-	-	61	-	-	61
Mortgage trading loans and asset-backed securities	-	-	113	-	-	113
Total trading account assets	-	-	519	-	-	519
Net derivative assets	-	-	(665)	2,706	-	2,041
Available-for-sale debt securities:						
Mortgage-backed securities:						
Non-agency MBS	-	-	-	-	(477)	(477)
Other taxable securities	-	-	-	-	(8)	(8)
Total available-for-sale debt securities	-	-	-	-	(485)	(485)
Loans and leases [2]	-	-	-	-	509	509
Mortgage servicing rights	-	-	-	(1,922)	-	(1,922)
Loans held-for-sale [2]	-	-	-	154	164	318
Other assets	(10)	525	-	11	-	526
Trading account liabilities Foreign sovereign debt	-	-	(39)	-	-	(39)
Accrued expenses and other liabilities [2]	-	-	-	(106)	14	(92)
Long-term debt [2]	-	-	(484)	-	(93)	(577)
Total	$ (10)	$ 525	$ (669)	$ 843	$ 109	$ 798

(1) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

(2) Amounts represent items which are accounted for at fair value under the fair value option.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

Three Months Ended September 30, 2008

(Dollars in millions)	Card Income (Loss)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets	$ -	$ -	$ (1,306)	$ -	$ -	$ (1,306)
Net derivative assets	-	-	1,480	221	-	1,701
Available-for-sale debt securities	-	-	-	(3)	(520)	(523)
Loans and leases [2]	-	-	-	-	(269)	(269)
Mortgage servicing rights	-	-	-	(344)	-	(344)
Loans held-for-sale [2]	-	-	(144)	(97)	-	(241)
Other assets	(323)	(92)	-	-	-	(415)

Accrued expenses and other liabilities [2]	-	-	-	(31)	(31)	(62)
Total	$ (323)	$ (92)	$ 30	$ (254)	$ (820)	$ (1,459)

[1] Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

[2] Amounts represent items which are accounted for at fair value under the fair value option.

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Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

Nine Months Ended September 30, 2009

(Dollars in millions)	Card Income (Loss)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:						
Corporate securities, trading loans, and other	$ -	$ -	$ (111)	$ -	$ -	$ (111)
Equity securities	-	-	(269)	-	-	(269)
Foreign sovereign debt	-	-	125	-	-	125
Mortgage trading loans and asset-backed securities	-	-	(324)	-	-	(324)
Total trading account assets	-	-	(579)	-	-	(579)
Net derivative assets	-	-	(1,526)	6,402	-	4,876
Available-for-sale debt securities:						
Mortgage-backed securities:						
Non-agency MBS	-	-	-	(12)	(860)	(872)
Foreign securities	-	-	-	-	(89)	(89)
Corporate/Agency bonds	-	-	-	-	(14)	(14)
Other taxable securities	-	-	-	-	(78)	(78)
Total available-for-sale debt securities	-	-	-	(12)	(1,041)	(1,053)
Loans and leases [2]	-	-	-	-	165	165
Mortgage servicing rights	-	-	-	2,470	-	2,470
Loans held-for-sale [2]	-	-	(208)	60	457	309
Other assets	(69)	371	-	77	45	424
Trading account liabilities Foreign sovereign debt	-	-	(43)	-	-	(43)
Accrued expenses and other liabilities [2]	-	-	-	27	1,123	1,150
Long-term debt [2]	-	-	(2,266)	-	(135)	(2,401)
Total	$ (69)	$ 371	$ (4,622)	$ 9,024	$ 614	$ 5,318

(1) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

(2) Amounts represent items which are accounted for at fair value under the fair value option.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

Nine Months Ended September 30, 2008

(Dollars in millions)	Card Income	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets	$ -	$ -	$ (2,053)	$ -	$ -	$ (2,053)
Net derivative assets	-	-	1,200	199	-	1,399
Available-for-sale debt securities	-	-	-	(3)	(1,142)	(1,145)
Loans and leases [2]	-	-	-	-	(424)	(424)
Mortgage servicing rights	-	-	-	174	-	174
Loans held-for-sale [2]	-	-	(186)	(131)	(1)	(318)
Other assets	(223)	60	-	-	-	(163)
Accrued expenses and other liabilities [2]	-	-	-	(31)	(360)	(391)
Total	$ (223)	$ 60	$ (1,039)	$ 208	$ (1,927)	$ (2,921)

(1) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

(2) Amounts represent items which are accounted for at fair value under the fair value option.

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Non-recurring Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities primarily include loans and leases, LHFS and foreclosed properties. The amounts below represent only balances measured at fair value during the period and still held as of the reporting date.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

	Period ended September 30, 2009		**Gains (Losses)**	
			Three months ended	**Nine months ended**
(Dollars in millions)	**Level 2**	**Level 3**	**September 30, 2009**	**September 30, 2009**
Assets				
Loans held-for-sale	**$ 1,524**	**$ 8,258**	**$ (164)**	**$ (855)**
Loans and leases[1]	**405**	**5,182**	**(1,344)**	**(3,065)**
Other assets	**-**	**60**	**(31)**	**(91)**
Foreclosed properties[2]	**-**	**631**	**(116)**	**(323)**

	Period ended September 30, 2008		Gains (Losses)	
(Dollars in millions)	Level 2	Level 3	Three months ended September 30, 2008	Nine months ended September 30, 2008
Assets				
Loans held-for-sale	$ 2,550	$ 10,790	$ (240)	$ (759)
Loans and leases[1]	-	1,500	(541)	(1,073)
Foreclosed properties[2]	-	1,188	(64)	(271)

(1) Gains (losses) represent charge-offs associated with real estate secured loans that exceed 180 days past due which are netted against the allowance for loan and lease losses.

(2) Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value and related losses on foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

In addition to the amounts presented in the non-recurring basis table above, on June 26, 2009 the Corporation entered into a joint venture agreement with First Data Corporation creating Banc of America Merchant Services, LLC. The Corporation recorded a pre-tax gain of $3.8 billion in the second quarter of 2009 related to the contribution of its merchant servicing business to the joint venture. The investment in the joint venture was initially recorded in other assets as a Level 3 non-recurring fair value of $4.7 billion and is being accounted for under the equity method of accounting.

Fair Value Option Elections

Corporate Loans and Loan Commitments

The Corporation elected to account for certain large corporate loans and loan commitments which exceeded the Corporation s single name credit risk concentration guidelines at fair value under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored, and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation s credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for derivatives designated as hedging instruments and are therefore carried at fair value with changes in fair value recorded in other income. Electing the fair value option allows the Corporation to account for these loans and loan commitments at fair value which is more consistent with management s view of the underlying economics and the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

At September 30, 2009 and December 31, 2008, funded loans which the Corporation has elected to fair value had an aggregate fair value of $6.2 billion and $5.4 billion recorded in loans and leases and an aggregate outstanding principal balance of $7.0 billion and $6.4 billion. At September 30, 2009 and December 31, 2008, unfunded loan commitments that the Corporation has elected to fair value both had an aggregate fair value of $1.1 billion recorded in accrued expenses and other liabilities and an aggregate committed exposure of $28.6 billion and $16.9 billion. Interest income on these loans is

recorded in interest and fees on loans and leases. At September 30, 2009, $111 million of these loans were 90 days or more past due and still accruing interest and $24 million were classified as nonperforming. At December 31, 2008, none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status.

Loans Held-for-Sale

The Corporation also elected to account for certain loans held-for-sale at fair value. Electing to use fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them. The Corporation has not elected to fair value other loans held-for-sale primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. At September 30, 2009 and December 31, 2008, residential mortgage loans, commercial mortgage loans, and other loans held-for-sale for which the fair value option was elected had an aggregate fair value of $28.8 billion and $19.0 billion and an aggregate outstanding principal balance of $34.4 billion and $20.8 billion. Interest income on these loans is recorded in other interest income. These changes in fair value are mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Other Assets

Other assets primarily represents non-marketable convertible preferred shares for which the Corporation has economically hedged a majority of the position with derivatives. At September 30, 2009, these assets had a fair value of $272 million.

Securities Financing Agreements

The Corporation elected the fair value option for certain securities financing agreements. The fair value option election was made for certain securities financing agreements based on the tenor of the agreements which reflects the magnitude of the interest rate risk. The majority of securities financing agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. At September 30, 2009, securities financing agreements for which the fair value option has been elected had an aggregate fair value of $118.0 billion and a principal balance of $117.5 billion.

Long-term Deposits

The Corporation elected to fair value certain long-term fixed rate deposits which are economically hedged with derivatives. At both September 30, 2009 and December 31, 2008, these instruments had an aggregate fair value of $1.7 billion and a principal balance of $1.6 billion and $1.7 billion recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

Commercial Paper and Other Short-term Borrowings

The Corporation elected to fair value certain commercial paper and short-term borrowings that were acquired as part of the Merrill Lynch acquisition. This debt is risk managed on a fair value basis. At September 30, 2009, this debt had both an aggregate fair value and principal balance of $568 million recorded in commercial paper and other short-term borrowings.

Long-term Debt

The Corporation elected to fair value certain long-term debt, primarily structured notes that were acquired as part of the Merrill Lynch acquisition. This long-term debt is risk managed on a fair value basis. The majority of the fair value changes on long-term debt is from structured notes with coupon or repayment terms that are linked to the performance of debt and equity securities, indices, currencies or commodities. Except for gains related to changes in the Corporation s credit spreads, the majority of gains for the quarter ended September 30, 2009 are offset by losses on derivatives that economically hedge this debt and that are accounted for as fair value hedging instruments. The changes in the fair value of liabilities for which the fair value option was elected that was attributable to changes in the Corporation s credit spreads were losses of $1.8 billion and $3.3 billion for the three and nine months ended September 30, 2009. Changes in the Corporation s specific credit risk are derived by isolating fair value changes due to changes in the Corporation s credit

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spreads as observed in the secondary cash market. At September 30, 2009, this long-term debt had an aggregate fair value of $44.0 billion and a principal balance of $50.7 billion recorded in long-term debt.

Asset-backed Secured Financings

The Corporation elected to fair value certain asset-backed secured financings. At September 30, 2009, these secured financings had an aggregate fair value of $700 million and a principal balance of $1.5 billion recorded in accrued expenses and other liabilities. At December 31, 2008, these secured financings had an aggregate fair value of $816 million and a principal balance of $1.6 billion recorded in accrued expenses and other liabilities. Using the fair value option election allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the asset-backed secured financings at historical cost and the corresponding mortgage LHFS securing these financings at fair value.

The following table provides information about where changes in the fair value of assets or liabilities for which the fair value option has been elected are included in the Consolidated Statement of Income.

Gains (Losses) Relating to Assets and Liabilities Accounted for Using Fair Value Option

	Three Months Ended September 30, 2009								
(Dollars in millions)	Corporate Loans and Loan Commitments	Loans Held-for-Sale [1]	Securities Financing Agreements	Other Assets	Long-term Deposits	Asset-backed Secured Financings	Commercial Paper and Other Short-Term Borrowings	Long-Term Debt	Total
Trading account profits (losses)	**$ (5)**	**$ (10)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 20**	**$ (1,362)**	**$ (1,357)**
Mortgage banking income (loss)	**-**	**3,068**	**-**	**-**	**-**	**(106)**	**-**	**-**	**2,962**
Equity investment income (loss)	**-**	**-**	**-**	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Other income (loss)	**799**	**(60)**	**19**	**-**	**(96)**	**-**	**-**	**(1,842)**	**(1,180)**
Total	**$ 794**	**$ 2,998**	**$ 19**	**$ (13)**	**$ (96)**	**$ (106)**	**$ 20**	**$ (3,204)**	**$ 412**
	Three Months Ended September 30, 2008								
Trading account profits (losses)	$ 15	$ (176)	$ -	$ -	$ -	$ -	$ -	$ -	$ (161)
Mortgage banking income	-	520	-	-	-	15	-	-	535
Other income (loss)	(202)	(38)	(8)	-	43	-	-	-	(205)
Total	$ (187)	$ 306	$ (8)	$ -	$ 43	$ 15	$ -	$ -	$ 169

	Nine Months Ended September 30, 2009								
	Corporate Loans and Loan Commitments	Loans Held-for-Sale [1]	Securities Financing Agreements	Other Assets	Long-term Deposits	Asset-backed Secured Financings	Commercial Paper and Other Short-Term Borrowings	Long-Term Debt	Total
Trading account profits (losses)	**$ (13)**	**$ (258)**	**$ -**	**$ 379**	**$ -**	**$ -**	**$ (220)**	**$ (3,365)**	**$ (3,477)**
Mortgage banking income	**-**	**5,628**	**-**	**-**	**-**	**27**	**-**	**-**	**5,655**
Equity investment income (loss)	**-**	**-**	**-**	**(148)**	**-**	**-**	**-**	**-**	**(148)**
Other income (loss)	**2,140**	**487**	**(124)**	**-**	**(16)**	**-**	**-**	**(3,255)**	**(768)**
Total	**$ 2,127**	**$ 5,857**	**$ (124)**	**$ 231**	**$ (16)**	**$ 27**	**$ (220)**	**$ (6,620)**	**$ 1,262**
	Nine Months Ended September 30, 2008								
Trading account profits (losses)	$ 9	$ (673)	$ -	$ -	$ -	$ -	$ -	$ -	$ (664)
Mortgage banking income	-	637	-	-	-	15	-	-	652
Other income (loss)	(323)	(56)	(15)	-	22	-	-	-	(372)
Total	$ (314)	$ (92)	$ (15)	$ -	$ 22	$ 15	$ -	$ -	$ (384)

[1] Gains (losses) included in LHFS include the change in fair value attributable to certain closed interest rate lock commitments of $1.8 billion and $4.3 billion for the three and nine months ended September 30, 2009 compared to $386 million and $312 million for the same periods in 2008. This amount is included as part of the LHFS basis upon funding of the loan.

Note 17 Fair Value of Financial Instruments

The Corporation discloses the estimated fair value of financial instruments including those financial instruments for which the Corporation did not elect the fair value option in accordance with the fair value disclosure requirements for financial instruments. The fair values of such instruments have been derived, in part, by the Corporation s assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Corporation.

The disclosure of the fair value of lease financing arrangements and nonfinancial instruments, including goodwill and intangible assets such as purchased credit card, affinity and trust relationships is not required by GAAP.

The following disclosures represent financial instruments in which the ending balances at September 30, 2009 are not carried at fair value in their entirety on the Corporation s Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and certain repurchase agreements, commercial paper and other short-term investments and borrowings, approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. Under the fair value option, the Corporation elected to fair value certain securities financing agreements and commercial paper and other short-term borrowings. See *Note 16 Fair Value Disclosures* for additional information on these financial instruments.

Loans

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation s best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. Under the fair value option, the Corporation elected to fair value certain large corporate loans which exceeded the Corporation s single name credit risk concentration guidelines. See *Note 16 Fair Value Disclosures* for additional information on loans for which the Corporation adopted the fair value option.

Deposits

The fair value for certain deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of foreign time deposits approximates fair value. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation s long-term relationships with depositors. Under the fair value option, the Corporation elected to fair value certain long-term fixed rate deposits which are economically hedged with derivatives. See *Note 16 Fair Value Disclosures* for additional information on these long-term fixed rate deposits.

Long-term Debt

The Corporation uses quoted market prices for its long-term debt when available. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. Under the fair value option, the Corporation elected to fair value certain structured notes. See *Note 16 Fair Value Disclosures* for additional information on these structured notes.

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The book and fair values of certain financial instruments at September 30, 2009 and December 31, 2008 were as follows:

	September 30, 2009		December 31, 2008	
(Dollars in millions)	**Book Value [1]**	**Fair Value**	Book Value [1]	Fair Value
Financial assets [2]				
Loans [3]	**$ 856,779**	**$ 819,134**	$ 886,198	$ 841,629
Financial liabilities [2]				
Deposits	**974,899**	**975,808**	882,997	883,987
Long-term debt	**456,288**	**451,532**	268,292	260,291

(1) Loans are presented net of allowance for loan losses. Amounts exclude leases.

(2) Includes certain amounts which are accounted for under the fair value option.

(3) The fair value is determined based on the present value of future cash flows using credit spreads or risk adjusted rates of return that a buyer of the portfolio would require at September 30, 2009 and December 31, 2008. However, the Corporation expects to collect the principal cash flows underlying the book values as well as the related interest cash flows.

NOTE 18 Mortgage Servicing Rights

The Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives and securities including mortgage-backed securities and U.S. Treasuries. The securities that economically hedge the MSRs are recorded in other assets with changes in the fair value of the securities and the related interest income recorded as mortgage banking income.

The following table presents activity for residential first mortgage MSRs for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30		**Nine Months Ended September 30**	
(Dollars in millions)	**2009**	2008	**2009**	2008
Balance, beginning of period	**$ 18,535**	$ 4,250	**$ 12,733**	$ 3,053
Merrill Lynch balance, January 1, 2009	**-**	-	**209**	-
Countrywide balance, July 1, 2008	**-**	17,188	**-**	17,188

Additions		**1,738**		875		**4,693**		1,910
Impact of customer payments		**(906)**		(1,425)		**(2,888)**		(1,855)
Other changes in MSR market value		**(1,828)**		(77)		**2,792**		515
Balance, September 30	**$**	**17,539**	$	20,811	**$**	**17,539**	$	20,811
Mortgage loans serviced for investors (in billions)					**$**	**1,726**	$	1,654

For the three and nine months ended September 30, 2009, other changes in MSR market value were $(1.8) billion and $2.8 billion compared to $(77) million and $515 million for the same periods in 2008. These amounts reflect the change in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, as well as the effect of changes in other assumptions. For the three and nine months ended September 30, 2009, the amounts did not include $207 million and $514 million resulting from lower than expected prepayments. For the same periods in 2008, the amounts did not include $(102) million and $(106) million resulting from higher than expected prepayments. The net amounts of $(1.6) billion and $3.3 billion for the current periods, and $(179) million and $409 million for the comparable periods in 2008 are included in the line mortgage banking income (loss) for mortgage servicing rights in the table Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings in *Note 16 Fair Value Disclosures.*

At September 30, 2009 and December 31, 2008, the fair value of consumer MSRs was $17.5 billion and $12.7 billion. The Corporation uses an OAS valuation approach to determine the fair value of MSRs which factors in prepayment risk.

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This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted-average lives of the MSRs and the OAS levels.

Key economic assumptions used in determining the fair value of MSRs at September 30, 2009 and December 31, 2008 were as follows:

	September 30, 2009		December 31, 2008	
(Dollars in millions)	**Fixed**	**Adjustable**	Fixed	Adjustable
Weighted-average option adjusted spread	**1.68%**	**5.63%**	1.71%	6.40%
Weighted-average life, in years	**4.87**	**2.95**	3.26	2.71

The following table presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. The sensitivities in the following table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of a MSR that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate and market valuation fluctuations associated with MSRs. The sensitivities below do not reflect any hedge strategies that may be undertaken to mitigate such risk.

	September 30, 2009		
	Change in Weighted-average Lives		Change in
(Dollars in millions)	**Fixed**	**Adjustable**	**Fair Value**
Prepayment rates			
Impact of 10% decrease	0.30 years	0.15 years	$ 908
Impact of 20% decrease	0.64	0.34	1,940
Impact of 10% increase	(0.26)	(0.13)	(807)
Impact of 20% increase	(0.49)	(0.25)	(1,530)
OAS level			
Impact of 100 bps decrease	n/a	n/a	$ 776
Impact of 200 bps decrease	n/a	n/a	1,620
Impact of 100 bps increase	n/a	n/a	(714)
Impact of 200 bps increase	n/a	n/a	(1,374)

n/a = not applicable

Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial and residential reverse mortgage MSRs totaled $311 million and $323 million at September 30, 2009 and December 31, 2008 and are not included in the tables above.

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NOTE 19 Business Segment Information

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2009, as a result of the Merrill Lynch acquisition, the Corporation changed its basis of presentation from three segments to six segments. The former *Global Consumer and Small Business Banking* now is reflected in three separate business segments: *Deposits, Global Card Services* and *Home Loans & Insurance.* The former *Global Corporate and Investment Banking* now is divided into *Global Banking* and *Global Markets.* Prior period amounts have been reclassified to conform to current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment.

Deposits

Deposits includes the results of consumer deposits activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes student lending results and the net effect of its ALM activities. *Deposits* products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. These products provide a relatively stable source of funding and liquidity. The Corporation earns net interest spread revenues from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using a funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. *Deposits* also generate fees such as account service fees, non-sufficient fund fees, overdraft charges and ATM fees. In addition, *Deposits* includes the impact of migrating customers, and their related deposit balances, between *GWIM* and *Deposits*. Net interest income and service fees on such deposits are included subsequent to migration.

In order to better coordinate the consumer payments businesses, the Corporation consolidates consumer and small business card products into *Global Card Services;* therefore, debit card has moved from *Deposits* to *Global Card Services*.

Global Card Services

Global Card Services provides a broad offering of products including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. The Corporation reports *Global Card Services* results on a managed basis which is consistent with the way that management evaluates the results of *Global Card Services*. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE which is excluded from the Corporation s Consolidated Financial Statements in accordance with GAAP.

The performance of the managed portfolio is important in understanding *Global Card Services* results as it demonstrates the results of the entire portfolio serviced by the business. Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. *Global Card Services* managed income statement line items differ from a held basis as follows:

Managed net interest income includes *Global Card Services* net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.

Managed noninterest income includes *Global Card Services* noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record securitized net interest income and provision for credit losses. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strips that are recorded in card income as management continues to manage this impact within *Global Card Services*.

Provision for credit losses represents the provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

Home Loans & Insurance

Home Loans & Insurance provides an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on the Corporation s balance sheet in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance. *Home Loans & Insurance* also includes the impact of migrating customers and their related loan balances between *GWIM* and *Home Loans & Insurance*. Net interest income and noninterest income on such loans are included subsequent to migration.

Global Banking

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide. Lending products and services include commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit facilities and asset-based lending and indirect consumer loans. Capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Investment banking services provide the Corporation s commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related and other advisory services. *Global Banking* also includes the results for the economic hedging of the credit risk to certain exposures utilizing various risk mitigation tools. Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of *Global Markets* and *Global Banking* in servicing the Corporation s clients with the best product capabilities, the Corporation allocates revenue and expenses to the two segments based on relative contribution.

Global Markets

Global Markets provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *Global Markets* also works with commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, mortgage-backed securities and ABS. Product specialists within *Global Markets* work

closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of *Global Markets* and *Global Banking* in servicing the Corporation s clients with the best product capabilities, the Corporation allocates revenue and expenses to the two segments based on relative contribution.

Global Wealth & Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high net-worth individuals. *GWIM* also reflects the impact of migrating customers, and their related deposit and loan balances, between *GWIM* and *Deposits* and *GWIM* and *Home Loans & Insurance*. Net interest income and noninterest income on such deposits and loans are included subsequent to migration. In addition, *GWIM* includes the results of the Institutional Retirement, Philanthropy & Investment business, the Corporation s approximately 48 percent economic ownership of BlackRock, and other miscellaneous items.

All Other

All Other consists of equity investment activities including Global Principal Investments, Corporate Investments and Strategic Investments, the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *All Other* also includes certain amounts associated with ALM activities and a corresponding securitization offset which removes the securitization impact of sold loans in *Global Card Services,* in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis). Effective January 1, 2009, as part of the Merrill Lynch acquisition, *All Other* includes the results of First Republic Bank and fair value adjustments related to certain Merrill Lynch structured notes.

Basis of Presentation

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 which 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. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation s ALM activities.

The management accounting 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.

The Corporation s ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of the Corporation s internal funds transfer pricing process as well as the net effects of other ALM activities. In addition, certain residual impacts of the funds transfer pricing process are retained in *All Other*.

Certain expenses not directly attributable to a specific business segment are allocated to the segments based on pre-determined means. 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 which reflect utilization.

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The following tables present total revenue, net of interest expense, on a FTE basis and net income for the three and nine months ended September 30, 2009 and 2008, and total assets at September 30, 2009 and 2008 for each business segment, as well as *All Other*.

Business Segments
Three Months Ended September 30

	Total Corporation [1]		Deposits [2]		Global Card Services [3]	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Net interest income [4]	**$ 11,753**	$ 11,920	**$ 1,740**	$ 2,892	**$ 4,995**	$ 4,930
Noninterest income	**14,612**	7,979	**1,926**	1,833	**2,332**	2,823
Total revenue, net of interest expense	**26,365**	19,899	**3,666**	4,725	**7,327**	7,753
Provision for credit losses [5]	**11,705**	6,450	**102**	98	**6,975**	5,602
Amortization of intangibles	**510**	464	**59**	75	**237**	260
Other noninterest expense	**15,796**	11,196	**2,277**	2,023	**1,731**	2,145
Income (loss) before income taxes	**(1,646)**	1,789	**1,228**	2,529	**(1,616)**	(254)
Income tax expense (benefit) [4]	**(645)**	612	**430**	954	**(580)**	(87)
Net income (loss)	**$ (1,001)**	$ 1,177	**$ 798**	$ 1,575	**$ (1,036)**	$ (167)
Period-end total assets	**$ 2,251,043**	$ 1,831,177	**$ 442,274**	$ 397,651	**$ 223,980**	$ 256,885

	Home Loans & Insurance		Global Banking		Global Markets	
	2009	2008	**2009**	2008	**2009**	2008
Net interest income [4]	**$ 1,309**	$ 1,135	**$ 2,784**	$ 2,748	**$ 1,462**	$ 1,286
Noninterest income (loss)	**2,102**	2,339	**1,886**	1,536	**4,365**	(1,125)
Total revenue, net of interest expense	**3,411**	3,474	**4,670**	4,284	**5,827**	161
Provision for credit losses [5]	**2,897**	818	**2,340**	802	**98**	(24)
Amortization of intangibles	**13**	19	**57**	55	**18**	-
Other noninterest expense	**3,028**	2,722	**2,201**	1,794	**2,310**	1,120
Income (loss) before income taxes	**(2,527)**	(85)	**72**	1,633	**3,401**	(935)
Income tax expense (benefit) [4]	**(895)**	(31)	**32**	609	**1,211**	(347)
Net income (loss)	**$ (1,632)**	$ (54)	**$ 40**	$ 1,024	**$ 2,190**	$ (588)
Period-end total assets	**$ 234,842**	$ 178,956	**$ 381,041**	$ 397,645	**$ 588,641**	$ 350,326

	GWIM [2]		All Other [2, 3]	
	2009	2008	**2009**	2008
Net interest income [4]	**$ 1,330**	$ 1,271	**$ (1,867)**	$ (2,342)
Noninterest income (loss)	**2,765**	299	**(764)**	274
Total revenue, net of interest expense	**4,095**	1,570	**(2,631)**	(2,068)
Provision for credit losses [5]	**515**	150	**(1,222)**	(996)
Amortization of intangibles	**126**	55	**-**	-
Other noninterest expense	**3,043**	1,231	**1,206**	161
Income (loss) before income taxes	**411**	134	**(2,615)**	(1,233)
Income tax expense (benefit) [4]	**140**	54	**(983)**	(540)
Net income (loss)	**$ 271**	$ 80	**$ (1,632)**	$ (693)
Period-end total assets	**$ 249,110**	$ 180,499	**$ 131,155**	$ 69,215

(1) There were no material intersegment revenues.

(2) Total assets include asset allocations to match liabilities (i.e., deposits).

(3) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.

(4) FTE basis

(5) Provision for credit losses represents: For *Global Card Services* Provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio and for *All Other* Provision for credit losses combined with the *Global Card Services* securitization offset.

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Business Segments
Nine Months Ended September 30

	Total Corporation (1)		Deposits (2)		Global Card Services (3)	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Net interest income (4)	**$ 36,514**	$ 33,148	**$ 5,382**	$ 7,999	**$ 15,312**	$ 14,279
Noninterest income	**59,017**	24,848	**5,178**	5,183	**6,869**	8,923
Total revenue, net of interest expense	**95,531**	57,996	**10,560**	13,182	**22,181**	23,202
Provision for credit losses (5)	**38,460**	18,290	**289**	293	**23,157**	14,314
Amortization of intangibles	**1,546**	1,357	**181**	224	**687**	771
Other noninterest expense	**48,782**	29,225	**7,137**	6,342	**5,337**	6,209
Income (loss) before income taxes	**6,743**	9,124	**2,953**	6,323	**(7,000)**	1,908
Income tax expense (benefit) (4)	**273**	3,327	**1,041**	2,374	**(2,473)**	664
Net income (loss)	**$ 6,470**	$ 5,797	**$ 1,912**	$ 3,949	**$ (4,527)**	$ 1,244
Period-end total assets	**$ 2,251,043**	$ 1,831,177	**$ 442,274**	$ 397,651	**$ 223,980**	$ 256,885

	Home Loans & Insurance		Global Banking		Global Markets	
	2009	2008	**2009**	2008	**2009**	2008
Net interest income (4)	**$ 3,691**	$ 2,305	**$ 8,378**	$ 7,641	**$ 4,870**	$ 3,618
Noninterest income (loss)	**9,410**	3,753	**9,722**	5,096	**12,366**	(2,894)
Total revenue, net of interest expense	**13,101**	6,058	**18,100**	12,737	**17,236**	724
Provision for credit losses (5)	**8,995**	4,664	**6,772**	1,728	**148**	(63)
Amortization of intangibles	**50**	19	**185**	165	**53**	1
Other noninterest expense	**8,469**	4,192	**6,946**	5,340	**7,909**	2,801
Income (loss) before income taxes	**(4,413)**	(2,817)	**4,197**	5,504	**9,126**	(2,015)
Income tax expense (benefit) (4)	**(1,563)**	(1,042)	**1,494**	2,064	**3,099**	(752)
Net income (loss)	**$ (2,850)**	$ (1,775)	**$ 2,703**	$ 3,440	**$ 6,027**	$ (1,263)
Period-end total assets	**$ 234,842**	$ 178,956	**$ 381,041**	$ 397,645	**$ 588,641**	$ 350,326

	GWIM (2)		All Other (2, 3)	
	2009	2008	**2009**	2008
Net interest income (4)	**$ 4,280**	$ 3,449	**$ (5,399)**	$ (6,143)
Noninterest income	**8,326**	2,370	**7,146**	2,417
Total revenue, net of interest expense	**12,606**	5,819	**1,747**	(3,726)
Provision for credit losses (5)	**1,007**	512	**(1,908)**	(3,158)
Amortization of intangibles	**390**	175	**-**	2
Other noninterest expense	**9,357**	3,666	**3,627**	675
Income (loss) before income taxes	**1,852**	1,466	**28**	(1,245)

Income tax expense (benefit) [4]	**650**	553	**(1,975)**	(534)
Net income (loss)	**$ 1,202**	$ 913	**$ 2,003**	$ (711)
Period-end total assets	**$ 249,110**	$ 180,499	**$ 131,155**	$ 69,215

(1) There were no material intersegment revenues.
(2) Total assets include asset allocations to match liabilities (i.e., deposits).
(3) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.
(4) FTE basis
(5) Provision for credit losses represents: For *Global Card Services* Provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio and for *All Other* Provision for credit losses combined with the *Global Card Services* securitization offset.

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Global Card Services is reported on a managed basis which includes a securitization impact adjustment which has the effect of presenting securitized loans in a manner similar to the way loans that have not been sold are presented. *All Other* s results include a corresponding securitization offset which removes the impact of these securitized loans in order to present the consolidated results of the Corporation on a held basis. The tables below reconcile *Global Card Services* and *All Other* to a held basis by reclassifying net interest income, all other income and realized credit losses associated with the securitized loans to card income.

Global Card Services Reconciliation

	Three Months Ended September 30, 2009			Three Months Ended September 30, 2008		
(Dollars in millions)	**Managed Basis [1]**	**Securitization Impact [2]**	**Held Basis**	Managed Basis [1]	Securitization Impact [2]	Held Basis
Net interest income [3]	**$ 4,995**	**$ (2,275)**	**$ 2,720**	$ 4,930	$ (2,207)	$ 2,723
Noninterest income:						
Card income	**2,183**	**(1,007)**	**1,176**	2,289	507	2,796
All other income	**149**	**(26)**	**123**	534	(54)	480
Total noninterest income	**2,332**	**(1,033)**	**1,299**	2,823	453	3,276
Total revenue, net of interest expense	**7,327**	**(3,308)**	**4,019**	7,753	(1,754)	5,999
Provision for credit losses	**6,975**	**(3,308)**	**3,667**	5,602	(1,754)	3,848
Noninterest expense	**1,968**	**-**	**1,968**	2,405	-	2,405
Loss before income taxes	**(1,616)**	**-**	**(1,616)**	(254)	-	(254)
Income tax benefit [3]	**(580)**	**-**	**(580)**	(87)	-	(87)
Net loss	**$ (1,036)**	**$ -**	**$ (1,036)**	$ (167)	$ -	$ (167)

	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Managed Basis [1]	**Securitization Impact [2]**	**Held Basis**	Managed Basis [1]	Securitization Impact [2]	Held Basis
Net interest income [3]	**$ 15,312**	**$ (7,024)**	**$ 8,288**	$ 14,279	$ (6,402)	$ 7,877
Noninterest income:						
Card income	**6,462**	**(1,355)**	**5,107**	7,564	1,768	9,332
All other income	**407**	**(94)**	**313**	1,359	(179)	1,180
Total noninterest income	**6,869**	**(1,449)**	**5,420**	8,923	1,589	10,512
Total revenue, net of interest expense	**22,181**	**(8,473)**	**13,708**	23,202	(4,813)	18,389
Provision for credit losses	**23,157**	**(8,473)**	**14,684**	14,314	(4,813)	9,501

Noninterest expense	**6,024**	**-**	**6,024**	6,980	-	6,980
Income (loss) before income taxes	**(7,000)**	**-**	**(7,000)**	1,908	-	1,908
Income tax expense (benefit) [3]	**(2,473)**	**-**	**(2,473)**	664	-	664
Net income (loss)	**$ (4,527)**	**$ -**	**$ (4,527)**	$ 1,244	$ -	$ 1,244

(1) Provision for credit losses represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

(2) The securitization impact on net interest income is on a funds transfer pricing methodology consistent with the way funding costs are allocated to the businesses.

(3) FTE basis

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All Other Reconciliation

(Dollars in millions)	**Three Months Ended September 30, 2009**			Three Months Ended September 30, 2008		
	Reported Basis [1]	**Securitization Offset [2]**	**As Adjusted**	Reported Basis [1]	Securitization Offset [2]	As Adjusted
Net interest income [3]	**$ (1,867)**	**$ 2,275**	**$ 408**	$ (2,342)	$ 2,207	$ (135)
Noninterest income:						
Card income (loss)	**(720)**	**1,007**	**287**	538	(507)	31
Equity investment income (loss)	**886**	**-**	**886**	(327)	-	(327)
Gains (losses) on sales of debt securities	**1,441**	**-**	**1,441**	(3)	-	(3)
All other income (loss)	**(2,371)**	**26**	**(2,345)**	66	54	120
Total noninterest income (loss)	**(764)**	**1,033**	**269**	274	(453)	(179)
Total revenue, net of interest expense	**(2,631)**	**3,308**	**677**	(2,068)	1,754	(314)
Provision for credit losses	**(1,222)**	**3,308**	**2,086**	(996)	1,754	758
Merger and restructuring charges	**594**	**-**	**594**	247	-	247
All other noninterest expense	**612**	**-**	**612**	(86)	-	(86)
Loss before income taxes	**(2,615)**	**-**	**(2,615)**	(1,233)	-	(1,233)
Income tax benefit [3]	**(983)**	**-**	**(983)**	(540)	-	(540)
Net loss	**$ (1,632)**	**$ -**	**$ (1,632)**	$ (693)	$ -	$ (693)

	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Reported Basis [1]	**Securitization Offset [2]**	**As Adjusted**	Reported Basis [1]	Securitization Offset [2]	As Adjusted
Net interest income [3]	**$ (5,399)**	**$ 7,024**	**$ 1,625**	$ (6,143)	$ 6,402	$ 259
Noninterest income:						
Card income (loss)	**(464)**	**1,355**	**891**	1,797	(1,768)	29

Equity investment income	**8,191**	**-**	**8,191**	651	-	651
Gains on sales of debt securities	**3,584**	**-**	**3,584**	349	-	349
All other income (loss)	**(4,165)**	**94**	**(4,071)**	(380)	179	(201)
Total noninterest income	**7,146**	**1,449**	**8,595**	2,417	(1,589)	828
Total revenue, net of interest expense	**1,747**	**8,473**	**10,220**	(3,726)	4,813	1,087
Provision for credit losses	**(1,908)**	**8,473**	**6,565**	(3,158)	4,813	1,655
Merger and restructuring charges	**2,188**	**-**	**2,188**	629	-	629
All other noninterest expense	**1,439**	**-**	**1,439**	48	-	48
Income (loss) before income taxes	**28**	**-**	**28**	(1,245)	-	(1,245)
Income tax benefit [3]	**(1,975)**	**-**	**(1,975)**	(534)	-	(534)
Net income (loss)	**$ 2,003**	**$ -**	**$ 2,003**	$ (711)	$ -	$ (711)

[1] Provision for credit losses represents provision for credit losses in *All Other* combined with the *Global Card Services* securitization offset.

[2] The securitization offset to net interest income is on a funds transfer pricing methodology consistent with the way funding costs are allocated to the businesses.

[3] FTE basis

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The following table presents reconciliations of the six business segments (*Deposits, Global Card Services, Home Loans & Insurance, Global Markets, Global Banking* and *GWIM*) total revenue, net of interest expense, on a FTE basis and net income to the Consolidated Statement of Income. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Segments total revenue, net of interest expense[1]	**$ 28,996**	$ 21,967	**$ 93,784**	$ 61,722
Adjustments:				
ALM activities	**(777)**	743	**326**	1,251
Equity investment income (loss)	**886**	(327)	**8,191**	651
Liquidating businesses	**343**	54	**953**	221
FTE basis adjustment	**(330)**	(278)	**(964)**	(894)
Managed securitization impact to total revenue, net of interest expense	**(3,308)**	(1,754)	**(8,473)**	(4,813)
Other	**225**	(784)	**750**	(1,036)
Consolidated revenue, net of interest expense	**$ 26,035**	$ 19,621	**$ 94,567**	$ 57,102
Segments net income	**$ 631**	$ 1,870	**$ 4,467**	$ 6,508
Adjustments, net of taxes:				
ALM activities	**(1,946)**	(306)	**(4,465)**	(465)
Equity investment income (loss)	**558**	(206)	**5,160**	410
Liquidating businesses	**128**	37	**337**	90
Merger and restructuring charges	**(375)**	(183)	**(1,379)**	(424)
Other	**3**	(35)	**2,350**	(322)
Consolidated net income (loss)	**$ (1,001)**	$ 1,177	**$ 6,470**	$ 5,797

(1) FTE basis

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NOTE 20 Performance by Geographical Area

Since the Corporation s operations are highly integrated, certain income, expense, asset and liability amounts must be allocated to arrive at total revenue, net of interest expense, income before income taxes, net income and total assets by geographic area. The Corporation identifies its geographic performance based upon the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that it can be appropriately matched with the related expense or capital deployed in the region.

		Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	Year	Total Revenue, Net of Interest Expense [1]	Income (Loss) Before Income Taxes	Net Income (Loss)	Total Revenue, Net of Interest Expense [1]	Income (Loss) Before Income Taxes	Net Income (Loss)
Domestic [2]	**2009**	**$ 22,638**	**$ (3,050)**	**$ (1,769)**	**$ 76,224**	**$ (4,805)**	**$ (377)**
	2008	18,166	1,282	1,028	52,892	7,236	5,163
Asia [3]	**2009**	**464**	**(161)**	**(101)**	**9,989**	**8,017**	**5,050**
	2008	272	73	46	1,020	503	318
Europe, Middle East and Africa	**2009**	**2,540**	**1,010**	**727**	**7,208**	**1,983**	**1,428**
	2008	1,079	61	44	2,701	79	59
Latin America and the Caribbean	**2009**	**393**	**225**	**142**	**1,146**	**584**	**369**
	2008	104	95	59	489	412	257
Total Foreign	**2009**	**3,397**	**1,074**	**768**	**18,343**	**10,584**	**6,847**
	2008	1,455	229	149	4,210	994	634
Total Consolidated	**2009**	**$ 26,035**	**$ (1,976)**	**$ (1,001)**	**$ 94,567**	**$ 5,779**	**$ 6,470**
	2008	19,621	1,511	1,177	57,102	8,230	5,797

(1) There were no material intercompany revenues between geographic regions for any of the periods presented.

(2) Includes the Corporation s Canadian operations which had total revenue, net of interest expense of $374 million and $1.1 billion; income before income taxes of $131 million and $326 million; and net income of $85 million and $241 million for the three and nine months ended September 30, 2009, respectively. Includes the Corporation s Canadian operations which had total revenue, net of interest expense of $317 million and $884 million; income before income taxes of $140 million and $394 million; and net income of $96 million and $285 million for the three and nine months ended September 30, 2008, respectively.

(3) The nine months ended September 30, 2009 includes pre-tax gains of $7.3 billion ($4.7 billion net-of-tax) on the sale of common shares of the Corporation s initial investment in CCB.

	Total Assets (1)	
(Dollars in millions)	**September 30, 2009**	December 31, 2008
Domestic (2)	**$ 1,897,405**	$ 1,678,853
Asia	**89,483**	50,567
Europe, Middle East and Africa	**239,926**	78,790
Latin America and the Caribbean	**24,229**	9,733
Total Foreign	**353,638**	139,090
Total Consolidated	**$ 2,251,043**	$ 1,817,943

(1) Total assets include long-lived assets, which are primarily located in the U.S.

(2) Includes the Corporation s Canadian operations which had total assets of $24.6 billion and $13.5 billion at September 30, 2009 and December 31, 2008.

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Bank of America Corporation and Subsidiaries

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Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 210.

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

This report on Form 10-Q and the documents into which it may be incorporated by reference may contain, and from time to time our management may make, certain statements that constitute forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent the current expectations, plans or forecasts of Bank of America Corporation and its subsidiaries (the Corporation) regarding the Corporation s integration of the Merrill Lynch and Countrywide acquisitions and related cost savings, future results and revenues, credit losses, credit reserves and charge-offs, delinquency trends, nonperforming assets levels, level of preferred dividends, service charges, the closing of the sale of Columbia Management and First Republic Bank, competitive position, the consolidation of certain VIEs and QSPEs and the related financial statement and regulatory impact and other matters relating to the Corporation and the securities that we may offer from time to time. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation s 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 discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation s 2008 Annual Report on Form 10-K and in any of the Corporation s other subsequent SEC filings: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the credit quality of our loan portfolios (the degree of the impact of which is dependent upon the duration and severity of these conditions); the Corporation s modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices which may affect, among other things, our liquidity and the value of our assets and liabilities and, in turn, our trading and investment portfolios; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions; the Corporation s credit ratings and the credit ratings of our securitizations, which are important to the Corporation s liquidity, borrowing costs and trading revenues; estimates of fair value of certain of the Corporation s assets and liabilities, which could change in value significantly from period to period; legislative and regulatory actions in the United States (including the CARD Act of 2009 and related regulations) and internationally which may increase the Corporation s costs and adversely affect the Corporation s businesses and economic conditions as a whole; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments; various monetary and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations (including SFAS 166 and 167) and the impact on the Corporation s financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; the Corporation s ability to attract new employees and retain and motivate existing employees; mergers and acquisitions and their integration into the Corporation, including its ability to realize the benefits and costs savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch acquisition; the Corporation s reputation; 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.

The Corporation, headquartered in Charlotte, North Carolina, operates in all 50 states, the District of Columbia and more than 40 foreign countries. As of September 30, 2009, the Corporation provided a diversified range of banking and nonbanking financial services and products domestically and internationally through six business segments: *Deposits, Global Card Services, Home Loans & Insurance*, *Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM).*

At September 30, 2009, the Corporation had $2.3 trillion in assets and approximately 282,000 full-time equivalent employees. Notes to the Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

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2009 Environment

The economic recession accelerated in late 2008 and continued to deepen into the first half of 2009 but has shown some signs of stabilization and possible improvement toward the end of the third quarter. Consumers experienced high levels of stress from higher unemployment and underemployment as well as further declines in home prices. These factors led to lower consumer spending, negatively impacting growth in the consumer loan portfolio including credit card and real estate. Consumer net charge-offs in our credit card and real estate portfolios increased reflecting deterioration in the economy and housing markets particularly in geographic areas that have experienced the most significant declines in home prices. The commercial portfolio declined as a result of these factors combined with further reductions in spending by businesses and the resurgence of capital markets which allowed corporate clients to issue bonds and equity to replace loans as a source of funding. Higher commercial net charge-offs were driven by commercial real estate, reflecting deterioration across various property types, and the commercial domestic portfolio, reflecting broad-based deterioration in terms of borrowers and industries. In addition to increased net charge-offs, nonperforming assets and commercial criticized utilized exposures were higher which contributed to increased reserves across most portfolios during the nine months ended September 30, 2009. For more information on credit quality, see the Credit Risk Management discussion beginning on page 159.

Capital market conditions showed some signs of improvement during the first nine months of 2009 and *Global Markets* took advantage of the favorable trading environment. However, during the second and third quarters of 2009 our results were adversely impacted by credit spread adjustments on certain Merrill Lynch structured notes and the Corporation s derivative liabilities as our credit spreads improved. Market dislocations that occurred throughout 2008 continued to impact our results in the first nine months of 2009 but to a lesser extent as we experienced reduced market disruption charges on legacy Bank of America positions compared to the same period in the prior year. We have also reduced certain asset levels in *Global Markets* for balance sheet efficiencies. For more information on *Global Markets* results and its related exposures, see the discussion beginning on page 128 and for more information on the impact of the Merrill Lynch structured notes see the *All Other* discussion beginning on page 139.

In addition, our assets under management (AUM) were adversely impacted by the market downturn in the fourth quarter of 2008 and first quarter of 2009 which drove lower fees and brokerage commissions. The market downturn showed some signs of improvement in the second and third quarters of 2009. In addition we continued to provide support to certain cash funds during the first nine months of 2009 although to a lesser extent than in the prior year. As of September 30, 2009, all capital commitments to these cash funds have been terminated. For more information on *GWIM s* results and related cash funds support see the discussion beginning on page 133.

The above conditions, together with continued weakness in the overall economy and recent and proposed regulatory changes, will continue to affect many of the markets in which we do business and may adversely impact our results for the remainder of 2009 and into 2010. However, we do not expect the impacts to be as significant as those experienced in the first nine months of 2009. The degree of the impact is dependent upon the timing of the economic recovery.

Regulatory Initiatives

On October 22, 2009, the House Financial Services Committee proposed the Consumer Financial Protection Agency Act of 2009 (CFPA Act of 2009) that would establish the Consumer Financial Protection Agency (CFPA) as an independent executive agency to regulate the provisions under the CFPA Act of 2009 and certain other consumer protection acts. In addition, this CFPA Act of 2009 would require the CFPA to seek to promote transparency, simplicity, fairness, accountability, and access in the market for consumer financial products or services and authorizes the agency to take administrative actions to enforce the provisions in the acts noted above.

In 2008, the FDIC implemented the Temporary Liquidity Guarantee Program (TLGP) to strengthen confidence and encourage liquidity in the banking system by allowing the FDIC to guarantee senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits, issued by participating entities beginning on October 14, 2008, and continuing through October 31, 2009. The Corporation participated in this program, however, as announced in September 2009, due to improved market liquidity and the Corporation s ability to issue debt without the FDIC guarantee, the Corporation, with the FDIC s agreement, has exited the program. The TLGP also offered the Transaction Account Guarantee Program (TAGP) that provides guarantees on noninterest-bearing deposit accounts held at participating FDIC-insured institutions on balances in excess of $250,000. The Corporation is expected to opt out of the six-month extension of the TAGP which extends the program to June 30, 2010 and expects to exit the TAGP effective December 31, 2009. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 150.

On September 29, 2009, the FDIC issued a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay on December 30, 2009 their estimated quarterly risk-based assessments for the fourth quarter of 2009

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and for all of 2010, 2011 and 2012. For the fourth quarter of 2009 and for all of 2010, the prepaid assessment rate would be based on each institution s total base assessment rate for the third quarter of 2009, modified to assume that the assessment rate in effect for the Corporation on September 30, 2009 had been in effect for the entire third quarter of 2009. The prepaid assessment rates for 2011 and 2012 would be equal to the Corporation s modified third quarter 2009 total base assessment rate plus three basis points (bps). Each institution s prepaid assessment base would be calculated using its third quarter 2009 assessment base, adjusted quarterly for an estimated five percent annual growth rate in the assessment base through the end of 2012. In addition, the prepayment will be paid by each of the Corporation s banking subsidiaries and not by the parent company. As the prepayment is related to future periods it would be recorded as a prepaid asset and recognized as expense over the coverage period. The FDIC expects to issue a final ruling on the NPR during the fourth quarter of 2009.

On September 15, 2009, joint regulatory agencies (e.g., the OCC, Federal Reserve and FDIC) issued an NPR regarding risk-based capital and the impact of adoption of SFAS No. 166, Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140 (SFAS 166), and SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167), on consolidation of VIEs. The proposed rule considers eliminating the exclusion of certain asset-backed commercial paper (ABCP) program assets from risk-weighted assets and provides a reservation of authority to permit the agencies to require banks to treat structures that are not consolidated under the accounting standards as if they were consolidated for risk-based capital purposes, commensurate with the risk relationship of the bank to the structure. The Corporation is currently evaluating the potential impact of adopting SFAS 166 and SFAS 167 and this NPR on our risk-based capital levels and ratios. The joint regulatory agencies expect to issue a final ruling on this NPR during the first quarter of 2010.

Pursuant to the Emergency Economic Stabilization Act of 2008 (EESA), the U.S. Treasury announced the creation of the Financial Stability Plan. This plan outlined a series of key initiatives including a new Capital Assistance Program (CAP) to help ensure that banking institutions have sufficient capital. As part of the CAP, we, as well as several other large financial institutions, are subject to the Supervisory Capital Assessment Program (SCAP) conducted by federal regulators. The objective of the SCAP is to assess losses that could occur under certain economic scenarios, including economic conditions more severe than we currently anticipate. As a result of the SCAP, in May 2009, federal regulators determined that the Corporation required an additional $33.9 billion of Tier 1 common capital to sustain the most severe economic circumstances assuming a more prolonged and deeper recession over the next two years than the majority of both private and government economists currently project. We achieved the increased capital requirement during the first half of 2009 through strategic transactions that increased common capital, including the expected reductions in preferred dividends and related reduction in deferred tax asset disallowances, approximately $39.7 billion which significantly exceeded the SCAP buffer. This Tier 1 common capital increase resulted from the exchange of approximately $14.8 billion aggregate liquidation preference of non-government preferred shares into approximately 1.0 billion common shares, an at-the-market offering of 1.25 billion common shares for $13.5 billion, a $4.4 billion benefit (inclusive of associated tax effects) related to the sale of shares of China Construction Bank (CCB), a $3.2 billion benefit (net-of-tax and including an approximate $800 million reduction in goodwill and intangibles) related to the gain from the contribution of our merchant processing business to a joint venture, $1.6 billion due to reduced actual and forecasted preferred dividends throughout 2009 and 2010 related to the exchange of the preferred for common shares and a $2.2 billion reduction in the deferred tax asset disallowance for Tier 1 common capital from the preceding items.

On May 22, 2009, the FDIC adopted a rule designed to replenish the deposit insurance fund. This rule establishes a special assessment of five bps on each FDIC-insured depository institution s assets minus its Tier 1 capital with a maximum assessment not to exceed 10 bps of an institution s domestic deposits. This special assessment was calculated based on asset levels at June 30, 2009, and was collected on September 30, 2009. The Corporation recorded a charge of $760 million in the second quarter of 2009 in connection with this assessment. Additionally, beginning April 1, 2009, the FDIC increased fees on deposits based on a revised risk-weighted methodology which increased the base assessment rates.

Additionally, on May 22, 2009, the President signed into law the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009. The majority of the CARD Act provisions will become effective in February 2010. The CARD Act of 2009 calls for many changes to credit card industry practices including significantly restricting banks ability to change interest rates and assess fees to reflect individual consumer risk, changing the way payments are applied and requiring changes to consumer credit card disclosures. Under the CARD Act of 2009, banks must give customers 45 days notice prior to a change in terms on their account and the grace period for credit card payments will be extended from 14 days to 21 days. The CARD Act of 2009 will also require banks to review any accounts that were repriced since January 1, 2009 for a possible rate reduction. As announced in October 2009, the Corporation will not increase interest rates on consumer credit accounts in response to provisions in the CARD Act prior to the effective date of the CARD Act unless the customer s account falls past due or is based on a variable interest rate. The Federal Reserve is in the process of publishing rules that clarify and implement a number of the provisions in this legislation. In addition, in the fourth quarter of 2009, the Federal Reserve is expected to issue the final Electronic Funds Transfer Act (i.e., Regulation E) which could negatively

impact future net revenue growth related to deposits. We continue to review the potential impact these initiatives may have on the Corporation s consolidated financial results.

On March 16, 2009, the U.S. Treasury announced that it will provide $15 billion to help increase small business owners access to credit. As part of this lending initiative, the U.S. Treasury intends to begin making direct purchases of certain securities backed by Small Business Administration (SBA) loans to improve liquidity in the credit markets and it will stand ready to purchase new securities to ensure that financial institutions feel confident in extending new loans to local businesses. The program will also temporarily raise guarantees to up to 90 percent in the SBA s loan program and temporarily eliminate certain SBA loan fees. The Corporation continues to lend to credit-worthy small business customers through small business credit cards, loans and line of credit products.

On March 4, 2009, the U.S. Treasury provided details related to the $75 billion Making Home Affordable program (MHA). The MHA is focused on reducing the number of foreclosures and making it easier for customers to refinance loans. The MHA consists of two separate programs, the Home Affordable Modification program which provides guidelines on loan modifications, and the Home Affordable Refinance program which provides guidelines for loan refinancing. The Home Affordable Modification program is designed to help up to three to four million at-risk homeowners avoid foreclosure by reducing monthly mortgage payments. This program will provide incentives to lenders to modify all eligible loans that fall under the guidelines of this program. The Home Affordable Refinance program is available to approximately four to five million homeowners who have a proven payment history on an existing mortgage owned by Fannie Mae or Freddie Mac. The MHA will help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance adjustable-rate mortgages into more stable fixed-rate mortgages. We will continue to help our customers address financial challenges through these government programs and the continuation of our own home retention programs as discussed in more detail in Recent Events below.

These regulatory initiatives, among others, present certain risks in managing the results of our businesses. Many of the industry changes, such as the CARD Act of 2009 and potential regulatory reform legislation discussed above, could require us to change certain of our business practices, impose additional costs on us, or otherwise adversely affect our business operations. Recent and proposed regulatory changes, such as the NPR issued by joint regulatory agencies regarding the adoption of SFAS 166 and SFAS 167, TARP and other changes (including exceptional TARP assistance repayment guidelines) may impact our results and financial condition. In response to these risk factors, the Corporation has taken numerous actions to address these risks, including realigning certain committees of the Board of Directors (the Board). For more information regarding these committees see the Managing Risk discussion on page 149. For more information on risk factors please refer to Part II-Item 1A. Risk Factors beginning on page 216.

For additional information related to these regulatory initiatives and other programs, please refer to the detailed discussion provided in Regulatory Initiatives beginning on page 3 of the MD&A filed as Exhibit 99.1 to the Corporation s Current Report on Form 8-K filed on May 28, 2009.

Recent Events

On October 28, 2009, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on December 24, 2009 to common stockholders of record on December 4, 2009. On July 21, 2009, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, which was paid on September 25, 2009 to common stockholders of record on September 4, 2009. In addition, in October 2009 the Board declared aggregate dividends on preferred stock of $1.0 billion including $713 million in dividend payments to the U.S. government on the preferred stock issued pursuant to the TARP. In the third quarter of 2009, we recorded aggregate dividends on preferred stock of $1.1 billion including $713 million to the U.S. government. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 150.

On October 21, 2009, the Corporation reached an agreement to sell First Republic Bank (First Republic) to a number of investors, led by First Republic s existing management, Colony Capital, LLC and General Atlantic, LLC. First Republic, acquired on January 1, 2009 as part of the Merrill Lynch acquisition, provides personalized relationship-based banking services, including private banking, private business banking, real estate lending, trust, brokerage and investment management. First Republic is a standalone bank that operates primarily on the west coast and in the northeast and caters to high-end customers. As of September 30, 2009, First Republic had approximately $19.0 billion in total assets, $16.0 billion in deposits, and $15.0 billion in AUM. The transaction is expected to close in the second quarter of 2010 subject to regulatory approval.

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On September 30, 2009, the Corporation reached an agreement to sell the long-term asset management business of Columbia Management (*Columbia*) to Ameriprise Financial, Inc., for consideration of approximately $900 million to $1.2 billion subject to certain adjustments including, among other factors, customer retention by the buyer. The sale includes the management of *Columbia s* equity and fixed-income mutual funds and separate accounts. The transaction is expected to close in the second quarter of 2010 and is subject to regulatory approvals and customary closing conditions, including fund board, fund shareholder and other required client approvals.

On September 21, 2009, the Corporation reached an agreement to terminate its term sheet with the U.S. government under which the U.S. government agreed in principle to provide protection against the possibility of unusually large losses on a pool of the Corporation s financial instruments that were acquired from Merrill Lynch. In connection with the termination of the term sheet, the Corporation paid a total of $425 million in the third quarter to the U.S. government to be allocated among the U.S. Treasury, the Federal Reserve and the FDIC.

To help homeowners avoid foreclosure, we have provided rate relief or agreed to modifications with approximately 215,000 customers during the first nine months of 2009. In addition, through November 1, 2009 over 125,000 Bank of America customers are already in a trial period modification under the MHA program.

In addition to being committed to the loan modification programs, we extended approximately $183.7 billion of credit during the third quarter which was comprised of $95.7 billion in mortgages, $65.5 billion in commercial non-real estate, $8.3 billion in commercial real estate, $4.5 billion in domestic retail and small business credit card, $2.7 billion in home equity products; and approximately $7.0 billion in other consumer credit products. Commercial credit extensions of $73.8 billion included commercial renewals of $50.9 billion.

Recent Accounting Developments

On June 12, 2009, the FASB issued two new accounting standards: SFAS 166 and SFAS 167, which will amend FASB ASC 860-10, Transfers and Servicing, and FASB ASC 810-10, Consolidation of Variable Interest Entities. These statements are effective on January 1, 2010. As described more fully in *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements, SFAS 166 revises existing sale accounting criteria for transfers of financial assets and SFAS 167 significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE. The adoption of SFAS 166 and 167 on January 1, 2010 will result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Corporation s Consolidated Balance Sheet. For more information, see Estimated Impact of Adopting SFAS 166 and 167 beginning on page 155.

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Performance Overview

Net income (loss) was $(1.0) billion, or $(0.26) per diluted common share after preferred dividends for the three months ended September 30, 2009, compared to $1.2 billion, or $0.15 per diluted common share, for the same period in 2008. Net income was $6.5 billion, or $0.39 per diluted common share for the nine months ended September 30, 2009, compared to $5.8 billion, or $1.09 per diluted common share, for same period in 2008.

Table 1
Business Segment Total Revenue and Net Income

	Three Months Ended September 30				Nine Months Ended September 30			
	Total Revenue [1]		**Net Income (Loss)**		**Total Revenue [1]**		**Net Income (Loss)**	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Deposits	**$ 3,666**	$ 4,725	**$ 798**	$ 1,575	**$ 10,560**	$ 13,182	**$ 1,912**	$ 3,949
Global Card Services [2]	**7,327**	7,753	**(1,036)**	(167)	**22,181**	23,202	**(4,527)**	1,244
Home Loans & Insurance	**3,411**	3,474	**(1,632)**	(54)	**13,101**	6,058	**(2,850)**	(1,775)
Global Banking	**4,670**	4,284	**40**	1,024	**18,100**	12,737	**2,703**	3,440
Global Markets	**5,827**	161	**2,190**	(588)	**17,236**	724	**6,027**	(1,263)
Global Wealth & Investment Management	**4,095**	1,570	**271**	80	**12,606**	5,819	**1,202**	913
All Other [2]	**(2,631)**	(2,068)	**(1,632)**	(693)	**1,747**	(3,726)	**2,003**	(711)
Total FTE basis	**26,365**	19,899	**(1,001)**	1,177	**95,531**	57,996	**6,470**	5,797
FTE adjustment	**(330)**	(278)	**-**	-	**(964)**	(894)	**-**	-
Total Consolidated	**$ 26,035**	$ 19,621	**$ (1,001)**	$ 1,177	**$ 94,567**	$ 57,102	**$ 6,470**	$ 5,797

(1) Total revenue is net of interest expense and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 107.
(2) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*. For more information on managed basis please see *Note 19 Business Segment Information* to the Consolidated Financial Statements.

The table above presents total revenue and net income for the business segments; the following discussion presents a summary of the related results. For more information on these results, see Business Segment Operations beginning on page 114.

Deposits net income decreased due to lower revenue and higher noninterest expense. Total revenue declined due to a lower residual net interest income allocation from asset and liability management (ALM) activities and spread compression due to declining interest rates. This decrease was partially offset by the transfer of certain client deposits from *GWIM* and increases in average deposits due to strong organic growth partially offset by an expected decline in higher-yielding Countrywide accounts. In addition, noninterest income increased due to higher service charges resulting from revenue initiatives and account growth. Noninterest expense increased driven by higher FDIC expenses.

In addition to the drivers discussed above, during the nine months ended September 30, 2009, *Deposits* results, compared to the same period in 2008, were also impacted by the Countrywide acquisition and higher noninterest expense related to the FDIC special assessment in the second quarter of 2009. For more information on *Deposits*, see page 115.

Global Card Services recorded a net loss due to higher credit costs and lower managed net revenue partially offset by decreased noninterest expense. Provision for credit losses increased as economic conditions led to higher losses, including an increased level of bankruptcies. Also contributing to the provision were reserve additions related to maturing securitizations. Managed net revenue declined primarily from a decrease in noninterest income due to the absence of the gain on the sale of a card portfolio and lower fee income partially offset by a negative valuation adjustment on the interest-only strip recorded in the same period in the prior year. The increase in the provision for credit losses and the decrease in managed net revenue were partially offset by a decrease in noninterest expense due to lower operating and marketing costs.

In addition to the drivers discussed above, during the nine months ended September 30, 2009, *Global Card Services* results, compared to the same period in 2008, were unfavorably impacted by the absence of *Global Card Services* share of the Visa-related gain recorded in the first quarter of 2008. For more information on *Global Card Services*, see page 117.

Home Loans & Insurance s net loss increased driven by higher credit costs related to the home equity portfolio and increased noninterest expense as a result of higher production volume and higher delinquencies. Net revenue remained relatively flat as an increase in net interest income was offset by a decrease in noninterest income due to lower mortgage banking income as a result of unfavorable MSR performance, net of hedges, partially offset by higher production income. The increase in provision expense was driven by economic weakness and falling home prices. In addition, reserves were increased in the Countrywide purchased impaired portfolio reflecting further deterioration in this portfolio. Noninterest expense rose mostly due to increased compensation and other expenses related to higher production volume and increased delinquencies.

In addition to the credit drivers discussed above, during the nine months ended September 30, 2009, *Home Loans & Insurance* s results, compared to the same period in 2008, were impacted by the Countrywide acquisition. In addition, mortgage banking income increased as lower interest rates drove an increase in mortgage activity. For more information on *Home Loans & Insurance*, see page 120.

Global Banking s net revenue rose primarily driven by increased investment banking income and higher service charges due in part to the Merrill Lynch acquisition. Net income decreased as higher credit costs and noninterest expense outpaced the growth in revenue mentioned above. Provision for credit losses increased mainly in the commercial real estate and commercial domestic portfolios reflecting deterioration across a broad range of industries and property types. Noninterest expense increased due to the Merrill Lynch acquisition and increased FDIC expense.

In addition to the drivers discussed above, during the nine months ended September 30, 2009, *Global Banking* s results, compared to the same period in 2008, were favorably impacted by the gain recorded on the contribution of the merchant processing business to a joint venture but were partially offset by the FDIC special assessment during the second quarter of 2009 and the absence of *Global Banking* s share of the Visa-related gain recorded in the first quarter of 2008. For more information on *Global Banking*, see page 124.

Global Markets net revenue and net income increased primarily due to favorable core trading results driven by the Merrill Lynch acquisition and reduced market disruption charges (e.g., CDO-related losses), partially offset by a negative valuation adjustment on derivative liabilities due to the Corporation s credit spreads improving. The increase in noninterest expense was largely attributable to the Merrill Lynch acquisition partially offset by a change in compensation that delivers a greater portion of incentive pay over time.

During the nine months ended September 30, 2009, *Global Markets* results, compared to the same period in 2008, were driven by the same factors as noted above. For more information on *Global Markets,* see page 128.

GWIM s net revenue was higher due to the addition of Merrill Lynch and a decline in support provided to certain cash funds. The increase in revenue was partially offset by higher provision for credit losses primarily driven by a single large commercial charge-off and reserve additions in the consumer real estate and commercial portfolios reflecting the weak economy.

In addition to the drivers discussed above, during the nine months ended September 30, 2009, *GWIM* s results, compared to the same period in 2008, were unfavorably driven by higher noninterest expense due to the FDIC special assessment recorded during the second quarter of 2009. For more information on *GWIM*, see page 133.

All Other s net loss increased as higher gains on the sale of debt securities and higher equity investment income were more than offset by the negative credit valuation adjustment on certain Merrill Lynch structured notes and other-than-temporary impairment charges related to non-agency collateralized mortgage obligations (CMOs). The provision for credit losses was adversely impacted by further credit deterioration in our residential mortgage portfolio and reserve additions on the Countrywide discontinued real estate purchased impaired portfolio. Noninterest expense increased due in part to merger and restructuring charges related to the Merrill Lynch acquisition and a charge to pay the U.S. government to terminate its asset guarantee term sheet.

In addition to the drivers discussed above, during the nine months ended September 30, 2009, *All Other* s results, compared to the same period in 2008, were favorably impacted by gains on sales of CCB shares. For more information on *All Other*, see page 139.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $167 million to $11.8 billion and increased $3.4 billion to $36.5 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. The decrease for the three-month period was driven by a reduction in AFS debt securities due to the earlier deleveraging of the portfolio, lower loan levels and the adverse impact of nonperforming loans. These items were partially offset by the improved interest rate environment and contribution from market-based net interest income related to our *Global Markets* business which benefited from the Merrill Lynch acquisition and the steepening of the yield curve. The results for the nine-month period were driven by the same factors as noted above, however, those items were more than offset by the impact of the Countrywide acquisition. The net interest yield on a FTE basis decreased 32 bps to 2.61 percent and 21 bps to 2.65 percent for the three and nine months ended September 30, 2009 compared to the same periods in 2008 primarily due to the addition of lower-yielding assets from the Merrill Lynch acquisition, reduced loan levels and the earlier deleveraging of the ALM portfolio partially offset by the favorable rate environment. In addition, the nine-month period was also driven by the addition of lower-yielding assets from the Countrywide acquisition.

Noninterest Income

Table 2
Noninterest Income

(Dollars in millions)	Three Months Ended September 30 **2009**	Three Months Ended September 30 2008	Nine Months Ended September 30 **2009**	Nine Months Ended September 30 2008
Card income	**$ 1,557**	$ 3,122	**$ 6,571**	$ 10,212
Service charges	**3,020**	2,722	**8,282**	7,757
Investment and brokerage services	**2,948**	1,238	**8,905**	3,900
Investment banking income	**1,254**	474	**3,955**	1,645
Equity investment income (loss)	**843**	(316)	**7,988**	1,330
Trading account profits (losses)	**3,395**	(384)	**10,760**	(1,810)
Mortgage banking income	**1,298**	1,674	**7,139**	2,564
Insurance income	**707**	678	**2,057**	1,092
Gains on sales of debt securities	**1,554**	10	**3,684**	362

Other income (loss)	**(1,167)**	(317)	**1,870**	(206)
Net impairment losses recognized in earnings on AFS debt securities	**(797)**	(922)	**(2,194)**	(1,998)
Total noninterest income	**$ 14,612**	$ 7,979	**$ 59,017**	$ 24,848

Noninterest income increased $6.6 billion to $14.6 billion and $34.2 billion to $59.0 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008.

Card income on a held basis decreased $1.6 billion and $3.6 billion primarily due to the negative impact of higher credit losses on securitized credit card loans and lower fee income, which was driven by changes in consumer retail purchase and payment behavior in the current economic environment. In addition, card income was lower due to reduced interchange income related to the contribution of our merchant processing business to a joint venture in the second quarter of 2009. These items were partially offset by lower securitized borrowing costs and the prior year s negative valuation adjustment on the interest-only strip.

Service charges grew $298 million and $525 million due primarily to the acquisition of Merrill Lynch and revenue initiatives.

Investment and brokerage services increased $1.7 billion and $5.0 billion primarily due to the acquisition of Merrill Lynch partially offset by the impact of lower valuations in the equity markets driven by the market downturn in the fourth quarter of 2008 which improved to some extent in 2009, and net cash outflows in the cash funds.

Investment banking income increased $780 million and $2.3 billion due to higher debt, equity and advisory fees reflecting the increased size of the investment banking platform from the Merrill Lynch acquisition.

Equity investment income increased $1.2 billion for the three months ended September 30, 2009 due to positive valuation adjustments on public and private investments within Global Principal Investments and the absence of other-than-temporary impairment charges related to AFS marketable equity securities that were recorded in the prior year. Additionally, equity investment income increased $6.7 billion for the nine months ended September 30, 2009 driven by sales of portions of our CCB investment for pre-tax gains of $7.3 billion during the first half of the year. The nine month results were partially offset by the absence of the Visa-related gain recorded during the prior year.

Trading account profits increased $3.8 billion and $12.6 billion primarily driven by favorable core trading results due to the Merrill Lynch acquisition and reduced market disruption charges (e.g., CDO-related losses). In addition, the three and nine months ended September 30, 2009 were negatively impacted by valuation adjustments on derivative liabilities of $714 million and $631 million due to the improvement of the Corporation s credit spreads. For more information, refer to the *Global Markets* discussion beginning on page 128.

Mortgage banking income decreased $376 million for the three months ended September 30, 2009 compared to the same period in the prior year due to lower servicing revenues of $677 million driven by unfavorable MSR performance net of hedges partially offset by increased production revenue of $301 million driven by the lower interest rate environment. Mortgage banking income increased $4.6 billion for the nine months ending September 30, 2009 when compared to the same period in 2008, due to higher servicing income of $1.7 billion and higher production income of $2.9 billion primarily as a result of the Countrywide acquisition.

Insurance income remained relatively flat for the three months ended September 30, 2009 and increased $965 million for the nine months ended September 30, 2009. The nine month increase was due to the acquisition of Countrywide s property and casualty businesses.

Gains on sales of debt securities increased $1.5 billion and $3.3 billion due to the favorable interest rate environment and improved credit spreads. Gains were primarily driven by sales of agency mortgage-backed securities and agency CMOs.

Other income (loss) decreased $850 million for the three months ended September 30, 2009 compared to the same period in 2008 primarily due to the negative fair value credit adjustment on the Merrill Lynch structured notes of $1.8 billion. In addition, other income (loss) for the three months ended September 30, 2009 decreased due to the absence of gains that were recorded during the third quarter of 2008 of $283 million from the sale of a card portfolio and $224 million from the sale of our prime brokerage business as well as increased writedowns on CMBS for the three months ended September 30, 2009. These amounts were partially offset by the beneficial impact of the Merrill Lynch acquisition, a decrease in cash funds support of $498 million and lower losses associated with ARS and leveraged loan exposures. In addition to the factors impacting the three-month discussion above, other income increased $2.1 billion for the nine months ended September 30, 2009 compared to the same period in 2008 due primarily to the $3.8 billion gain that was recorded upon the contribution of our merchant processing business to a joint venture.

Net impairment losses recognized in earnings on AFS debt securities decreased $125 million for the three months ended September 30, 2009 compared to the same period in the prior year due to lower charges recorded on CDOs and purchased securities from liquidated CDOs that are classified as AFS debt securities which were partially offset by increased charges on non-agency CMOs. Net impairment losses recognized in earnings on AFS debt securities increased $196 million for the nine months ended September 30, 2009 compared to the same period in the prior year as the increased impairment charges on non-agency CMOs more than offset the lower CDO related impairment charges.

Provision for Credit Losses

The provision for credit losses increased $5.3 billion to $11.7 billion and $20.2 billion to $38.5 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. Deterioration in the economy and housing markets drove higher credit costs in both the consumer and commercial portfolios. For further discussion, see Provision for Credit Losses beginning on page 192.

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Noninterest Expense

Table 3
Noninterest Expense

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	**2009**	2008
Personnel	**$ 7,613**	$ 5,198	**$ 24,171**	$ 14,344
Occupancy	**1,220**	926	**3,567**	2,623
Equipment	**617**	440	**1,855**	1,208
Marketing	**470**	605	**1,490**	1,813
Professional fees	**562**	424	**1,511**	1,071
Amortization of intangibles	**510**	464	**1,546**	1,357
Data processing	**592**	755	**1,861**	1,905
Telecommunications	**361**	288	**1,033**	814
Other general operating	**3,767**	2,313	**11,106**	4,818
Merger and restructuring charges	**594**	247	**2,188**	629
Total noninterest expense	**$ 16,306**	$ 11,660	**$ 50,328**	$ 30,582

Noninterest expense increased $4.6 billion to $16.3 billion and $19.8 billion to $50.3 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. Personnel costs increased $2.4 billion and $9.8 billion, and other general operating expenses rose $1.5 billion and $6.3 billion, driven in large part by the Merrill Lynch acquisition. The increase in personnel costs was partially offset by a change in compensation that delivers a greater portion of incentive pay over time which reduced personnel expenses by $706 million during the three months ended September 30, 2009. Additionally, other general operating expense increased due to a $402 million pre-tax charge to pay the U.S. government to terminate its asset guarantee term sheet and increased FDIC expenses. In addition to the factors noted above, the nine month comparison was impacted by increased expenses associated with the acquisition of Countrywide and the special FDIC assessment of $760 million that was incurred during the second quarter of 2009. Further, personnel expense for the nine months ended September 30, 2008 benefited from a reduction in performance-based incentive compensation due to changes enacted in the second quarter of 2008.

Income Tax Expense

Income tax (benefit) was $(975) million for the three months ended September 30, 2009 compared to income tax expense of $334 million for the same period in 2008 and resulted in an effective tax rate of 49.3 percent compared to 22.1 percent in the prior year. The effective tax rate for the quarter reflects the normal tax benefit of the pre-tax loss, as well as the impact of a shift in the geographic mix of our income. Income tax (benefit) was $(691) million for the nine months ended September 30, 2009 compared to income tax expense of $2.4 billion for the same period in 2008 and resulted in an effective tax rate of (12.0) percent compared to 29.6 percent in the prior year. The decrease in the year-to-date effective tax rate from the prior year was due to permanent tax preferences (e.g., tax-exempt income and tax credits) and the release of part of a valuation allowance provided for acquired capital loss carry-forward tax benefits, together offsetting a higher percentage of pre-tax earnings than was offset in the prior year, as well as a shift in the geographic mix of our earnings driven by the addition of Merrill Lynch. Absent any one-time items, the effective tax rate is expected to normalize towards statutory for the fourth quarter. The effective tax rate for the fourth quarter may be positively impacted by one-time items, including tax benefits from the recognition of additional tax capital losses and possible settlements with various taxing authorities.

The majority of the income of certain foreign subsidiaries is not currently subject to U.S. income tax as a result of deferral provisions applicable to active financing income. These provisions are scheduled to expire for taxable years beginning on or after January 1, 2010. Absent an extension of these provisions, active financing income earned by foreign subsidiaries after expiration will be subject to a tax provision that considers the incremental U.S. tax. Management does not expect the impact, which will depend upon the amount and geographic mix of future earnings, to drive the Corporation s effective tax rate higher than the U.S. statutory tax rates.

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Assets

At September 30, 2009, total assets were $2.3 trillion, an increase of $433.1 billion from December 31, 2008. The increase was attributable to the acquisition of Merrill Lynch which impacted most major line items. In addition, cash and cash equivalents increased due to our strengthened liquidity and capital position, and loans held-for-sale were higher due to increased volume in consumer refinancing as a result of the favorable rate environment partially offset by securitizations. These factors were partially offset by lower debt securities, which were driven by principal paydowns and net sales of securities in an earlier effort to deleverage the portfolio, and decreased loan levels.

Average total assets for the three and nine months ended September 30, 2009 increased $485.0 billion, or 25.4 percent, and $634.1 billion, or 35.1 percent, from the same periods in 2008. These increases in average total assets were driven by increases in cash and cash equivalents, federal funds sold and securities borrowed or purchased under agreements to resell, trading account assets, derivative assets and other assets. These increases were primarily due to the acquisition of Merrill Lynch and were partially offset by decreased loan levels.

Liabilities and Shareholders   Equity

At September 30, 2009, total liabilities were $2.0 trillion, an increase of $352.5 billion from December 31, 2008. Average total liabilities for the three and nine months ended September 30, 2009 increased $395.5 billion, or 22.7 percent, and $552.4 billion, or 33.5 percent, from the same periods in 2008. The increase in total liabilities was attributable to the acquisition of Merrill Lynch which impacted various line items including long-term debt and deposits. This was partially offset by a decrease in commercial paper and other short-term borrowings and foreign deposits. The increase in average total liabilities for the nine months ended September 30, 2009 was also impacted by the acquisition of Countrywide.

Period end shareholders   equity was $257.7 billion at September 30, 2009, an increase of $80.6 billion from December 31, 2008, due to the issuance of preferred stock and related warrants of $30.0 billion in connection with the TARP, common and preferred stock of $20.5 billion and $8.6 billion issued in the Merrill Lynch acquisition, an at-the-market common stock issuance of $13.5 billion and net income of $6.5 billion.

Average shareholders   equity for the three and nine months ended September 30, 2009 compared to the same periods in 2008, increased $89.5 billion and $81.7 billion due to the same period-end factors discussed above. In addition, the increase was due to the issuance of preferred stock and related warrants during the second half of 2008 in connection with the TARP. Further, the nine-month period benefited from the common stock issued in connection with the Countrywide acquisition.

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Table 4
Selected Quarterly Financial Data

(Dollars in millions, except per share information)	2009 Quarters Third [1]	Second	First	2008 Quarters Fourth [1]	Third
Income statement					
Net interest income	**$ 11,423**	$ 11,630	$ 12,497	$ 13,106	$ 11,642
Noninterest income	**14,612**	21,144	23,261	2,574	7,979
Total revenue, net of interest expense	**26,035**	32,774	35,758	15,680	19,621
Provision for credit losses	**11,705**	13,375	13,380	8,535	6,450
Noninterest expense, before merger and restructuring charges	**15,712**	16,191	16,237	10,641	11,413
Merger and restructuring charges	**594**	829	765	306	247
Income (loss) before income taxes	**(1,976)**	2,379	5,376	(3,802)	1,511
Income tax expense (benefit)	**(975)**	(845)	1,129	(2,013)	334
Net income (loss)	**(1,001)**	3,224	4,247	(1,789)	1,177
Net income (loss) applicable to common shareholders	**(2,241)**	2,419	2,814	(2,392)	704
Average common shares issued and outstanding (in thousands)	**8,633,834**	7,241,515	6,370,815	4,957,049	4,543,963
Average diluted common shares issued and outstanding (in thousands)	**8,633,834**	7,269,518	6,431,027	4,957,049	4,547,578
Performance ratios					
Return on average assets	**n/m %**	0.53 %	0.68 %	n/m %	0.25 %
Return on average common shareholders equity	**n/m**	5.59	7.10	n/m	1.97
Return on average tangible common shareholders equity [2]	**n/m**	16.90	24.37	n/m	8.92
Return on average tangible shareholders equity [2]	**n/m**	8.86	12.42	n/m	6.11
Total ending equity to total ending assets	**11.45**	11.32	10.32	9.74	8.79
Total average equity to total average assets	**10.71**	10.03	9.08	9.06	8.73
Dividend payout	**n/m**	3.56	2.28	n/m	n/m
Per common share data					
Earnings (loss)	**$ (0.26)**	$ 0.33	$ 0.44	$ (0.48)	$ 0.15
Diluted earnings (loss)	**(0.26)**	0.33	0.44	(0.48)	0.15
Dividends paid	**0.01**	0.01	0.01	0.32	0.64
Book value	**22.99**	22.71	25.98	27.77	30.01
Tangible book value [2]	**12.00**	11.66	10.88	10.11	10.50
Market price per share of common stock					
Closing	**$ 16.92**	$ 13.20	$ 6.82	$ 14.08	$ 35.00
High closing	**17.98**	14.17	14.33	38.13	37.48
Low closing	**11.84**	7.05	3.14	11.25	18.52
Market capitalization	**$ 146,363**	$ 114,199	$ 43,654	$ 70,645	$ 159,672
Average balance sheet					
Total loans and leases	**$ 930,255**	$ 966,105	$ 994,121	$ 941,563	$ 946,914
Total assets	**2,390,675**	2,420,317	2,519,134	1,948,854	1,905,691
Total deposits	**989,295**	974,892	964,081	892,141	857,845
Long-term debt	**449,974**	444,131	446,975	255,709	264,934
Common shareholders equity	**197,230**	173,497	160,739	142,535	142,303
Total shareholders equity	**255,983**	242,867	228,766	176,566	166,454
Asset quality [3]					
Allowance for credit losses [4]	**$ 37,399**	$ 35,777	$ 31,150	$ 23,492	$ 20,773
Nonperforming assets [5, 6]	**33,825**	30,982	25,632	18,212	13,576
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [6]	**3.95 %**	3.61 %	3.00 %	2.49 %	2.17 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [6]	**112**	116	122	141	173
Net charge-offs	**$ 9,624**	$ 8,701	$ 6,942	$ 5,541	$ 4,356
Annualized net charge-offs as a percentage of average loans and leases outstanding [6]	**4.13 %**	3.64 %	2.85 %	2.36 %	1.84 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding [6]	**3.51**	3.12	2.47	1.77	1.25
Nonperforming assets as a percentage of total loans, leases and foreclosed properties [5, 6]	**3.72**	3.31	2.64	1.96	1.45
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**0.94**	0.97	1.03	1.05	1.17
Capital ratios (period end)					
Risk-based capital:					
Tier 1 common	**7.18 %**	6.90 %	4.49 %	4.80 %	4.23 %
Tier 1	**12.33**	11.93	10.09	9.15	7.55

Total	**16.53**	15.99	14.03	13.00	11.54
Tier 1 leverage	**8.33**	8.21	7.07	6.44	5.51
Tangible equity [2]	**7.55**	7.39	6.42	5.11	4.13
Tangible common equity [2]	**4.82**	4.67	3.13	2.93	2.75

[1] Due to a net loss for the three months ended September 30, 2009 and December 31, 2008, no dilutive potential common shares were included in the calculations of diluted EPS because they would have been antidilutive.

[2] Tangible equity ratios and tangible book value are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 107.

[3] For more information on the impact of the purchased impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 160 and Commercial Portfolio Credit Risk Management beginning on page 175.

[4] Includes the allowance for loan and lease losses, and the reserve for unfunded lending commitments.

[5] Balances and ratios do not include nonperforming LHFS, nonperforming AFS debt securities and nonperforming derivative assets.

[6] Balances and ratios do not include loans measured at fair value under the fair value option.
n/m = not meaningful

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Table 5
Selected Year-to-Date Financial Data

(Dollars in millions, except per share information)	Nine Months Ended September 30 2009	2008
Income statement		
Net interest income	**$ 35,550**	$ 32,254
Noninterest income	**59,017**	24,848
Total revenue, net of interest expense	**94,567**	57,102
Provision for credit losses	**38,460**	18,290
Noninterest expense, before merger and restructuring charges	**48,140**	29,953
Merger and restructuring charges	**2,188**	629
Income before income taxes	**5,779**	8,230
Income tax expense (benefit)	**(691)**	2,433
Net income	**6,470**	5,797
Net income available to common shareholders	**2,992**	4,948
Average common shares issued and outstanding (in thousands)	**7,423,341**	4,469,517
Average diluted common shares issued and outstanding (in thousands)	**7,449,911**	4,477,994
Performance ratios		
Return on average assets	**0.35 %**	0.43 %
Return on average common shareholders equity	**2.26**	4.68
Return on average tangible common shareholders equity[1]	**10.42**	14.29
Return on average tangible shareholders equity[1]	**5.83**	10.50
Total ending equity to total ending assets	**11.45**	8.79
Total average equity to total average assets	**9.93**	8.90
Dividend payout	**7.96**	174.73
Per common share data		
Earnings	**$ 0.39**	$ 1.09
Diluted earnings	**0.39**	1.09
Dividends paid	**0.03**	1.92
Book value	**22.99**	30.01
Tangible book value [1]	**12.00**	10.50
Market price per share of common stock		
Closing	**$ 16.92**	$ 35.00
High closing	**17.98**	45.03
Low closing	**3.14**	18.52
Market capitalization	**$ 146,363**	$ 159,672
Average balance sheet		
Total loans and leases	**$ 963,260**	$ 900,574
Total assets	**2,442,905**	1,808,765
Total deposits	**976,182**	810,663
Long-term debt	**447,038**	223,017
Common shareholders equity	**177,289**	141,337
Total shareholders equity	**242,638**	160,890
Asset quality [2]		
Allowance for credit losses [3]	**$ 37,399**	$ 20,773
Nonperforming assets [4, 5]	**33,825**	13,576
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [5]	**3.95 %**	2.17 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [5]	**112**	173
Net charge-offs	**$ 25,267**	$ 10,690
Annualized net charge-offs as a percentage of average loans and leases outstanding [5]	**3.53 %**	1.59 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding [5]	**3.51**	1.25
Nonperforming assets as a percentage of total loans, leases and foreclosed properties [4, 5]	**3.72**	1.45
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.06**	1.42

(1) Tangible equity ratios and tangible book value are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 107.

[2] For more information on the impact of the purchased impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 160 and Commercial Portfolio Credit Risk Management beginning on page 175.

[3] Includes the allowance for loan and lease losses, and the reserve for unfunded lending commitments.

[4] Balances and ratios do not include nonperforming LHFS, nonperforming AFS debt securities and nonperforming derivative assets.

[5] Balances and ratios do not include loans measured at fair value under the fair value option.

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Supplemental Financial Data

Table 6 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by GAAP. Other companies may define or calculate supplemental financial data differently.

Net Interest Income FTE Basis

We view net interest income and related ratios and analysis (i.e., efficiency ratio and net interest yield) on a FTE basis. Although this is a non-GAAP measure, 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.

Performance Measures

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 evaluates how many basis points we are earning over the cost of funds. During our annual planning process, we set efficiency targets for the Corporation and each line of business. We believe the use of this non-GAAP measure provides additional clarity in assessing our results. Targets vary by year and by business, and are based on a variety of factors including maturity of the business, competitive environment, market factors, and other items (e.g., risk appetite). The aforementioned performance measures and ratios are presented in Table 5.

Tangible Equity

We also evaluate our business based upon ratios that utilize tangible equity. ROTE measures our earnings contribution as a percentage of shareholders equity reduced by goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible equity ratio and the tangible common equity ratio represent shareholders equity, common or total as applicable, less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Tangible book value per common share represents ending common shareholders equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by ending common shares outstanding. These measures are used to evaluate our use of equity (i.e., capital). In addition, profitability, relationship, and investment models all use ROTE as key measures to support our overall growth goals.

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Table 6

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
FTE basis data				
Net interest income	**$ 11,753**	$ 11,920	**$ 36,514**	$ 33,148
Total revenue, net of interest expense	**26,365**	19,899	**95,531**	57,996
Net interest yield	**2.61 %**	2.93 %	**2.65 %**	2.86 %
Efficiency ratio	**61.84**	58.60	**52.68**	52.73
Reconciliation of average shareholders equity to average tangible shareholders equity				
Shareholders equity	**$ 255,983**	$ 166,454	**$ 242,638**	$ 160,890
Goodwill	**(86,170)**	(81,977)	**(86,028)**	(79,150)
Intangible assets (excluding MSRs)	**(13,223)**	(9,547)	**(12,107)**	(9,731)
Related deferred tax liabilities	**3,725**	1,683	**3,873**	1,738
Tangible shareholders equity	**$ 160,315**	$ 76,613	**$ 148,376**	$ 73,747
Reconciliation of average common shareholders equity to average tangible common shareholders equity				
Common shareholders equity	**$ 197,230**	$ 142,303	**$ 177,289**	$ 141,337
Goodwill	**(86,170)**	(81,977)	**(86,028)**	(79,150)
Intangible assets (excluding MSRs)	**(13,223)**	(9,547)	**(12,107)**	(9,731)
Related deferred tax liabilities	**3,725**	1,683	**3,873**	1,738
Tangible common shareholders equity	**$ 101,562**	$ 52,462	**$ 83,027**	$ 54,194

	September 30 2009	2008
Reconciliation of period end shareholders equity to period end tangible shareholders equity		
Shareholders equity	**$ 257,683**	$ 161,039
Goodwill	**(86,009)**	(81,756)
Intangible assets (excluding MSRs)	**(12,715)**	(9,167)
Related deferred tax liabilities	**3,714**	1,914
Tangible shareholders equity	**$ 162,673**	$ 72,030
Reconciliation of period end common shareholders equity to period end tangible common shareholders equity		
Common shareholders equity	**$ 198,843**	$ 136,888
Goodwill	**(86,009)**	(81,756)
Intangible assets (excluding MSRs)	**(12,715)**	(9,167)
Related deferred tax liabilities	**3,714**	1,914
Tangible common shareholders equity	**$ 103,833**	$ 47,879
Reconciliation of period end assets to period end tangible assets		
Assets	**$ 2,251,043**	$ 1,831,177
Goodwill	**(86,009)**	(81,756)
Intangible assets (excluding MSRs)	**(12,715)**	(9,167)
Related deferred tax liabilities	**3,714**	1,914
Tangible assets	**$ 2,156,033**	$ 1,742,168

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Core Net Interest Income   Managed Basis

We manage core net interest income   managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *Global Markets* business segment section beginning on page 128, 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*. We also adjust for loans that we originated and subsequently sold into credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income   managed basis, core average earning assets   managed basis and core net interest yield on earning assets   managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Table 7
Core Net Interest Income   Managed Basis

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	**2009**	2008
Net interest income [1]				
As reported	**$ 11,753**	$ 11,920	**$ 36,514**	$ 33,148
Impact of market-based net interest income [2]	**(1,451)**	(1,234)	**(4,868)**	(3,477)
Core net interest income	**10,302**	10,686	**31,646**	29,671
Impact of securitizations [3]	**2,567**	2,310	**8,050**	6,654
Core net interest income managed basis	**$ 12,869**	$ 12,996	**$ 39,696**	$ 36,325
Average earning assets				
As reported	**$ 1,790,000**	$ 1,622,466	**$ 1,837,706**	$ 1,544,617
Impact of market-based earning assets [2]	**(468,999)**	(369,921)	**(478,448)**	(377,148)
Core average earning assets	**1,321,001**	1,252,545	**1,359,258**	1,167,469
Impact of securitizations [4]	**81,703**	101,743	**86,438**	102,481
Core average earning assets managed basis	**$ 1,402,704**	$ 1,354,288	**$ 1,445,696**	$ 1,269,950
Net interest yield contribution [1, 5]				
As reported	**2.61 %**	2.93 %	**2.65 %**	2.86 %
Impact of market-based activities [2]	**0.50**	0.47	**0.46**	0.53

Core net interest yield on earning assets	**3.11**		3.40		**3.11**		3.39	
Impact of securitizations	**0.54**		0.43		**0.56**		0.43	
Core net interest yield on earning assets managed basis	**3.65**	**%**	3.83	%	**3.67**	**%**	3.82	%

(1) FTE basis

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

(3) Represents the impact of securitizations utilizing actual bond costs. This is different from the business segment view which utilizes funds transfer pricing methodologies.

(4) Represents average securitized loans less accrued interest receivable and certain securitized bonds retained.

(5) Calculated on an annualized basis.

Core net interest income on a managed basis decreased $127 million to $12.9 billion and increased $3.4 billion to $39.7 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. The decrease for the three-month period was driven by a reduction in AFS debt securities due to our earlier deleveraging of the portfolio, lower loan levels and the adverse impact of nonperforming loans. These items were partially offset by the improved interest rate environment and the acquisition of Merrill Lynch. The results for the nine-month period were driven by the same factors as noted above, however, those items were more than offset by the impact of the Countrywide acquisition. For more information on our nonperforming loans see the Credit Risk Management discussion beginning on page 159.

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On a managed basis, core average earning assets increased $48.4 billion to $1.4 trillion and $175.7 billion to $1.4 trillion for the three and nine months ended September 30, 2009 compared to the same periods in 2008 primarily due to the Merrill Lynch acquisition partially offset by lower loan levels and earlier deleveraging of the AFS debt securities portfolio. In addition, the nine-month period was also driven by the Countrywide acquisition.

Core net interest yield on a managed basis decreased 18 bps to 3.65 percent and 15 bps to 3.67 percent for the three and nine months ended September 30, 2009, primarily due to the addition of lower-yielding assets from the Merrill Lynch acquisition, reduced loan levels and the earlier deleveraging of the ALM portfolio partially offset by the favorable rate environment. In addition, the nine-month period was also driven by the addition of lower-yielding assets from the Countrywide acquisition.

Table 8
Quarterly Average Balances and Interest Rates - FTE Basis

	Third Quarter 2009				Second Quarter 2009			
(Dollars in millions)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**		Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets								
Time deposits placed and other short-term investments	**$ 29,485**	**$ 133**	**1.79**	**%**	$ 25,604	$ 169	2.64	%
Federal funds sold and securities borrowed or purchased under agreements to resell	**223,039**	**722**	**1.28**		230,955	690	1.20	
Trading account assets	**212,488**	**1,909**	**3.58**		199,820	2,028	4.07	
Debt securities [1]	**263,712**	**3,048**	**4.62**		255,159	3,353	5.26	
Loans and leases [2]:								
Residential mortgage [3]	**241,924**	**3,258**	**5.38**		253,803	3,489	5.50	
Home equity	**153,269**	**1,614**	**4.19**		156,599	1,722	4.41	
Discontinued real estate	**16,570**	**219**	**5.30**		18,309	303	6.61	
Credit card domestic	**49,751**	**1,349**	**10.76**		51,721	1,380	10.70	
Credit card foreign	**21,189**	**562**	**10.52**		18,825	501	10.66	
Direct/Indirect consumer [4]	**100,012**	**1,439**	**5.71**		100,302	1,532	6.12	
Other consumer [5]	**3,331**	**60**	**7.02**		3,298	63	7.77	
Total consumer	**586,046**	**8,501**	**5.77**		602,857	8,990	5.97	
Commercial domestic	**216,332**	**2,132**	**3.91**		231,639	2,176	3.77	
Commercial real estate [6]	**74,276**	**600**	**3.20**		75,559	627	3.33	
Commercial lease financing	**22,068**	**178**	**3.22**		22,026	260	4.72	
Commercial foreign	**31,533**	**297**	**3.74**		34,024	360	4.24	
Total commercial	**344,209**	**3,207**	**3.70**		363,248	3,423	3.78	
Total loans and leases	**930,255**	**11,708**	**5.01**		966,105	12,413	5.15	
Other earning assets	**131,021**	**1,333**	**4.05**		134,338	1,251	3.73	
Total earning assets [7]	**1,790,000**	**18,853**	**4.19**		1,811,981	19,904	4.40	
Cash and cash equivalents	**196,116**				204,354			
Other assets, less allowance for loan and lease losses	**404,559**				403,982			
Total assets	**$ 2,390,675**				$ 2,420,317			
Interest-bearing liabilities								
Domestic interest-bearing deposits:								
Savings	**$ 34,170**	**$ 49**	**0.57**	**%**	$ 34,367	$ 54	0.63	%
NOW and money market deposit accounts	**356,873**	**353**	**0.39**		342,570	376	0.44	
Consumer CDs and IRAs	**214,284**	**1,100**	**2.04**		229,392	1,409	2.46	
Negotiable CDs, public funds and other time deposits	**48,905**	**118**	**0.95**		39,100	124	1.28	
Total domestic interest-bearing deposits	**654,232**	**1,620**	**0.98**		645,429	1,963	1.22	
Foreign interest-bearing deposits:								
Banks located in foreign countries	**15,941**	**29**	**0.73**		19,261	37	0.76	
Governments and official institutions	**6,488**	**4**	**0.23**		7,379	4	0.22	
Time, savings and other	**53,013**	**57**	**0.42**		54,307	78	0.58	
Total foreign interest-bearing deposits	**75,442**	**90**	**0.47**		80,947	119	0.59	
Total interest-bearing deposits	**729,674**	**1,710**	**0.93**		726,376	2,082	1.15	
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**411,063**	**1,237**	**1.19**		503,451	1,396	1.11	
Trading account liabilities	**73,290**	**455**	**2.46**		62,778	450	2.87	
Long-term debt	**449,974**	**3,698**	**3.27**		444,131	4,034	3.64	
Total interest-bearing liabilities [7]	**1,664,001**	**7,100**	**1.70**		1,736,736	7,962	1.84	
Noninterest-bearing sources:								
Noninterest-bearing deposits	**259,621**				248,516			
Other liabilities	**211,070**				192,198			
Shareholders equity	**255,983**				242,867			
Total liabilities and shareholders equity	**$ 2,390,675**				$ 2,420,317			
Net interest spread			**2.49**	**%**			2.56	%
Impact of noninterest-bearing sources			**0.12**				0.08	
Net interest income/yield on earning assets		**$ 11,753**	**2.61**	**%**		$ 11,942	2.64	%

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

(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. Purchased impaired loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(3) Includes foreign residential mortgages of $622 million, $650 million and $627 million for the third, second and first quarters of 2009, respectively.

(4) Includes foreign consumer loans of $8.4 billion, $8.0 billion and $7.1 billion in the third, second and first quarters of 2009, and $2.0 billion and $2.6 billion in the fourth and third quarters of 2008, respectively.

Footnotes are continued on page 112.

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Quarterly Average Balances and Interest Rates FTE Basis (continued)

(Dollars in millions)	First Quarter 2009 Average Balance	First Quarter 2009 Interest Income/ Expense	First Quarter 2009 Yield/ Rate	Fourth Quarter 2008 Average Balance	Fourth Quarter 2008 Interest Income/ Expense	Fourth Quarter 2008 Yield/ Rate	Third Quarter 2008 Average Balance	Third Quarter 2008 Interest Income/ Expense	Third Quarter 2008 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 26,158	$ 191	2.96 %	$ 10,511	$ 158	5.97 %	$ 11,361	$ 101	3.54 %
Federal funds sold and securities borrowed or purchased under agreements to resell	244,280	1,155	1.90	104,843	393	1.50	136,322	912	2.67
Trading account assets	237,350	2,499	4.24	179,687	2,170	4.82	189,715	2,390	5.03
Debt securities [1]	286,249	3,902	5.47	280,942	3,913	5.57	266,013	3,672	5.52
Loans and leases [2]:									
Residential mortgage [3]	265,121	3,680	5.57	253,560	3,596	5.67	260,779	3,683	5.65
Home equity	158,575	1,787	4.55	151,943	1,954	5.12	151,111	2,153	5.67
Discontinued real estate	19,386	386	7.97	21,324	459	8.60	22,031	399	7.25
Credit card domestic	58,960	1,601	11.01	64,906	1,784	10.94	63,414	1,682	10.55
Credit card foreign	16,858	454	10.94	17,211	521	12.05	17,075	535	12.47
Direct/Indirect consumer [4]	100,741	1,684	6.78	83,331	1,714	8.18	85,392	1,790	8.34
Other consumer [5]	3,408	64	7.50	3,544	70	7.83	3,723	80	8.78
Total consumer	623,049	9,656	6.25	595,819	10,098	6.76	603,525	10,322	6.82
Commercial domestic	240,683	2,485	4.18	226,095	2,890	5.09	224,117	2,852	5.06
Commercial real estate [6]	72,206	550	3.09	64,586	706	4.35	63,220	727	4.57
Commercial lease financing	22,056	279	5.05	22,069	242	4.40	22,585	53	0.93
Commercial foreign	36,127	462	5.18	32,994	373	4.49	33,467	377	4.48
Total commercial	371,072	3,776	4.12	345,744	4,211	4.85	343,389	4,009	4.64
Total loans and leases	994,121	13,432	5.46	941,563	14,309	6.06	946,914	14,331	6.03
Other earning assets	124,325	1,299	4.22	99,127	959	3.85	72,141	1,068	5.90
Total earning assets [7]	1,912,483	22,478	4.74	1,616,673	21,902	5.40	1,622,466	22,474	5.52
Cash and cash equivalents	153,007			77,388			36,030		
Other assets, less allowance for loan and lease losses	453,644			254,793			247,195		
Total assets	$ 2,519,134			$ 1,948,854			$ 1,905,691		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 32,378	$ 58	0.72 %	$ 31,561	$ 58	0.73 %	$ 32,297	$ 58	0.72 %
NOW and money market deposit accounts	343,215	440	0.52	285,410	813	1.13	278,552	973	1.39
Consumer CDs and IRAs	235,787	1,710	2.93	229,410	1,835	3.18	218,862	1,852	3.37
Negotiable CDs, public funds and other time deposits	31,188	149	1.94	36,510	270	2.94	36,039	291	3.21
Total domestic interest-bearing deposits	642,568	2,357	1.49	582,891	2,976	2.03	565,750	3,174	2.23
Foreign interest-bearing deposits:									
Banks located in foreign countries	26,052	48	0.75	41,398	125	1.20	36,230	266	2.91
Governments and official institutions	9,849	6	0.25	13,738	30	0.87	11,847	72	2.43
Time, savings and other	58,380	132	0.92	48,836	165	1.34	48,209	334	2.76
Total foreign interest-bearing deposits	94,281	186	0.80	103,972	320	1.22	96,286	672	2.78
Total interest-bearing deposits	736,849	2,543	1.40	686,863	3,296	1.91	662,036	3,846	2.31
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	591,928	2,221	1.52	459,743	1,910	1.65	465,511	3,223	2.76
Trading account liabilities	69,481	579	3.38	65,058	524	3.20	73,702	661	3.57
Long-term debt	446,975	4,316	3.89	255,709	2,766	4.32	264,934	2,824	4.26
Total interest-bearing liabilities [7]	1,845,233	9,659	2.11	1,467,373	8,496	2.30	1,466,183	10,554	2.86
Noninterest-bearing sources:									
Noninterest-bearing deposits	227,232			205,278			195,809		
Other liabilities	217,903			99,637			77,245		
Shareholders equity	228,766			176,566			166,454		
Total liabilities and shareholders equity	$ 2,519,134			$ 1,948,854			$ 1,905,691		
Net interest spread			2.63 %			3.10 %			2.66 %
			0.07			0.21			0.27

Impact of noninterest-bearing sources								
Net interest income/yield on earning assets	$ 12,819	2.70	%	$ 13,406	3.31	%	$ 11,920	2.93	%

(5) Includes consumer finance loans of $2.4 billion, $2.5 billion and $2.6 billion in the third, second and first quarters of 2009, and $2.7 billion in both the fourth and third quarters of 2008, respectively; and other foreign consumer loans of $700 million, $640 million and $596 million in the third, second and first quarters of 2009, and $654 million and $725 million in the fourth and third quarters of 2008, respectively.

(6) Includes domestic commercial real estate loans of $70.7 billion, $72.8 billion and $70.9 billion in the third, second and first quarters of 2009, and $63.6 billion and $62.2 billion in the fourth and third quarters of 2008, and foreign commercial real estate loans of $3.6 billion, $2.8 billion and $1.3 billion in the third, second and first quarters of 2009, and $964 million and $1.0 billion in the fourth and third quarters of 2008, respectively.

(7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $136 million, $11 million and $61 million in the third, second and first quarters of 2009, and $41 million and $12 million in the fourth and third quarters of 2008, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on liabilities $(873) million, $(550) million and $(512) million in the third, second and first quarters of 2009, and $237 million and $86 million in the fourth and third quarters of 2008, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 199.

n/a = not applicable

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Table 9
Year-to-Date Average Balances and Interest Rates - FTE Basis

	Nine Months Ended September 30					
	2009			2008		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments	**$ 27,094**	**$ 493**	**2.43 %**	$ 10,758	$ 282	3.50 %
Federal funds sold and securities borrowed or purchased under agreements to resell	**232,680**	**2,567**	**1.47**	135,846	2,920	2.87
Trading account assets	**216,462**	**6,436**	**3.97**	188,894	7,089	5.01
Debt securities [1]	**268,291**	**10,303**	**5.12**	240,347	9,470	5.25
Loans and leases [2]:						
Residential mortgage [3]	**253,531**	**10,427**	**5.49**	262,488	11,061	5.62
Home equity	**156,128**	**5,123**	**4.38**	129,392	5,652	5.83
Discontinued real estate	**18,078**	**908**	**6.70**	7,397	399	7.19
Credit card domestic	**53,444**	**4,330**	**10.83**	62,784	5,059	10.76
Credit card foreign	**18,973**	**1,517**	**10.69**	16,297	1,521	12.47
Direct/Indirect consumer [4]	**100,349**	**4,655**	**6.20**	82,242	5,220	8.48
Other consumer [5]	**3,346**	**187**	**7.43**	3,908	251	8.58
Total consumer	**603,849**	**27,147**	**6.00**	564,508	29,163	6.90
Commercial domestic	**229,462**	**6,793**	**3.96**	218,702	8,812	5.38
Commercial real estate [6]	**74,021**	**1,777**	**3.21**	62,746	2,351	5.00
Commercial lease financing	**22,050**	**717**	**4.33**	22,364	557	3.32
Commercial foreign	**33,878**	**1,119**	**4.42**	32,254	1,130	4.68
Total commercial	**359,411**	**10,406**	**3.87**	336,066	12,850	5.11
Total loans and leases	**963,260**	**37,553**	**5.21**	900,574	42,013	6.23
Other earning assets	**129,919**	**3,883**	**3.99**	68,198	3,202	6.27
Total earning assets [7]	**1,837,706**	**61,235**	**4.45**	1,544,617	64,976	5.61
Cash and cash equivalents	**184,650**			34,598		
Other assets, less allowance for loan and lease losses	**420,549**			229,550		
Total assets	**$ 2,442,905**			$ 1,808,765		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	**$ 33,645**	**$ 161**	**0.64 %**	$ 32,419	$ 172	0.71 %
NOW and money market deposit accounts	**347,603**	**1,169**	**0.45**	261,918	2,968	1.51
Consumer CDs and IRAs	**226,555**	**4,219**	**2.49**	195,318	5,569	3.81
Negotiable CDs, public funds and other time deposits	**39,649**	**391**	**1.32**	30,838	806	3.49
Total domestic interest-bearing deposits	**647,452**	**5,940**	**1.23**	520,493	9,515	2.44
Foreign interest-bearing deposits:						
Banks located in foreign countries	**20,381**	**114**	**0.75**	36,401	938	3.44
Governments and official institutions	**7,893**	**14**	**0.23**	12,758	281	2.94
Time, savings and other	**55,214**	**267**	**0.65**	52,211	1,220	3.12
Total foreign interest-bearing deposits	**83,488**	**395**	**0.63**	101,370	2,439	3.21
Total interest-bearing deposits	**730,940**	**6,335**	**1.16**	621,863	11,954	2.57
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**501,485**	**4,854**	**1.29**	454,355	10,452	3.07
Trading account liabilities	**68,530**	**1,484**	**2.90**	75,553	2,250	3.98
Long-term debt	**447,038**	**12,048**	**3.60**	223,017	7,172	4.29
Total interest-bearing liabilities [7]	**1,747,993**	**24,721**	**1.89**	1,374,788	31,828	3.09
Noninterest-bearing sources:						
Noninterest-bearing deposits	**245,242**			188,800		
Other liabilities	**207,032**			84,287		
Shareholders equity	**242,638**			160,890		
Total liabilities and shareholders equity	**$ 2,442,905**			$ 1,808,765		
Net interest spread			**2.56 %**			2.52 %
Impact of noninterest-bearing sources			**0.09**			0.34
Net interest income/yield on earning assets		**$ 36,514**	**2.65 %**		$ 33,148	2.86 %

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

[2] Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. Purchased impaired loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

[3] Includes foreign residential mortgages of $647 million for the nine months ended September 30, 2009.

[4] Includes foreign consumer loans of $7.8 billion and $3.0 billion for the nine months ended September 30, 2009 and 2008.

[5] Includes consumer finance loans of $2.5 billion and $2.8 billion, and other foreign consumer loans of $646 million and $814 million for the nine months ended September 30, 2009 and 2008.

[6] Includes domestic commercial real estate loans of $71.5 billion and $61.6 billion, and foreign commercial real estate loans of $2.5 billion and $1.1billion for the nine months ended September 30, 2009 and 2008.

[7] Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $208 million and $219 million for the nine months ended September 30, 2009 and 2008. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on liabilities $(1.9) billion and $172 million for the nine months ended September 30, 2009 and 2008. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 199.

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Business Segment Operations

Segment Description

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *GWIM*, with the remaining operations recorded in *All Other.* Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we changed the basis of presentation from three segments to the above six segments. The former *Global Consumer and Small Business Banking* now is reflected in three separate business segments: *Deposits, Global Card Services* and *Home Loans & Insurance.* In order to better coordinate our consumer payments businesses, we consolidated all our consumer and small business card products into *Global Card Services;* therefore, debit card has moved from *Deposits* to *Global Card Services*. The former *Global Corporate and Investment Banking* now is divided into *Global Banking* and *Global Markets.* Prior period amounts have been reclassified to conform to current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue and net income, see *Note 19   Business Segment Information* to the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 107. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the business segments includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

Our ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of our internal funds transfer pricing process as well as the net effects of other ALM activities. In addition, certain residual impacts of the funds transfer pricing process are retained in *All Other*.

Also, the management accounting reporting process derives segment and business results by utilizing allocation methodologies for expense and capital. The net income derived for the business segments is dependent upon cost allocations using an activity-based costing model and other methodologies and assumptions management believes are appropriate to reflect the results of the business segments.

Certain expenses not directly attributable to a specific business segment are allocated to the segments based on pre-determined means. 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 which reflect utilization.

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit s stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 149. The Corporation benefits from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. Average equity is allocated to the business segments and the businesses, and is impacted by the portion of goodwill that is specifically assigned to them.

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Deposits

(Dollars in millions)	Three Months Ended September 30 2009	Three Months Ended September 30 2008	Nine Months Ended September 30 2009	Nine Months Ended September 30 2008
Net interest income [(1)]	**$ 1,740**	$ 2,892	**$ 5,382**	$ 7,999
Noninterest income:				
Service charges	**1,906**	1,820	**5,156**	5,125
All other income	**20**	13	**22**	58
Total noninterest income	**1,926**	1,833	**5,178**	5,183
Total revenue, net of interest expense	**3,666**	4,725	**10,560**	13,182
Provision for credit losses	**102**	98	**289**	293
Noninterest expense	**2,336**	2,098	**7,318**	6,566
Income before income taxes	**1,228**	2,529	**2,953**	6,323
Income tax expense [(1)]	**430**	954	**1,041**	2,374
Net income	**$ 798**	$ 1,575	**$ 1,912**	$ 3,949
Net interest yield [(1)]	**1.66 %**	3.13 %	**1.79 %**	3.10 %
Return on average equity	**13.26**	26.01	**10.81**	21.59
Efficiency ratio [(1)]	**63.72**	44.41	**69.30**	49.82
Average Balance Sheet				
Total earning assets [(2)]	**$ 417,095**	$ 367,824	**$ 402,318**	$ 344,312
Total assets [(2)]	**443,982**	393,400	**428,945**	374,234
Total deposits	**418,511**	377,778	**403,587**	350,765
Allocated equity	**23,874**	24,088	**23,646**	24,429

	September 30 2009	September 30 2008
Period-end Balance Sheet		
Total earning assets [(2)]	**$ 415,508**	$ 370,507
Total assets [(2)]	**442,274**	397,651
Total deposits	**416,949**	381,811

(1) FTE basis

(2) Total earning assets and total assets include asset allocations to match liabilities (i.e., deposits).

Deposits includes the results of consumer deposits activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes our student lending results and the residual effect of our ALM activities. In the U.S., we serve approximately 53 million consumer and small business relationships through a franchise that stretches coast to coast through 32 states and the District of Columbia utilizing our network of 6,008 banking centers, 18,254 domestic branded ATMs, and telephone and internet channels.

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues 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 maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient fund fees, overdraft charges and ATM fees.

During the third quarter of 2009, we announced changes in our overdraft fee policies intended to help customers limit overdraft fees. These changes will negatively impact net revenue beginning in the fourth quarter of 2009. In addition, in the fourth quarter of 2009, the Federal Reserve is expected to issue the final Electronic Funds Transfer Act (i.e., Regulation E) which could negatively impact future net revenue

growth. We continue to review the potential impact these initiatives may have on the Corporation s consolidated financial results.

We added 39 thousand and 433 thousand net new retail checking accounts during the three and nine months ended September 30, 2009, a decrease of 784 thousand and 1,621 thousand from the same periods in 2008. The reduction was attributable to lower sales activity and higher closure volume resulting from the current economic environment.

Additionally, unit sales activity was negatively impacted as we are shifting our sales efforts to focus on opening higher quality accounts. During the nine months ended September 30, 2009, our active online banking customer base grew to 29.7 million subscribers, an increase of 1.1 million net subscribers from September 30, 2008. In addition, our active bill pay users paid $239.4 billion of bills online during the first nine months of 2009 compared to $229.1 billion in the same period of 2008.

Deposits includes the net impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. During the three and nine months ended September 30, 2009, total deposits of $2.9 billion and $43.4 billion were migrated to *Deposits* from *GWIM*. Conversely, $3.3 billion and $15.9 billion of deposits were migrated from *Deposits* to *GWIM* during the three and nine months ended September 30, 2008. The directional shift was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition, partially offset by the acceleration in 2008 of moving clients into *GWIM* as part of our growth initiatives for our mass affluent and retirement customers. After migration, the associated net interest income, service charges and noninterest expense are recorded in the applicable segment.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Net income decreased $777 million, or 49 percent, to $798 million driven by lower net revenue and higher noninterest expense.

Net interest income decreased $1.2 billion, or 40 percent, to $1.7 billion as a result of a lower residual net interest income allocation from ALM activities and spread compression due to declining interest rates. Average deposits grew $40.7 billion, or 11 percent, due to migration of certain households deposits from *GWIM* and organic growth. This increase was partially offset by the expected decline in higher-yielding Countrywide deposits.

Noninterest income increased $93 million, or five percent, due to an increase in service charges of $86 million. The positive impacts of revenue initiatives and account growth were partially offset by changes in consumer spending behavior attributable to current economic conditions.

Noninterest expense increased $238 million, or 11 percent, to $2.3 billion primarily due to increased FDIC expenses.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Net income decreased $2.0 billion, or 52 percent, driven by lower net revenue and higher noninterest expense. Net interest income decreased $2.6 billion, or 33 percent, while average deposits grew $52.8 billion, or 15 percent. Noninterest income remained relatively flat at $5.2 billion and noninterest expense increased $752 million, or 11 percent due to increased FDIC expense, including a special assessment recorded in the second quarter of 2009, partially offset by lower operating costs. The other period-over-period changes were driven by the same factors as described in the three-month discussion above and the Countrywide acquisition.

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Global Card Services

(Dollars in millions)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Net interest income [1]	**$ 4,995**	$ 4,930	**$ 15,312**	$ 14,279
Noninterest income:				
Card income	**2,183**	2,289	**6,462**	7,564
All other income	**149**	534	**407**	1,359
Total noninterest income	**2,332**	2,823	**6,869**	8,923
Total revenue, net of interest expense	**7,327**	7,753	**22,181**	23,202
Provision for credit losses [2]	**6,975**	5,602	**23,157**	14,314
Noninterest expense	**1,968**	2,405	**6,024**	6,980
Income (loss) before income taxes	**(1,616)**	(254)	**(7,000)**	1,908
Income tax expense (benefit) [1]	**(580)**	(87)	**(2,473)**	664
Net income (loss)	**$ (1,036)**	$ (167)	**$ (4,527)**	$ 1,244
Net interest yield [1]	**9.30 %**	8.16 %	**9.29 %**	8.01 %
Return on average equity	**n/m**	n/m	**n/m**	4.28
Efficiency ratio [1]	**26.87**	31.03	**27.16**	30.09
Average Balance Sheet				
Total loans and leases	**$ 213,340**	$ 239,951	**$ 220,666**	$ 237,817
Total earning assets	**212,976**	240,298	**220,466**	238,204
Total assets	**228,384**	261,798	**236,937**	260,475
Allocated equity	**41,037**	39,008	**41,177**	38,814

	September 30 2009	2008
Period-end Balance Sheet		
Total loans and leases	**$ 207,727**	$ 235,998
Total earning assets	**207,520**	236,157
Total assets	**223,980**	256,885

(1) FTE basis

(2) Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.
n/m = not meaningful

Global Card Services provides a broad offering of products, including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. We provide credit card products to customers in the U.S., Canada, Ireland, Spain and the United Kingdom. We offer a variety of co-branded and affinity credit and debit card products and are one of the leading issuers of credit cards through endorsed marketing in the U.S. and Europe.

The Corporation reports its *Global Card Services* results on a managed basis which is consistent with the way that management evaluates the results of the business. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE which is excluded from the Corporation s Consolidated Financial Statements in accordance with GAAP.

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. The financial market disruptions that began in 2007 continued to impact the economy and financial services sector. Starting late in the third quarter of 2008 and continuing into the first quarter of 2009, liquidity for asset-backed securitizations became disrupted and spreads rose to historic highs which

negatively impacted our credit card securitization programs. Beginning in March 2009, conditions started to improve with spreads narrowing and liquidity returning to the marketplace, however, we have not yet returned to the market during the nine months ended September 30, 2009. For more information, see the Liquidity Risk and Capital Management discussion beginning on page 150.

On June 12, 2009, the FASB issued SFAS 166 and SFAS 167 which will result in the consolidation of our credit card securitization trusts that are not currently recorded on the Corporation s Consolidated Balance Sheet. For more information on SFAS 166 and SFAS 167, see Estimated Impact of Adopting SFAS 166 and 167 beginning on page 155.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Global Card Services recorded a net loss of $1.0 billion compared to $167 million for the same period in 2008 as higher provision for credit losses and lower noninterest income were partially offset by a decrease in noninterest expense and higher net interest income.

Net interest income grew to $5.0 billion from $4.9 billion driven by increased loan spreads due to the beneficial impact of lower short-term interest rates on our funding costs partially offset by a decrease in managed average loans of $26.6 billion, or 11 percent.

Noninterest income decreased $491 million, or 17 percent, to $2.3 billion driven by decreases in all other income of $385 million, or 72 percent, and card income of $106 million, or five percent. The decrease in card income resulted from lower credit card interchange and fee income primarily due to changes in consumer retail purchase and payment behavior in the current economic environment. This was partially offset by a negative valuation adjustment on the interest-only strip recorded in the same period in 2008. The decrease in all other income was due to the absence of the gain on the sale of a card portfolio recorded in the same period in 2008.

Provision for credit losses increased by $1.4 billion to $7.0 billion as economic conditions led to higher losses, including an increased level of bankruptcies. Also contributing were higher reserve additions related to maturing credit card securitizations. These increases were partially offset by reductions in the reserves in the third quarter of 2009 due to improved delinquencies. This compares to additions to the reserves in the same period in 2008. For further discussion, see Provision for Credit Losses beginning on page 192.

Noninterest expense decreased $437 million, or 18 percent, to $2.0 billion due to lower marketing and operating costs.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Global Card Services recorded a net loss of $4.5 billion compared to net income of $1.2 billion for the same period in 2008 as higher provision for credit losses and lower noninterest income were partially offset by growth in net interest income and a decrease in noninterest expense. Net interest income increased $1.0 billion, or seven percent, to $15.3 billion, noninterest income decreased $2.1 billion, or 23 percent, to $6.9 billion, provision for credit losses increased $8.8 billion to $23.2 billion and noninterest expense decreased $956 million, or 14 percent. These period-over-period changes were driven by the same factors as described in the three-month discussion above. In addition, noninterest income and noninterest expense were unfavorably impacted by the absence of *Global Card Services* share of the Visa-related gain recorded in the first quarter of 2008.

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Key Statistics

(Dollars in millions)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Global Card Services				
Average total loans:				
Managed	**$ 213,340**	$ 239,951	**$ 220,666**	$ 237,817
Held	**115,820**	134,032	**119,939**	131,640
Period end total loans:				
Managed	**207,727**	235,998	**207,727**	235,998
Held	**113,399**	133,950	**113,399**	133,950
Managed net losses [1]:				
Amount	**7,536**	4,185	**20,038**	11,100
Percent [2]	**14.02 %**	6.94 %	**12.14 %**	6.23 %
Credit Card [3]				
Average total loans:				
Managed	**$ 168,460**	$ 186,408	**$ 173,144**	$ 185,258
Held	**70,940**	80,489	**72,417**	79,081
Period end total loans:				
Managed	**164,534**	183,398	**164,534**	183,398
Held	**70,206**	81,350	**70,206**	81,350
Managed net losses [1]:				
Amount	**5,477**	2,996	**14,318**	8,119
Percent [2]	**12.90 %**	6.40 %	**11.06 %**	5.85 %

(1) Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.

(2) Ratios are calculated as annualized managed net losses divided by average outstanding managed loans during the period.

(3) Includes U.S., Europe and Canada consumer credit card. Does not include business card, debit card and consumer lending.

The table above and the following discussion presents select key indicators for the *Global Card Services* and credit card portfolios.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Managed *Global Card Services* net losses increased $3.4 billion to $7.5 billion, or 14.02 percent of average outstandings compared to $4.2 billion, or 6.94 percent in the same period in 2008. This increase was driven by portfolio deterioration due to economic conditions including a higher level of bankruptcies. Additionally, consumer lending net charge-offs increased $579 million to $1.2 billion, or 20.27 percent of average outstandings compared to $608 million, or 8.43 percent in the same period of 2008. Lower loan balances driven by reduced marketing and tightened credit criteria also adversely impacted net charge-off ratios.

Managed credit card net losses increased $2.5 billion to $5.5 billion, or 12.90 percent of average credit card outstandings compared to $3.0 billion, or 6.40 percent in the same period in 2008. The increase was driven by portfolio deterioration due to economic conditions including a higher level of bankruptcies.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Managed *Global Card Services* net losses increased $8.9 billion to $20.0 billion, or 12.14 percent of average outstandings compared to $11.1 billion, or 6.23 percent in the same period in 2008. Additionally, consumer lending net charge-offs increased $1.9 billion to $3.3 billion, or 17.40 percent of average outstandings compared to $1.5 billion, or 7.13 percent in the same period of 2008. Managed credit card net losses increased

$6.2 billion to $14.3 billion, or 11.06 percent of average credit card outstandings compared to $8.1 billion, or 5.85 percent in the same period in 2008. These increases were driven by the same factors as described above.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 160.

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Home Loans & Insurance

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	**2009**	2008
Net interest income [(1)]	**$ 1,309**	$ 1,135	**$ 3,691**	$ 2,305
Noninterest income:				
Mortgage banking income	**1,424**	1,755	**7,505**	2,819
Insurance income	**594**	569	**1,728**	770
All other income	**84**	15	**177**	164
Total noninterest income	**2,102**	2,339	**9,410**	3,753
Total revenue, net of interest expense	**3,411**	3,474	**13,101**	6,058
Provision for credit losses	**2,897**	818	**8,995**	4,664
Noninterest expense	**3,041**	2,741	**8,519**	4,211
Loss before income taxes	**(2,527)**	(85)	**(4,413)**	(2,817)
Income tax benefit [(1)]	**(895)**	(31)	**(1,563)**	(1,042)
Net loss	**$ (1,632)**	$ (54)	**$ (2,850)**	$ (1,775)
Net interest yield [(1)]	**2.59 %**	3.05 %	**2.55 %**	2.68 %
Efficiency ratio [(1)]	**89.19**	78.90	**65.03**	69.51
Average Balance Sheet				
Total loans and leases	**$ 132,599**	$ 122,034	**$ 129,910**	$ 100,237
Total earning assets	**200,539**	148,209	**193,802**	115,076
Total assets	**236,200**	179,998	**229,321**	128,333
Allocated equity	**24,669**	16,236	**18,337**	7,515

	September 30	
	2009	2008
Period-end Balance Sheet		
Total loans and leases	**$ 134,255**	$ 122,975
Total earning assets	**197,666**	167,338
Total assets	**234,842**	178,956

(1) FTE basis

Home Loans & Insurance generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products are available to our customers through a retail network of 6,008 banking centers, mortgage loan officers in approximately 950 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent and wholesale loan acquisition channels. *Home Loans & Insurance* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on our balance sheet in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

Effective July 1, 2008, Countrywide s results of operations are included in the Corporation s consolidated results. While the results of Countrywide s deposit operations are included in *Deposits,* the majority of its ongoing operations are recorded in *Home Loans & Insurance*. Countrywide s acquired first mortgage and discontinued real estate portfolios were recorded in *All Other* and are managed as part of our overall ALM activities. For more information related to the Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

Home Loans & Insurance includes the impact of migrating customers and their related loan balances between *GWIM* and *Home Loans & Insurance*. After migration, the associated net interest income and noninterest expense are recorded in the applicable segment. Total loans of

$2.4 billion and $16.1 billion were migrated from *GWIM* during the three and nine months ended September 30, 2009 compared to $148 million and $2.1 billion in the same periods in 2008. The increase was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition.

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Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Home Loans & Insurance recorded a net loss of $1.6 billion compared to $54 million for the same period in 2008 as higher provision for credit losses, an increase in noninterest expense and a decrease in noninterest income were partially offset by growth in net interest income.

Net interest income grew $174 million, or 15 percent, driven primarily by an increase in average LHFS and home equity loans. The $16.1 billion increase in average LHFS was the result of higher mortgage loan volume driven by the lower interest rate environment. The growth in average home equity loans of $9.7 billion, or eight percent, was due primarily to the Merrill Lynch acquisition and the migration of certain households loans from *GWIM* to the *Home Loans & Insurance* segment.

Noninterest income decreased $237 million, or 10 percent, to $2.1 billion driven by lower mortgage banking income. Mortgage banking income decreased $331 million due to lower MSR performance, net of hedge activities, partially offset by increased mortgage production. For more information on mortgage banking income, see the discussion below.

Provision for credit losses increased $2.1 billion to $2.9 billion driven by economic and housing market weakness particularly in geographic areas experiencing higher unemployment and falling home prices. Additionally, reserves were increased by $726 million in the Countrywide purchased impaired loan portfolio reflecting a reduction in expected principal cash flows. For further discussion, see Provision for Credit Losses beginning on page 192.

Noninterest expense increased $300 million to $3.0 billion primarily driven by increased compensation costs and other expenses related to higher production volume and higher delinquencies.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Home Loans & Insurance recorded a net loss of $2.9 billion compared to $1.8 billion for the same period in 2008, as higher provision for credit losses of $4.3 billion and an increase in noninterest expense of $4.3 billion were partially offset by growth in noninterest income of $5.7 billion and net interest income of $1.4 billion. Net interest income grew to $3.7 billion due to the growth in average home equity loans of $28.4 billion, or 29 percent, and a $19.1 billion increase in average LHFS. In addition, the increase in noninterest income was driven by higher mortgage banking income which benefited as lower current interest rates drove higher production income. These period-over-period changes were driven in large part by the Countrywide acquisition as well as the credit factors as described in the three-month discussion above.

Mortgage Banking Income

We categorize *Home Loans & Insurance* s mortgage banking income into production and servicing income. Production income is comprised of revenue from the fair value gains and losses recognized on our IRLCs and LHFS, and the related secondary market execution, and costs related to representations and warranties provided in the sales transactions and other obligations incurred in the sales of mortgage loans. In addition, production income includes revenue for transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio related to the Corporation s mortgage production retention decisions which is eliminated in consolidation in *All Other*.

Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Our workout efforts are also part of our servicing activities, along with responding to customer inquiries and supervising foreclosures and property dispositions. Servicing income includes ancillary income derived in connection with these activities such as late fees and MSR valuation adjustments, net of economic hedge activities.

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The following table summarizes the components of mortgage banking income:

Mortgage banking income				
	Three Months Ended September 30		**Nine Months Ended September 30**	
(Dollars in millions)	**2009**	2008	**2009**	2008
Production income	**$ 1,110**	$ 749	**$ 4,435**	$ 1,428
Servicing income:				
Servicing fees and ancillary income	**1,600**	1,526	**4,635**	2,041
Impact of customer payments	**(906)**	(1,425)	**(2,888)**	(1,855)
Fair value changes of MSRs, net of economic hedge results	**(519)**	823	**925**	1,123
Other servicing-related revenue	**139**	82	**398**	82
Total net servicing income	**314**	1,006	**3,070**	1,391
Total Home Loans & Insurance mortgage banking income	**1,424**	1,755	**7,505**	2,819
Other business segments mortgage banking income (loss) [1]	**(126)**	(81)	**(366)**	(255)
Total consolidated mortgage banking income	**$ 1,298**	$ 1,674	**$ 7,139**	$ 2,564

[1] Includes the offset of revenue for transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio included in *All Other*.

Production income increased $361 million and $3.0 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. This increase was driven by higher mortgage volumes due primarily to the lower interest rate environment. In addition, the increase in the nine-month comparison was in large part attributable to the Countrywide acquisition.

Net servicing income decreased $692 million for the three months ended September 30, 2009 and increased $1.7 billion for the nine months ended September 30, 2009 compared to the same periods in 2008. The decrease in the three-month comparison was primarily due to lower MSR performance, net of hedge activities, partially offset by the improved impact of customer payments. During the current quarter, MSR performance, net of hedge activities, was negatively impacted by an improvement in the forecast for home prices, and an associated decrease in the projected duration of the MSR. During the comparable period in 2008, MSR performance, net of hedge activities, was positively impacted by reduced prepayment speed expectations driven by weakness in the housing market. The increase in the nine-month comparison was due to higher servicing fees and ancillary income partially offset by the increased impact of customer payments. These changes were due mainly to the Countrywide acquisition. For further discussion on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 204.

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The following table presents select key indicators for *Home Loans & Insurance*.

Home Loans & Insurance Key Statistics

(Dollars in millions, except as noted)	Three Months Ended September 30 **2009**	2008	Nine Months Ended September 30 **2009**	2008
Loan production				
Home Loans & Insurance:				
First mortgage	**$ 90,319**	$ 49,625	**$ 273,473**	$ 86,184
Home equity	**2,287**	5,260	**8,130**	28,078
Total Corporation [(1)]:				
First mortgage	**95,654**	51,539	**291,517**	95,899
Home equity	**2,739**	7,022	**10,427**	35,163

Period end	**September 30, 2009**	**December 31, 2008**
Mortgage servicing portfolio (in billions) [(2)]	**$ 2,148**	$ 2,057
Mortgage loans serviced for investors (in billions)	**1,726**	1,654
Mortgage servicing rights:		
Balance	**17,539**	12,733
Capitalized mortgage servicing rights (% of loans serviced)	**102 bps**	77 bps

(1) In addition to loan production in *Home Loans & Insurance*, the remaining first mortgage and home equity loan production is primarily within *GWIM*.

(2) Servicing of residential mortgage loans, home equity lines of credit, home equity loans and discontinued real estate mortgage loans.

First mortgage production in *Home Loans & Insurance* was $90.3 billion and $273.5 billion for the three and nine months ended September 30, 2009 compared to $49.6 billion and $86.2 billion for the same periods in 2008. The increase of $40.7 billion for the three-month comparison was due to an increase in the mortgage market driven by a decline in interest rates. The increase of $187.3 billion for the nine-month comparison was due in large part to the Countrywide acquisition as well as a decline in interest rates. Home equity production was $2.3 billion and $8.1 billion for the three and nine months ended September 30, 2009 compared to $5.3 billion and $28.1 billion for the same periods in 2008. The decrease of $3.0 billion and $19.9 billion was primarily due to our more stringent underwriting guidelines for home equity lines of credit and loans as well as lower consumer demand.

At September 30, 2009, the consumer MSR balance was $17.5 billion, which represented 102 bps of the related unpaid principal balance as compared to $12.7 billion, or 77 bps of the related principal balance at December 31, 2008. The increase in the consumer MSR balance was driven by changes in the forward interest rate curve, sales of loans partially offset by increased prepayment speed expectations driven by an improvement in the forecast for home prices. This resulted in the 25 bps increase in the capitalized MSRs as a percentage of loans serviced.

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Global Banking

(Dollars in millions)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Net interest income [1]	**$ 2,784**	$ 2,748	**$ 8,378**	$ 7,641
Noninterest income:				
Service charges	**1,050**	826	**2,913**	2,420
Investment banking income	**604**	241	**2,040**	956
All other income	**232**	469	**4,769**	1,720
Total noninterest income	**1,886**	1,536	**9,722**	5,096
Total revenue, net of interest expense	**4,670**	4,284	**18,100**	12,737
Provision for credit losses	**2,340**	802	**6,772**	1,728
Noninterest expense	**2,258**	1,849	**7,131**	5,505
Income before income taxes	**72**	1,633	**4,197**	5,504
Income tax expense [1]	**32**	609	**1,494**	2,064
Net income	**$ 40**	$ 1,024	**$ 2,703**	$ 3,440
Net interest yield [1]	**3.18 %**	3.34 %	**3.39 %**	3.18 %
Return on average equity	**0.26**	8.06	**6.02**	9.27
Efficiency ratio [1]	**48.35**	43.15	**39.40**	43.22
Average Balance Sheet				
Total loans and leases	**$ 308,764**	$ 320,813	**$ 320,904**	$ 314,031
Total earning assets	**347,202**	327,520	**330,464**	320,495
Total assets	**405,178**	385,111	**387,725**	377,832
Total deposits	**214,286**	177,668	**205,285**	170,162
Allocated equity	**61,327**	50,558	**59,993**	49,547

	September 30 2009	2008
Period-end Balance Sheet		
Total loans and leases	**$ 300,814**	$ 326,970
Total earning assets	**324,965**	338,408
Total assets	**381,041**	397,645
Total deposits	**210,211**	195,486

[1] FTE basis

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide through our network of offices and client relationship teams along with various product partners. Our clients include multinationals, middle-market and business banking companies, correspondent banks, commercial real estate firms and governments. Our lending products and services include commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit facilities and asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Our investment banking services provide our commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related and other advisory services. *Global Banking* also includes the results of our merchant services joint venture, as discussed below, and the economic hedging of our credit risk to certain exposures utilizing various risk mitigation tools. Our clients are supported in offices throughout the world that are divided into four distinct geographic regions: U.S. and Canada; Asia Pacific; Europe, Middle East, and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 189.

During the second quarter of 2009, the Corporation entered into a joint venture agreement with First Data Corporation to form Banc of America Merchant Services, LLC. The joint venture provides payment solutions, including credit, debit and prepaid cards, and check and e-commerce payments, to merchants ranging from small business to corporate and commercial clients worldwide. The Corporation contributed approximately 240,000 current merchant relationships, a sales force of approximately 350 associates, and the use of the Bank of America brand name in addition to a distribution platform that includes more than 6,100 banking centers and 2,500 commercial and corporate bankers. First Data Corporation contributed approximately 140,000 current merchant relationships, 200 sales associates and state of the art technology. The

joint venture and clients will benefit from both companies comprehensive suite of leading payment solutions capabilities. The joint venture is approximately 46.5 percent owned by the Corporation and 48.5 percent owned by First Data Corporation with the remaining stake held by a third party investor. The Corporation accounts for its investment in the joint venture under the equity method of accounting. During the second quarter of 2009, the Corporation recorded a pre-tax gain of $3.8 billion which represents the excess fair value over the book value of our contributed merchant processing business.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

Net income decreased $984 million, or 96 percent, to $40 million as an increase in revenue was more than offset by higher provision for credit losses and noninterest expense.

Net interest income remained relatively flat as average deposits grew $36.6 billion, or 21 percent, driven by strong organic growth in the third quarter of 2009 as our clients remain very liquid. In addition, average deposit growth benefited from a flight-to-quality in late 2008. Net interest income also benefited from improved loan spreads on new, renewed or amended facilities. These increases were offset by a $12.0 billion, or four percent, decline in average loan balances due to decreased client demand as capital markets began to open up so that corporate clients could access other funding sources. In addition, net interest income was negatively impacted by a lower residual net interest income allocation related to ALM activities and increased nonperforming loans.

Noninterest income increased $350 million to $1.9 billion, mainly driven by higher investment banking income and service charges partially offset by lower card income. Investment banking income increased $363 million due to the acquisition of Merrill Lynch and strong growth in debt and equity capital markets fees. The increase in service charges of $224 million was driven by the Merrill Lynch acquisition and the impact of fees charged for services provided to the merchant joint venture. All other income decreased $237 million compared to prior year as card income that was historically earned by us is now earned by the merchant joint venture. Partially offsetting this decrease is our proportionate share of the merchant joint venture net income that is accounted for under the equity method of accounting.

The provision for credit losses increased $1.5 billion to $2.3 billion. The increase was driven by higher reserve additions and net charge-offs in the commercial real estate portfolio due to deterioration across various property types. Also contributing were higher net charge-offs within the commercial domestic portfolio, which were across a broad range of borrowers and industries. Partially offsetting these increases was a reduction in reserves in the third quarter of 2009 on the dealer financial services portfolio primarily due to decreased loss severities. This compares to additions to the dealer financial services portfolio reserves in the same period in 2008.

Noninterest expense increased $409 million, or 22 percent, primarily attributable to the impact of the Merrill Lynch acquisition and higher FDIC expenses. These items were partially offset by a reduction in certain merchant related expenses that are now incurred by the merchant joint venture and a change in compensation that delivers a greater portion of incentive pay over time which reduced personnel expenses by $142 million during the three months ended September 30, 2009.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Net income decreased $737 million, or 21 percent, as higher total revenue of $5.4 billion was more than offset by increases in provision for credit losses of $5.0 billion and noninterest expense of $1.6 billion. Net interest income increased $737 million to $8.4 billion, as average loans increased $6.9 billion to $320.9 billion and average deposits increased $35.1 billion to $205.3 billion. Noninterest income increased $4.6 billion to $9.7 billion, driven by gain on the contribution of our merchant services business into a joint venture in the second quarter of 2009 partially offset by higher market disruption charges that were recorded in *Global Banking*. The higher provision for credit losses and noninterest expense were primarily driven by the same factors noted in the three month discussion above. In addition, noninterest income and noninterest expense were unfavorably impacted by the absence of *Global Banking s* share of the Visa-related gain recorded in the first quarter of 2008. For more information on market disruption charges see the *Global Markets* discussion on page 128.

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Global Banking Revenue

Global Banking evaluates its revenue from two primary client views, global commercial banking and global corporate and investment banking. Global commercial banking primarily includes revenue related to our commercial and business banking clients who are generally defined as companies with sales between $2 million and $2 billion including middle-market and multinational clients as well as commercial real estate clients. Global corporate and investment banking primarily includes revenue related to our large corporate clients including multinationals which are generally defined as companies with sales in excess of $2 billion. Additionally, global corporate and investment banking revenue also includes debt and equity underwriting and merger-related advisory services (net of revenue sharing primarily with *Global Markets*). The following table presents further detail regarding *Global Banking* revenue.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Global Banking revenue				
Global commercial banking	**$ 2,905**	$ 2,864	**$ 12,382**	$ 8,501
Global corporate and investment banking	**1,765**	1,420	**5,718**	4,236
Total Global Banking revenue	**$ 4,670**	$ 4,284	**$ 18,100**	$ 12,737

Global Banking revenue increased $386 million to $4.7 billion and $5.4 billion to $18.1 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008.

Global commercial banking revenue increased $41 million and $3.9 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008, with the nine month amount driven by the gain related to the contribution of the merchant processing business into the joint venture.

Credit-related revenue within global commercial banking increased $219 million to $1.7 billion and $665 million to $5.0 billion for the three and nine months ended September 30, 2009 due to the impact of the Merrill Lynch acquisition and improved loan spreads. Average loans and leases decreased $8.8 billion to $215.9 billion for the three months ended September 30, 2009 due to lower client demand that primarily occurred in the third quarter of 2009. Average loans and leases remained flat at $222.2 billion for the nine months ended September 30, 2009 as increased balances due to the Merrill Lynch acquisition were offset by reduced client demand.

Treasury services-related revenue within global commercial banking decreased $178 million to $1.2 billion in the three months ended September 30, 2009 due to the reduction in market-based interest rates and lower residual net interest income. For the nine-month period revenue increased $3.2 billion to $7.4 billion driven by the $3.8 billion gain related to the contribution of the merchant processing business to the joint venture, partially offset by lower net interest income.

Average treasury services deposit balances increased $25.7 billion to $132.6 billion and $21.6 billion to $126.4 billion driven by strong organic growth in the third quarter of 2009 and a flight-to-quality in late 2008. The increase in noninterest income for the nine months ended September 30, 2009 was adversely impacted by the absence of the gain associated with the Visa IPO. Treasury services net income decreased $86 million to $386 million and increased $1.8 billion to $3.4 billion for the three and nine months ended September 30, 2009 as the increase in treasury services-related revenue was partially offset by higher FDIC expenses including the special assessment that occurred during the second quarter of 2009.

Global corporate and investment banking revenue increased $345 million and $1.5 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008 driven primarily by the Merrill Lynch acquisition which increased debt and equity capital markets fees, and higher net interest income due mainly to growth in average deposits.

Credit-related revenue within global corporate and investment banking increased $60 million to $607 million and $415 million to $2.1 billion for the three and nine months ended September 30, 2009 driven by improved loan spreads and the impact of the Merrill Lynch acquisition, partially offset by the adverse impact of increased nonperforming loans and the higher cost of credit hedging. Average loans and leases decreased $3.2 billion to $92.9 billion in the three months ended September 30, 2009 due to lower client demand that primarily occurred in the third quarter of 2009 and increased $6.9 billion to $98.7 billion in the nine-month period reflecting the impact of the Merrill Lynch acquisition.

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Treasury services-related revenue within global corporate and investment banking decreased $169 million to $609 million and $316 million to $1.8 billion for the three and nine months ended September 30, 2009 driven by lower net interest income, service fees and card income. Average deposit balances increased $10.9 billion to $81.7 billion and $13.5 billion to $78.9 billion during the three and nine months ended September 30, 2009 primarily due to strong organic growth in the third quarter of 2009 and a flight-to-quality in late 2008. Treasury services net income decreased $131 million to $88 million and $262 million to $267 million due to the decreased revenue and higher FDIC expenses.

Investment Banking Income

Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of *Global Markets* and *Global Banking* in servicing our clients with the best product capabilities, we allocate revenue to the two segments based on relative contribution. Therefore, in order to provide a complete discussion of our consolidated investment banking income, we have included the following table that presents total investment banking income for the Corporation.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2009**	2008	**2009**	2008
Investment banking income				
Advisory [1]	**$ 186**	$ 109	**$ 807**	$ 362
Debt issuance	**720**	332	**2,319**	1,160
Equity issuance	**406**	50	**1,071**	400
	1,312	491	**4,197**	1,922
Other [2]	**(58)**	(17)	**(242)**	(277)
Total investment banking income	**$ 1,254**	$ 474	**$ 3,955**	$ 1,645

(1) Advisory includes fees on debt and equity advisory and merger and acquisitions.

(2) Represents the offset to fees paid on the Corporation s transactions.

Investment banking income increased $780 million to $1.3 billion and $2.3 billion to $4.0 billion for the three and nine months ended September 30, 2009 compared to the same periods in 2008. These increases were largely due to the Merrill Lynch acquisition and favorable market conditions for debt and equity issuances. Debt issuance fees increased $388 million and $1.2 billion due primarily to leveraged finance and investment grade bond issuances. Equity issuance fees increased $356 million and $671 million as we benefited from the increased size of the investment banking platform. Advisory fees increased $77 million and $445 million, attributable to the larger mergers and acquisition and advisory platform.

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Global Markets

(Dollars in millions)	Three Months Ended September 30 2009	2008	Nine Months Ended September 30 2009	2008
Net interest income [1]	**$ 1,462**	$ 1,286	**$ 4,870**	$ 3,618
Noninterest income:				
Investment and brokerage services	**562**	195	**1,978**	601
Investment banking income	**635**	251	**1,940**	966
Trading account profits (losses)	**3,380**	(499)	**10,314**	(1,918)
All other income (loss)	**(212)**	(1,072)	**(1,866)**	(2,543)
Total noninterest income (loss)	**4,365**	(1,125)	**12,366**	(2,894)
Total revenue, net of interest expense	**5,827**	161	**17,236**	724
Provision for credit losses	**98**	(24)	**148**	(63)
Noninterest expense	**2,328**	1,120	**7,962**	2,802
Income (loss) before income taxes	**3,401**	(935)	**9,126**	(2,015)
Income tax expense (benefit) [1]	**1,211**	(347)	**3,099**	(752)
Net income (loss)	**$ 2,190**	$ (588)	**$ 6,027**	$ (1,263)
Return on average equity	**19.87 %**	n/m	**23.62 %**	n/m
Efficiency ratio [1]	**39.96**	n/m	**46.20**	n/m &nbs