BANK OF AMERICA CORP /DE/
Form 10-Q
August 07, 2008
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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 June 30, 2008

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 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.

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 July 31, 2008, there were 4,560,112,687 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation

June 30, 2008 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

(Dollars in millions, except per share information)	Three Months Ended June 30 2008	2007	Six Months Ended June 30 2008	2007
Interest income				
Interest and fees on loans and leases	**$ 13,121**	$ 13,323	**$ 27,536**	$ 26,207
Interest on debt securities	**2,900**	2,332	**5,674**	4,712
Federal funds sold and securities purchased under agreements to resell	**800**	2,156	**2,008**	4,135
Trading account assets	**2,229**	2,267	**4,593**	4,540
Other interest income	**977**	1,154	**2,075**	2,198
Total interest income	**20,027**	21,232	**41,886**	41,792
Interest expense				
Deposits	**3,520**	4,261	**8,108**	8,295
Short-term borrowings	**3,087**	5,534	**7,229**	10,850
Trading account liabilities	**749**	821	**1,589**	1,713
Long-term debt	**2,050**	2,227	**4,348**	4,275
Total interest expense	**9,406**	12,843	**21,274**	25,133
Net interest income	**10,621**	8,389	**20,612**	16,659
Noninterest income				
Card income	**3,451**	3,558	**7,090**	6,891
Service charges	**2,638**	2,200	**5,035**	4,272
Investment and brokerage services	**1,322**	1,193	**2,662**	2,342
Investment banking income	**695**	774	**1,171**	1,412
Equity investment income	**592**	1,829	**1,646**	2,843
Trading account profits (losses)	**357**	949	**(1,426)**	1,879
Mortgage banking income	**439**	148	**890**	361
Gains on sales of debt securities	**127**	2	**352**	64
Other income (loss)	**73**	583	**(714)**	1,117
Total noninterest income	**9,694**	11,236	**16,706**	21,181
Total revenue, net of interest expense	**20,315**	19,625	**37,318**	37,840
Provision for credit losses	**5,830**	1,810	**11,840**	3,045
Noninterest expense				
Personnel	**4,420**	4,737	**9,146**	9,762
Occupancy	**848**	744	**1,697**	1,457
Equipment	**372**	332	**768**	682
Marketing	**571**	537	**1,208**	1,092
Professional fees	**362**	283	**647**	512
Amortization of intangibles	**447**	391	**893**	780
Data processing	**587**	472	**1,150**	909
Telecommunications	**266**	244	**526**	495
Other general operating	**1,479**	1,340	**2,342**	2,437
Merger and restructuring charges	**212**	75	**382**	186
Total noninterest expense	**9,564**	9,155	**18,759**	18,312
Income before income taxes	**4,921**	8,660	**6,719**	16,483
Income tax expense	**1,511**	2,899	**2,099**	5,467
Net income	**$ 3,410**	$ 5,761	**$ 4,620**	$ 11,016
Preferred stock dividends	**186**	40	**376**	86
Net income available to common shareholders	**$ 3,224**	$ 5,721	**$ 4,244**	$ 10,930
Per common share information				
Earnings	**$ 0.73**	$ 1.29	**$ 0.96**	$ 2.47
Diluted earnings	**0.72**	1.28	**0.95**	2.44
Dividends paid	**0.64**	0.56	**1.28**	1.12

Average common shares issued and outstanding (in thousands)	**4,435,719**	4,419,246	**4,431,870**	4,426,046
Average diluted common shares issued and outstanding (in thousands)	**4,457,193**	4,476,799	**4,460,633**	4,487,224

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	**June 30 2008**	December 31 2007
Assets		
Cash and cash equivalents	**$ 39,127**	$ 42,531
Time deposits placed and other short-term investments	**7,649**	11,773
Federal funds sold and securities purchased under agreements to resell (includes **$2,644** and $2,578 measured at fair value, and **$106,335** and $128,887 pledged as collateral)	**107,070**	129,552
Trading account assets (includes **$95,125** and $88,745 pledged as collateral)	**167,837**	162,064
Derivative assets	**42,039**	34,662
Debt securities:		
Available for-sale (includes **$127,204** and $107,440 pledged as collateral)	**248,591**	213,330
Held-to-maturity, at cost (fair value - **$1,268** and $726)	**1,268**	726
Total debt securities	**249,859**	214,056
Loans and leases (includes **$5,014** and $4,590 measured at fair value and **$111,026** and $115,285 pledged as collateral)	**870,464**	876,344
Allowance for loan and lease losses	**(17,130)**	(11,588)
Loans and leases, net of allowance	**853,334**	864,756
Premises and equipment, net	**11,627**	11,240
Mortgage servicing rights (includes **$4,250** and $3,053 measured at fair value)	**4,577**	3,347
Goodwill	**77,760**	77,530
Intangible assets	**9,603**	10,296
Other assets (includes **$38,539** and $41,088 measured at fair value)	**146,393**	153,939
Total assets	**$ 1,716,875**	$ 1,715,746
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 199,587**	$ 188,466
Interest-bearing (includes **$1,912** and $2,000 measured at fair value)	**497,631**	501,882
Deposits in foreign offices:		
Noninterest-bearing	**3,432**	3,761
Interest-bearing	**84,114**	111,068
Total deposits	**784,764**	805,177
Federal funds purchased and securities sold under agreements to repurchase	**238,123**	221,435
Trading account liabilities	**70,806**	77,342
Derivative liabilities	**21,095**	22,423
Commercial paper and other short-term borrowings	**177,753**	191,089
Accrued expenses and other liabilities (includes **$723** and $660 measured at fair value and **$507** and $518 of reserve for unfunded lending commitments)	**55,038**	53,969
Long-term debt	**206,605**	197,508
Total liabilities	**1,554,184**	1,568,943
Commitments and contingencies (*Note 9 Variable Interest Entities* and *Note 11 Commitments and Contingencies*)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized 100,000,000 shares; issued and outstanding **7,602,067** and 185,067 shares	**24,151**	4,409
Common stock and additional paid-in capital, $0.01 par value; authorized 7,500,000,000 shares; issued and outstanding **4,452,947,217** and 4,437,885,419 shares	**61,109**	60,328
Retained earnings	**79,920**	81,393
Accumulated other comprehensive income (loss)	**(1,864)**	1,129
Other	**(625)**	(456)
Total shareholders equity	**162,691**	146,803
Total liabilities and shareholders equity	**$ 1,716,875**	$ 1,715,746

See accompanying Notes to Consolidated Financial Statements.

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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 Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss) [1]	Other	Total Shareholders Equity	Comprehensive Income
Balance, December 31, 2006	$2,851	4,458,151	$61,574	$79,024	$(7,711)	$(466)	$135,272	
Cumulative adjustment for accounting changes [2]:								
Leveraged leases				(1,381)			(1,381)	
Fair value option and measurement				(208)			(208)	
Income tax uncertainties				(146)			(146)	
Net income				11,016			11,016	$11,016
Net changes in available-for-sale debt and marketable equity securities					(2,823)		(2,823)	(2,823)
Net changes in foreign currency translation adjustments					103		103	103
Net changes in derivatives					416		416	416
Employee benefit plan adjustments					58		58	58
Cash dividends paid:								
Common				(4,996)			(4,996)	
Preferred				(86)			(86)	
Common stock issued under employee plans and related tax benefits		40,235	1,965			(249)	1,716	
Common stock repurchased		(61,450)	(3,190)				(3,190)	
Balance, June 30, 2007	$2,851	4,436,936	$60,349	$83,223	$(9,957)	$(715)	$135,751	$8,770
Balance, December 31, 2007	**$4,409**	**4,437,885**	**$60,328**	**$81,393**	**$1,129**	**$(456)**	**$146,803**	
Net income				**4,620**			**4,620**	**$4,620**
Net changes in available-for-sale debt and marketable equity securities					**(3,102)**		**(3,102)**	**(3,102)**
Net changes in foreign currency translation adjustments					**62**		**62**	**62**
Net changes in derivatives					**24**		**24**	**24**
Employee benefit plan adjustments					**23**		**23**	**23**
Cash dividends paid:								
Common				**(5,717)**			**(5,717)**	
Preferred				**(376)**			**(376)**	
Issuance of preferred stock	**19,742**						**19,742**	
Common stock issued under employee plans and related tax benefits		**15,062**	**781**			**(169)**	**612**	
Balance, June 30, 2008	**$24,151**	**4,452,947**	**$61,109**	**$79,920**	**$(1,864)**	**$(625)**	**$162,691**	**$1,627**

[1] Amounts shown are net-of-tax. For additional information on accumulated OCI, see *Note 12 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

[2] Effective January 1, 2007, the Corporation adopted FSP 13-2, SFAS 157, SFAS 159 and FIN 48. For additional information on the adoption of these accounting pronouncements, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

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)	Six Months Ended June 30 2008	2007
Operating activities		
Net income	**$ 4,620**	$ 11,016
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**11,840**	3,045
Gains on sales of debt securities	**(352)**	(64)
Depreciation and premises improvements amortization	**676**	555
Amortization of intangibles	**893**	780
Deferred income tax (benefit) expense	**(769)**	210
Net increase in trading and derivative instruments	**(20,866)**	(16,029)
Net (increase) decrease in other assets	**8,261**	(10,172)
Net increase in accrued expenses and other liabilities	**3,400**	8,346
Other operating activities, net	**3,495**	(408)
Net cash provided by (used in) operating activities	**11,198**	(2,721)
Investing activities		
Net decrease in time deposits placed and other short-term investments	**4,124**	813
Net decrease in federal funds sold and securities purchased under agreements to resell	**22,482**	3,640
Proceeds from sales of available-for-sale debt securities	**48,991**	6,078
Proceeds from paydowns and maturities of available-for-sale debt securities	**12,710**	10,713
Purchases of available-for-sale debt securities	**(82,343)**	(5,874)
Proceeds from maturities of held-to-maturity debt securities	**63**	24
Purchases of held-to-maturity debt securities	**(745)**	(70)
Proceeds from sales of loans and leases	**36,523**	29,309
Other changes in loans and leases, net	**(58,559)**	(91,018)
Net purchases of premises and equipment	**(1,109)**	(849)
Proceeds from sales of foreclosed properties	**138**	52
(Acquisition) divestiture of business activities, net	**-**	(685)
Other investing activities, net	**(198)**	(631)
Net cash used in investing activities	**(17,923)**	(48,498)
Financing activities		
Net increase (decrease) in deposits	**(20,413)**	11,079
Net increase in federal funds purchased and securities sold under agreements to repurchase	**16,688**	3,636
Net increase (decrease) in commercial paper and other short-term borrowings	**(13,336)**	18,315
Proceeds from issuance of long-term debt	**20,489**	41,374
Retirement of long-term debt	**(13,750)**	(16,728)
Proceeds from issuance of preferred stock	**19,742**	-
Proceeds from issuance of common stock	**28**	682
Common stock repurchased	**-**	(3,190)
Cash dividends paid	**(6,093)**	(5,082)
Excess tax benefits of share-based payments	**26**	190
Other financing activities, net	**(18)**	(36)
Net cash provided by financing activities	**3,363**	50,240
Effect of exchange rate changes on cash and cash equivalents	**(42)**	49
Net decrease in cash and cash equivalents	**(3,404)**	(930)
Cash and cash equivalents at January 1	**42,531**	36,429
Cash and cash equivalents at June 30	**$ 39,127**	$ 35,499

During the six months ended June 30, 2007, the Corporation sold its operations in Chile and Uruguay for approximately $750 million in equity in Banco Itaú Holding Financeira S.A., and its assets in BankBoston Argentina for the assumption of its liabilities. The total assets and liabilities in these divestitures were $6.1 billion and $5.6 billion.

On January 1, 2007, the Corporation transferred $3.7 billion of AFS debt securities to trading account assets following the adoption of SFAS 159.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

On October 1, 2007, Bank of America Corporation and its subsidiaries (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. On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. These mergers were accounted for under the purchase method of accounting. Consequently, LaSalle s and U.S. Trust Corporation s results of operations were included in the Corporation s results from their dates of acquisition.

On July 1, 2008, the Corporation acquired Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation. For more information related to our Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

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 June 30, 2008, the Corporation operated its banking activities primarily under three charters: Bank of America, National Association (Bank of America, N.A.), FIA Card Services, N.A. and LaSalle Bank, N.A.

NOTE 1 Summary of Significant Accounting Principles

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 the Corporation s proportionate share of income or loss is included in equity investment income.

The information contained in the Consolidated Financial Statements is unaudited. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made.

Certain prior period amounts have been reclassified to conform to current period presentation.

Recently Proposed and Issued Accounting Pronouncements

The FASB has decided to amend SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS 140), impacting the accounting for qualifying special-purpose entities (QSPEs), and make certain changes to FASB Interpretation (FIN) No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R). Exposure drafts of the proposed requirements are expected in the third quarter of 2008. Based on the preliminary discussions and tentative decisions, and assuming no changes to the Corporation s current product offerings, it is possible that these changes may lead to the consolidation of certain QSPEs and VIEs. However, the impact on the Corporation and the timing of adoption cannot be determined until the FASB issues the final amendments to SFAS 140 and FIN 46R.

On June 16, 2008, the FASB issued FASB Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1). FSP 03-6-1 defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that should be included in computing earnings per share (EPS) using the two-class method under SFAS No. 128, Earnings per Share. FSP 03-6-1 is

effective for the Corporation s financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. Additionally, all prior-period EPS data shall be adjusted retrospectively. The adoption of FSP 03-6-1 is not expected to have a material impact on the Corporation s financial condition and results of operations.

On March 19, 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB No. 133 (SFAS 161). SFAS 161 requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation s financial position, financial performance and cash flows. SFAS 161 also clarifies that derivatives are subject to credit risk disclosures as required by SFAS No. 107, Disclosures about Fair Value of Financial Instruments. SFAS 161 is effective for the Corporation s financial statements for the year beginning on January 1, 2009. The adoption of SFAS 161 will not impact the Corporation s financial condition and results of operations.

On February 20, 2008, the FASB issued FSP No. FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. FSP 140-3 is effective for the Corporation s financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. The adoption of FAS 140-3 will not have a material impact on the Corporation s financial condition and results of operations.

On December 4, 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition-date fair value. In addition, SFAS 141R requires the expensing of acquisition-related transaction and restructuring costs, and certain contingent assets and liabilities acquired, as well as contingent consideration, to be recognized at fair value. SFAS 141R also modifies the accounting for certain acquired income tax assets and liabilities. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009 and earlier adoption is not permitted.

On December 4, 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e., minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for the Corporation s financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. The adoption of SFAS 160 will not have a material impact on the Corporation s financial condition and results of operations.

The Corporation adopted the Securities and Exchange Commission s (SEC) Staff Accounting Bulletin (SAB) No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings (SAB 109) for loan commitments measured at fair value through earnings which were issued or modified since adoption. SAB 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 generally has resulted in higher fair values being recorded upon initial recognition of derivative interest rate lock commitments.

The Corporation adopted Emerging Issues Task Force (EITF) consensus on Issue No. 06 11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards (EITF 06-11) effective January 1, 2008. EITF 06 11 requires on a prospective basis that the tax benefit related to dividend equivalents paid on restricted stock and restricted stock units which are expected to vest be recorded as an increase to additional paid-in capital. The adoption of EITF 06 11 did not have a material impact on the Corporation s financial condition and results of operations.

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NOTE 2 Merger and Restructuring Activity

On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. The Corporation allocated $1.7 billion to goodwill and $1.2 billion to intangible assets as part of the purchase price allocation. U.S. Trust Corporation s results of operations were included in the Corporation s results beginning July 1, 2007. The acquisition significantly 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.

On October 1, 2007, the Corporation acquired all the outstanding shares of 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.

The LaSalle acquisition was accounted for under the purchase method of accounting in accordance with SFAS No. 141, Business Combinations (SFAS 141). The preliminary purchase price has been allocated to the assets acquired and the liabilities assumed based on their fair values at the LaSalle acquisition date as summarized in the following table.

LaSalle Preliminary Purchase Price Allocation

(Dollars in millions)	
Purchase price	**$ 21,015**
Preliminary allocation of the purchase price	
LaSalle stockholders equity	12,495
LaSalle goodwill and other intangible assets	(2,728)
Adjustments to reflect assets acquired and liabilities assumed at fair value:	
Loans and leases	(88)
Premises and equipment	(185)
Identified intangibles [1]	1,029
Other assets	(265)
Exit and termination liabilities	(426)
Other liabilities and deferred income taxes	5
Fair value of net assets acquired	9,837
Preliminary goodwill resulting from the LaSalle merger [2]	**$ 11,178**

[1] Includes core deposit intangibles of $700 million, and other intangibles of $329 million. The amortization life for core deposit intangibles and other intangibles is 10 years. These intangibles are amortized on an accelerated basis.

[2] No goodwill is expected to be deductible for federal income tax purposes. The goodwill has been allocated across all of the Corporation s business segments.

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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 and those of acquired entities. 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 for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30		**Six Months Ended June 30**	
(Dollars in millions)	**2008**	2007	**2008**	2007
Severance and employee-related charges	**$ 30**	$ 5	**$ 75**	$ 17
Systems integrations and related charges	**155**	58	**245**	137
Other	**27**	12	**62**	32
Total merger and restructuring charges [1]	**$ 212**	$ 75	**$ 382**	$ 186

[1] Included for the three and six months ended June 30, 2008, are merger-related charges of $174 million and $303 million related to the LaSalle merger and $38 million and $79 million related to the U.S. Trust Corporation merger.

Merger-related Exit Cost and Restructuring Reserves

The following table presents the changes in exit cost and restructuring reserves for the three and six months ended June 30, 2008 and 2007.

	Exit Cost Reserves [1]		**Restructuring Reserves** [2]	
(Dollars in millions)	**2008**	2007	**2008**	2007
Balance, January 1	**$ 377**	$ 125	**$ 108**	$ 67
Exit cost and restructuring charges:				
LaSalle	**87**	-	**31**	-
U.S. Trust Corporation	**-**	-	**13**	-
MBNA	**-**	-	**-**	11
Cash payments	**(59)**	(26)	**(55)**	(33)
Balance, March 31	**405**	99	**97**	45
Exit cost and restructuring charges:				
LaSalle	**-**	-	**15**	-
U.S. Trust Corporation	**-**	-	**13**	-
MBNA	**(2)**	-	**-**	5
Cash payments	**(53)**	(19)	**(12)**	(14)
Balance, June 30	**$ 350**	$ 80	**$ 113**	$ 36

[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.

As of December 31, 2007, there were $377 million of exit cost reserves related to the MBNA Corporation (MBNA), U.S. Trust Corporation and LaSalle mergers, including $187 million for severance, relocation and other employee-related costs and $190 million for contract terminations. Cash payments of $53 million during the three months ended June 30, 2008 consisted of $42 million in severance, relocation and other employee-related costs and $11 million for contract terminations. During the six months ended June 30, 2008, a net amount of $85 million was added to the exit cost reserves related to the MBNA and LaSalle mergers which were all included in severance, relocation and other

employee-related costs. Cash payments of $112 million during the six months ended June 30, 2008 consisted of $100 million in severance, relocation and other employee-related costs and $12 million for contract terminations.

As of December 31, 2007, there were $108 million of restructuring reserves related to the MBNA, U.S. Trust Corporation and LaSalle mergers, including $104 million related to severance and other employee-related costs and $4 million related to contract terminations. During the three and six months ended June 30, 2008, $28 million and $72 million were added to the restructuring reserves, related to severance and other employee-related costs. Cash payments of $12 million during the three months ended June 30, 2008 were all related to severance and other employee-related costs. Cash payments of $67 million during the six months ended June 30, 2008 consisted of $65 million in severance and other employee-related costs and $2 million in contract terminations.

Payments under exit cost and restructuring reserves associated with the MBNA merger were substantially completed in 2007 while payments associated with the U.S. Trust Corporation and LaSalle mergers will continue into 2009.

Countrywide Acquisition

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 one share of Countrywide common stock. The acquisition of Countrywide significantly improved the Corporation s mortgage originating and servicing capabilities, while making us the nation s leading mortgage originator and servicer.

As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 106 million shares of the Corporation s common stock. This represents approximately two percent of the Corporation s outstanding common stock. Countrywide shareholders also received cash of $346 thousand in place of any fractional shares of the Corporation s common stock that would have otherwise been issued on July 1, 2008. The $2.0 billion of Countrywide s Series B convertible preferred shares that were previously held by the Corporation were cancelled.

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The merger is being accounted for as a purchase in accordance with SFAS 141. Accordingly, the purchase price was preliminarily allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the merger date as summarized below. The final allocation of the purchase price will be finalized upon completing the analysis determining the fair values of Countrywide s assets and liabilities.

Countrywide Preliminary Purchase Price Allocation

(Dollars in billions, except per share information)

Purchase price		
Countrywide common stock exchanged (in thousands)	583,256	
Exchange ratio	0.1822	
Total shares of the Corporation s common stock exchanged (in thousands)	106,269	
Purchase price per share of the Corporation s common stock[1]	$ 38.73	
Total purchase price		$ 4.1
Preliminary allocation of the purchase price		
Countrywide stockholders equity[2]		8.4
Pre-tax adjustments to reflect assets acquired and liabilities assumed at fair value:		
Loans [3]		(8.1)
Mortgage servicing rights		(1.7)
Deferred costs and currency adjustments on loans and debt		1.6
All other		(4.6)
Pre-tax total adjustments		(12.8)
Deferred income taxes		4.5
After-tax total adjustments		(8.3)
Fair value of net assets acquired		0.1
Preliminary goodwill resulting from the Countrywide merger [4]		$ 4.0

[1] The value of the shares of common stock exchanged with Countrywide shareholders was based upon the average of the closing prices of the Corporation s common stock for the period commencing two trading days before, and ending two trading days after January 11, 2008, the date of the Countrywide merger agreement.

[2] Represents the value of the remaining Countrywide shareholders equity as of the acquisition date after the cancellation of the $2.0 billion of Series B convertible preferred shares owned by the Corporation, as part of the merger.

[3] Loan portfolio credit adjustment of $14.3 billion less the allowance for loan and lease losses of $5.1 billion at the acquisition date and other miscellaneous adjustments.

[4] No goodwill is expected to be deductible for federal income tax purposes.

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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 June 30, 2008 and December 31, 2007.

(Dollars in millions)	**June 30 2008**	December 31 2007
Trading account assets		
U.S. Government and agency securities [(1)]	**$ 76,798**	$ 48,240
Corporate securities, trading loans, and other	**43,006**	55,360
Equity securities	**19,168**	22,910
Foreign sovereign debt	**15,581**	17,161
Mortgage trading loans and asset-backed securities	**13,284**	18,393
Total trading account assets	**$ 167,837**	$ 162,064
Trading account liabilities		
U.S. Government and agency securities	**$ 34,978**	$ 35,375
Equity securities	**20,628**	25,926
Foreign sovereign debt	**9,865**	9,292
Corporate securities and other	**5,335**	6,749
Total trading account liabilities	**$ 70,806**	$ 77,342

(1) Includes $49.2 billion and $21.5 billion at June 30, 2008 and December 31, 2007 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. Government.

NOTE 4 Derivatives

All derivatives are recognized on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The Corporation designates at inception whether the derivative contract is considered hedging or non-hedging for SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) accounting purposes. Derivatives held for trading purposes are included in derivative assets or derivative liabilities with changes in fair value reflected in trading account profits (losses). Other derivatives that are used as economic hedges, but not designated in a hedging relationship for accounting purposes, are also included in derivative assets or derivative liabilities with changes in fair value recorded in mortgage banking income or other income (loss). A detailed discussion of derivative trading activities and asset and liability management (ALM) activities is presented in *Note 1 Summary of Significant Accounting Principles* and *Note 4 Derivatives* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

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The following table presents the contract/notional amounts and credit risk amounts at June 30, 2008 and December 31, 2007 of all the Corporation s derivative positions. These derivative positions are primarily executed in the over-the-counter market. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements, and on an aggregate basis have been reduced by the cash collateral applied against derivative assets. At June 30, 2008 and December 31, 2007, the cash collateral applied against derivative assets was $16.5 billion and $12.8 billion. In addition, at June 30, 2008 and December 31, 2007, the cash collateral applied against derivative liabilities was $10.1 billion and $10.0 billion. The average fair value of derivative assets, less cash collateral, for the three months ended June 30, 2008 and December 31, 2007 was $45.1 billion and $33.9 billion. The average fair value of derivative liabilities, less cash collateral, for the three months ended June 30, 2008 and December 31, 2007 was $24.4 billion and $20.7 billion.

	June 30, 2008		December 31, 2007	
(Dollars in millions)	**Contract/ Notional [1]**	**Credit Risk**	Contract/ Notional [1]	Credit Risk
Interest rate contracts				
Swaps	**$ 26,162,587**	**$ 15,136**	$ 22,472,949	$ 15,368
Futures and forwards	**4,810,793**	**322**	2,596,146	10
Written options	**1,734,740**	**-**	1,402,626	-
Purchased options	**1,844,397**	**2,428**	1,479,985	2,508
Foreign exchange contracts				
Swaps	**478,193**	**9,572**	505,878	7,350
Spot, futures and forwards	**1,955,306**	**5,189**	1,600,683	4,124
Written options	**270,806**	**-**	341,148	-
Purchased options	**241,966**	**1,303**	339,101	1,033
Equity contracts				
Swaps	**29,551**	**2,038**	56,300	2,026
Futures and forwards	**16,926**	**106**	12,174	10
Written options	**232,166**	**-**	166,736	-
Purchased options	**272,998**	**8,842**	195,240	6,337
Commodity contracts				
Swaps	**10,159**	**2,521**	13,627	770
Futures and forwards	**13,332**	**36**	14,391	12
Written options	**22,038**	**-**	14,206	-
Purchased options	**18,775**	**1,195**	13,093	372
Credit derivatives	**2,693,324**	**9,870**	3,046,381	7,493
Credit risk before cash collateral		**58,558**		47,413
Less: Cash collateral applied		**16,519**		12,751
Total derivative assets		**$ 42,039**		$ 34,662

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

Fair Value, Cash Flow and Net Investment Hedges

The Corporation uses various types of interest rate and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (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). During the next 12 months, net losses on derivative instruments included in accumulated OCI of approximately $1.6 billion ($1.0 billion after-tax) are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

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The following table summarizes certain information related to the Corporation s derivative hedges accounted for under SFAS 133 for the three and six months ended June 30, 2008 and 2007.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Fair value hedges				
Hedge ineffectiveness recognized in net interest income	**$ (59)**	$ (38)	**$ 2**	$ (36)
Cash flow hedges				
Hedge ineffectiveness recognized in net interest income	**(5)**	7	**(8)**	7
Net losses on transactions which are probable of not occurring recognized in other income	**-**	(14)	**-**	(14)

The Corporation hedges its net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in 90 days. The Corporation recorded a net derivative loss of $46 million and a net derivative gain of $8 million in accumulated OCI associated with net investment hedges for the three and six months ended June 30, 2008 as compared to losses of $267 million and $302 million for the same periods in the prior year.

NOTE 5 Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale (AFS) debt and marketable equity securities at June 30, 2008 and December 31, 2007 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, June 30, 2008				
U.S. Treasury securities and agency debentures	**$ 807**	**$ 9**	**$ (5)**	**$ 811**
Mortgage-backed securities [1]	**214,161**	**69**	**(7,347)**	**206,883**
Foreign securities	**6,624**	**28**	**(88)**	**6,564**
Corporate/Agency bonds	**4,081**	**4**	**(275)**	**3,810**
Other taxable securities [2]	**21,343**	**52**	**(199)**	**21,196**
Total taxable securities	**247,016**	**162**	**(7,914)**	**239,264**
Tax-exempt securities	**9,692**	**3**	**(368)**	**9,327**
Total available-for-sale debt securities	**$ 256,708**	**$ 165**	**$ (8,282)**	**$ 248,591**
Available-for-sale marketable equity securities [3]	**$ 10,281**	**$ 14,569**	**$ (910)**	**$ 23,940**
Available-for-sale debt securities, December 31, 2007				
U.S. Treasury securities and agency debentures	$ 749	$ 10	$ -	$ 759
Mortgage-backed securities [1]	166,768	92	(3,144)	163,716
Foreign securities	6,568	290	(101)	6,757
Corporate/Agency bonds	3,107	2	(76)	3,033
Other taxable securities [2]	24,608	69	(84)	24,593
Total taxable securities	201,800	463	(3,405)	198,858
Tax-exempt securities	14,468	73	(69)	14,472
Total available-for-sale debt securities	$ 216,268	$ 536	$ (3,474)	$ 213,330
Available-for-sale marketable equity securities [3]	$ 6,562	$ 13,530	$ (352)	$ 19,740

(1) Substantially all securities were issued by U.S. government-backed or government-sponsored enterprises.

(2) Includes asset-backed securities (ABS).

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

At June 30, 2008 and December 31, 2007, both the amortized cost and fair value of held-to-maturity debt securities was $1.3 billion and $726 million and the accumulated net unrealized gains on AFS debt and marketable equity securities included in accumulated OCI were $3.4 billion and $6.6 billion, net of the related income tax expense of $2.1 billion and $3.7 billion.

The Corporation recognized $515 million and $1.1 billion of other-than-temporary impairment losses on AFS debt, primarily CDO-related, and marketable equity securities during the three and six months ended June 30, 2008. No such losses were recognized during the three and six months ended June 30, 2007. At June 30, 2008 and December 31, 2007, the Corporation had nonperforming AFS debt securities of $676 million and $180 million.

The impairment of AFS debt and marketable equity securities is based on a variety of factors, including the length of time and extent to which the market value has been less than cost; the historical and implied volatility of the security; the financial condition of the issuer of the security; and the Corporation s intent and ability to hold the security to recovery. Based on the Corporation s evaluation of the above and other relevant factors, the Corporation does not believe that the AFS debt and marketable equity securities that are in an unrealized loss position at June 30, 2008 are other-than-temporarily impaired.

Certain Corporate and Strategic Investments

At June 30, 2008 and December 31, 2007, the Corporation owned approximately eight percent, or 19.1 billion common shares, of China Construction Bank (CCB). These common shares are accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset to accumulated OCI. These shares are non-transferable until October 2008. At June 30, 2008 and December 31, 2007, the cost of the CCB investment was $3.0 billion and the fair value was $15.6 billion and $16.4 billion. Dividend income on this investment is recorded in equity investment income. The Corporation also holds an option to increase its ownership interest in CCB to 19.1 percent. Additional shares received upon exercise of this option are restricted through August 2011. This option expires in February 2011. The strike price of the option is based on the greater of 1.2 times the book value per share for the most recent calendar year end or the IPO price that steps up on an annual basis and is currently at 103 percent of the IPO price. When based on the IPO price the strike price is capped at 118 percent.

Additionally, the Corporation owned approximately 171.3 million and 51.3 million of preferred and common shares of Banco Itaú Holding Financeira S.A. (Banco Itaú) at both June 30, 2008 and December 31, 2007. This investment in Banco Itaú is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset to accumulated OCI. Prior to the second quarter of 2008, these shares were accounted for at cost. Dividend income on this investment is recorded in equity investment income. At June 30, 2008 and December 31, 2007, the cost of this investment was $2.6 billion and the fair value was $4.5 billion and $4.6 billion.

The Corporation has a 24.9 percent, or $3.0 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.

For additional information on securities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

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NOTE 6 Outstanding Loans and Leases

Outstanding loans and leases at June 30, 2008 and December 31, 2007 were:

(Dollars in millions)	**June 30 2008**	December 31 2007
Consumer		
Residential mortgage	**$ 235,472**	$ 274,949
Credit card domestic	**62,081**	65,774
Credit card foreign	**16,561**	14,950
Home equity	**121,409**	114,820
Direct/Indirect consumer [1]	**84,907**	76,538
Other consumer [2]	**3,859**	4,170
Total consumer	**524,289**	551,201
Commercial		
Commercial domestic [3]	**220,610**	208,297
Commercial real estate [4]	**62,897**	61,298
Commercial lease financing	**22,815**	22,582
Commercial foreign	**34,839**	28,376
Total commercial loans measured at historical cost	**341,161**	320,553
Commercial loans measured at fair value [5]	**5,014**	4,590
Total commercial	**346,175**	325,143
Total loans and leases	**$ 870,464**	$ 876,344

(1) Includes foreign consumer loans of $2.9 billion and $3.4 billion at June 30, 2008 and December 31, 2007.

(2) Includes consumer finance loans of $2.8 billion and $3.0 billion, and other foreign consumer loans of $839 million and $829 million at June 30, 2008 and December 31, 2007.

(3) Includes small business commercial domestic loans, primarily card related, of $19.9 billion and $19.6 billion at June 30, 2008 and December 31, 2007.

(4) Includes domestic commercial real estate loans of $61.8 billion and $60.2 billion, and foreign commercial real estate loans of $1.1 billion at both June 30, 2008 and December 31, 2007.

(5) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial domestic loans of $3.5 billion and $3.5 billion, commercial foreign loans of $1.3 billion and $790 million, and commercial real estate loans of $176 million and $304 million at June 30, 2008 and December 31, 2007. See *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

The following table presents the recorded loan amounts, without consideration for the specific component of the allowance for loan and lease losses, that were considered individually impaired in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan (SFAS 114), at June 30, 2008 and December 31, 2007. SFAS 114 defines impairment to include performing loans which had previously entered into a troubled debt restructuring and excludes all commercial leases.

(Dollars in millions)	**June 30 2008**	December 31 2007

Commercial domestic[1]	**$ 1,232**	$ 1,018
Commercial real estate	**2,616**	1,099
Commercial foreign	**48**	19
Total impaired loans	**$ 3,896**	$ 2,136

(1) Includes small business commercial domestic loans of $153 million and $152 million at June 30, 2008 and December 31, 2007.

At June 30, 2008 and December 31, 2007, nonperforming loans and leases, including impaired and nonaccrual consumer loans, totaled $9.2 billion and $5.6 billion. In addition, included in other assets were consumer and commercial nonperforming loans held-for-sale (LHFS) of $388 million and $188 million at June 30, 2008 and December 31, 2007.

NOTE 7 Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	**2008**	2007	**2008**	2007
Allowance for loan and lease losses, beginning of period	**$ 14,891**	$ 8,732	**$ 11,588**	$ 9,016
Adjustment due to the adoption of SFAS 159	**-**	-	**-**	(32)
Loans and leases charged off	**(4,140)**	(1,805)	**(7,320)**	(3,548)
Recoveries of loans and leases previously charged off	**521**	310	**986**	626
Net charge-offs	**(3,619)**	(1,495)	**(6,334)**	(2,922)
Provision for loan and lease losses	**5,830**	1,808	**11,851**	3,036
Other	**28**	15	**25**	(38)
Allowance for loan and lease losses, June 30	**17,130**	9,060	**17,130**	9,060
Reserve for unfunded lending commitments, beginning of period	**507**	374	**518**	397
Adjustment due to the adoption of SFAS 159	**-**	-	**-**	(28)
Provision for unfunded lending commitments	**-**	2	**(11)**	9
Other	**-**	-	**-**	(2)
Reserve for unfunded lending commitments, June 30	**507**	376	**507**	376
Allowance for credit losses, June 30	**$ 17,637**	$ 9,436	**$ 17,637**	$ 9,436

NOTE 8 Securitizations

The Corporation securitizes loans which may be serviced by the Corporation or by third parties. With each securitization, the Corporation may retain all or 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, cash reserve accounts, all of which are called retained interests. These retained interests are recorded in other assets and/or AFS debt securities 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 for credit card related interest-only strips are recorded in card income.

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As of June 30, 2008 and December 31, 2007 the aggregate debt securities outstanding for the Corporation s credit card securitization trusts were $106.9 billion and $101.3 billion. Key economic assumptions used in measuring the fair value of certain residual interests that continue to be held by the Corporation (included in other assets) from credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	June 30 2008	December 31 2007
Carrying amount of residual interests (at fair value) [1]	**$ 2,722**	$ 2,766
Balance of unamortized securitized loans	**108,521**	102,967
Weighted average life to call or maturity (in years)	**0.3**	0.3
Monthly payment rate	**10.2-15.2 %**	11.6-16.6 %
Impact on fair value of 10% favorable change	**$ 50**	$ 51
Impact on fair value of 25% favorable change	**142**	158
Impact on fair value of 10% adverse change	**(47)**	(35)
Impact on fair value of 25% adverse change	**(101)**	(80)
Expected credit losses (annual rate)	**3.9-6.3 %**	3.7-5.4 %
Impact on fair value of 10% favorable change	**$ 179**	$ 141
Impact on fair value of 25% favorable change	**479**	374
Impact on fair value of 10% adverse change	**(179)**	(133)
Impact on fair value of 25% adverse change	**(448)**	(333)
Residual cash flows discount rate (annual rate)	**11.5 %**	11.5 %
Impact on fair value of 100 bps favorable change	**$ 4**	$ 9
Impact on fair value of 200 bps favorable change	**5**	13
Impact on fair value of 100 bps adverse change	**(7)**	(12)
Impact on fair value of 200 bps adverse change	**(14)**	(23)

[1] Residual interests include interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts which are carried at fair value or amounts that approximate fair value.

The sensitivities in the preceding 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 an interest 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 risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Principal proceeds from collections reinvested in revolving credit card securitizations were $43.2 billion and $88.8 billion for the three and six months ended June 30, 2008 compared to $44.6 billion and $89.3 billion for the same periods in 2007. Contractual credit card servicing fee income totaled $548 million and $1.1 billion for the three and six months ended June 30, 2008 compared to $514 million and $1.0 billion for the same periods in 2007. Other cash flows received on retained interests, such as cash flow from interest-only strips, were $1.6 billion and $3.3 billion for the three and six months ended June 30, 2008 compared to $1.5 billion and $3.2 billion for the same periods in 2007, for credit card securitizations.

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NOTE 9 Variable Interest Entities

The following table presents total assets of those VIEs in which the Corporation holds a significant variable interest and, in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum exposure to loss. The Corporation s maximum exposure to loss incorporates not only potential losses associated with assets recorded on the Corporation s balance sheet but also off-balance sheet commitments, such as unfunded liquidity and lending commitments and other contractual arrangements. In addition to the table below, the Corporation also provided support to certain cash funds managed within *Global Wealth and Investment Management (GWIM)* as described in more detail in *Note 11 Commitments and Contingencies* to the Consolidated Financial Statements.

	Consolidated [1]		Unconsolidated	
(Dollars in millions)	Total Assets	Loss Exposure	Total Assets	Loss Exposure
Variable interest entities, June 30, 2008				
Corporation-sponsored multi-seller conduits	**$ 11,218**	**$ 14,214**	**$ 29,850**	**$ 47,754**
Collateralized debt obligation vehicles	**5,775**	**5,775**	**2,624**	**1,960**
Leveraged lease trusts	**6,051**	**6,051**	**-**	**-**
Other	**8,521**	**7,856**	**7,954**	**6,569**
Total variable interest entities	**$ 31,565**	**$ 33,896**	**$ 40,428**	**$ 56,283**
Variable interest entities, December 31, 2007				
Corporation-sponsored multi-seller conduits	$ 11,944	$ 16,984	$ 29,363	$ 47,335
Collateralized debt obligation vehicles	4,464	4,311	8,324	7,410
Leveraged lease trusts	6,236	6,236	-	-
Other	13,771	12,347	8,260	5,953
Total variable interest entities	$ 36,415	$ 39,878	$ 45,947	$ 60,698

[1] The Corporation consolidates VIEs when it is the primary beneficiary that will absorb the majority of the expected losses or expected residual returns of the VIEs or both.

Corporation-Sponsored Multi-Seller Conduits

The Corporation administers four multi-seller conduits, three of which are unconsolidated, 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. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation. At June 30, 2008, the Corporation s liquidity commitments to the conduits were collateralized by various classes of assets. Assets held in the conduits incorporate features such as overcollateralization and cash reserves which are designed to provide credit support to the conduits.

The Corporation is the primary beneficiary of one of the above conduits and consequently it is included in the Consolidated Financial Statements. The assets of this conduit are included in AFS and held-to-maturity debt securities, and other assets. At June 30, 2008, liquidity commitments to the conduit were mainly collateralized by credit card loans (23 percent), auto loans (12 percent), capital commitments (eight percent), and equipment loans (seven percent). None of these assets are subprime residential mortgages. In addition, 33 percent 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 65 percent of this exposure is insured. At June 30, 2008, the weighted average life of assets in the consolidated conduit was 5.4 years and the weighted average maturity of commercial paper issued by this conduit was 34 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 does not consolidate the other three conduits which issued capital notes and equity interests to independent third parties as it does not expect to absorb a majority of the variability of the conduits. At June 30, 2008, the Corporation s liquidity commitments to the unconsolidated conduits were collateralized by credit card loans (23 percent), student loans (22 percent), auto loans (13 percent), equipment loans and trade receivables (eight percent each). Less than one percent of these assets are subprime residential mortgages. In addition, 19 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 will be repaid when the investment funds issue capital calls to their qualified equity investors. At June 30, 2008, the weighted average life of assets in the unconsolidated conduit was 2.6 years and the weighted average maturity of commercial paper issued by these conduits was 40 days.

Net revenues earned from fees associated with these commitments were $78 million and $147 million for the three and six months ended June 30, 2008 compared to $54 million and $86 million for the same periods in 2007.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed income securities. They issue multiple tranches of debt securities, including commercial paper, and equity securities. The Corporation also provides liquidity support to certain CDO vehicles.

The Corporation is the primary beneficiary of certain CDOs which are included in the Consolidated Financial Statements at June 30, 2008 and December 31, 2007. Assets held at fair value in the consolidated CDOs include AFS debt securities of $4.6 billion and $2.8 billion and trading account assets of $1.2 billion and $1.3 billion at June 30, 2008 and December 31, 2007. Substantially all of these investments were acquired in connection with liquidity support in the form of written put options that had been provided to CDO vehicles and other liquidity support which had been provided to the CDO conduit which are discussed below. The creditors of the consolidated CDOs have no recourse to the general credit of the Corporation.

The Corporation s exposure to unconsolidated CDOs relates principally to liquidity support in the form of written put options with a notional amount of $1.1 billion and $6.8 billion at June 30, 2008 and December 31, 2007. The written put options pertain to commercial paper which is the most senior class of securities issued by the CDOs and benefits from the subordination of all other securities issued by the CDOs. The Corporation is obligated to provide funding to the CDOs by purchasing the commercial paper at predetermined contractual yields in the event of a severe disruption in the short-term funding market. The underlying collateral for commitments outstanding at June 30, 2008 consists principally of commercial mortgage-backed securities, ABS and other securities, including trust preferred securities. Subprime residential mortgage-backed securities comprise less than 20 percent of total collateral. These written put options are recorded as derivatives and are carried at fair value with changes in fair value recorded in trading account profits (losses).

Prior to the second quarter of 2008, the Corporation s liquidity support to unconsolidated CDOs also included other liquidity support of $2.3 billion at December 31, 2007 to a CDO conduit administered by the Corporation that obtained funds by issuing commercial paper to third party investors. The conduit held $2.3 billion of assets at December 31, 2007 consisting of super senior tranches of debt securities issued by other CDOs. During the three months ended June 30, 2008, the CDO conduit was liquidated due to a threatened downgrade of its commercial paper. In accordance with its liquidity obligation, the Corporation purchased the assets of the CDO conduit.

At June 30, 2008 and December 31, 2007, the Corporation held commercial paper with a carrying value of $686 million and $6.6 billion on the balance sheet that was issued by unconsolidated CDO vehicles, of which $686 million and $5.0 billion related to these written put options and at December 31, 2007, $1.6 billion related to other liquidity support.

Leveraged Lease Trusts

The Corporation s net investment in leveraged lease trusts totaled $6.1 billion and $6.2 billion at June 30, 2008 and December 31, 2007. These amounts, which were recorded in loans and leases, represent the Corporation s maximum loss exposure to these entities 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.

Other

Other consolidated VIEs at June 30, 2008 and December 31, 2007 consisted primarily of securitization vehicles, including an asset acquisition conduit that holds securities on the Corporation s behalf and term securitization vehicles that did not meet QSPE status, as well as managed investment vehicles that invest in financial assets, primarily debt securities. Included within maximum exposure to loss of these VIEs was $4.6 billion and $7.4 billion of liquidity exposure to consolidated trusts that hold municipal bonds and $1.2 billion and $1.6 billion of liquidity exposure to the consolidated asset acquisition conduit at June 30, 2008 and December 31, 2007. The assets of these consolidated VIEs were recorded in trading account assets, AFS debt securities and other assets. Other unconsolidated VIEs at June 30, 2008 and December 31, 2007 consisted primarily of securitization vehicles, managed investment vehicles that invest in financial assets, primarily debt securities, and investments in affordable housing investment partnerships. Revenues associated with administration, asset management, liquidity, and other services were $2 million and $4 million for the three and six months ended June 30, 2008 compared to $3 million and $8 million for the same periods in 2007.

NOTE 10 Goodwill and Intangible Assets

The following tables present goodwill and intangible assets at June 30, 2008 and December 31, 2007.

(Dollars in millions)	**June 30 2008**	December 31 2007
Global Consumer and Small Business Banking	**$ 40,537**	$ 40,340
Global Corporate and Investment Banking	**29,523**	29,648
Global Wealth and Investment Management	**6,505**	6,451
All Other	**1,195**	1,091
Total goodwill	**$ 77,760**	$ 77,530

The gross carrying values and accumulated amortization related to intangible assets at June 30, 2008 and December 31, 2007 are presented below:

	June 30, 2008		December 31, 2007	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 7,283**	**$ 2,352**	$ 7,027	$ 1,970
Core deposit intangibles	**4,594**	**3,058**	4,594	2,828
Affinity relationships	**1,679**	**497**	1,681	406
Other intangibles	**2,996**	**1,042**	3,050	852
Total intangible assets	**$ 16,552**	**$ 6,949**	$ 16,352	$ 6,056

Amortization of intangibles expense was $447 million and $391 million for the three months ended June 30, 2008 and 2007 and $893 million and $780 million for the six months ended June 30, 2008 and 2007. The Corporation estimates that aggregate amortization expense is expected to be approximately $430 million for each of the remaining quarters of 2008. In addition, the Corporation estimates the aggregate amortization expense will be approximately $1.5 billion, $1.3 billion, $1.2 billion, $1.0 billion and $840 million for 2009 through 2013, respectively.

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NOTE 11 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 $48.8 billion and $39.2 billion at June 30, 2008 and December 31, 2007. At June 30, 2008, the carrying amount of these commitments, excluding fair value adjustments, was $539 million, including deferred revenue of $32 million and a reserve for unfunded legally binding lending commitments of $507 million. At December 31, 2007, the comparable amounts were $550 million, $32 million and $518 million. The carrying amount of these commitments is recorded in accrued expenses and other liabilities. For information regarding the Corporation s loan commitments accounted for at fair value, see *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements.

(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, June 30, 2008					
Loan commitments	**$ 163,093**	**$ 103,530**	**$ 95,797**	**$ 26,441**	**$ 388,861**
Home equity lines of credit	**8,278**	**1,787**	**3,041**	**101,209**	**114,315**
Standby letters of credit and financial guarantees	**33,989**	**20,309**	**9,631**	**9,860**	**73,789**
Commercial letters of credit	**3,751**	**30**	**27**	**1,522**	**5,330**
Legally binding commitments [(1)]	**209,111**	**125,656**	**108,496**	**139,032**	**582,295**
Credit card lines	**885,022**	**28,787**	**-**	**-**	**913,809**
Total credit extension commitments	**$ 1,094,133**	**$ 154,443**	**$ 108,496**	**$ 139,032**	**$ 1,496,104**
Credit extension commitments, December 31, 2007					
Loan commitments	$ 178,931	$ 92,153	$ 106,904	$ 27,902	$ 405,890
Home equity lines of credit	8,482	1,828	2,758	107,055	120,123
Standby letters of credit and financial guarantees	31,629	14,493	7,943	8,731	62,796
Commercial letters of credit	3,753	50	33	717	4,553
Legally binding commitments [(1)]	222,795	108,524	117,638	144,405	593,362
Credit card lines	876,393	17,864	-	-	894,257
Total credit extension commitments	$ 1,099,188	$ 126,388	$ 117,638	$ 144,405	$ 1,487,619

[(1)] Includes commitments to VIEs disclosed in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements, including $47.8 billion and $47.3 billion to corporation-sponsored multi-seller conduits and $0 and $2.3 billion to CDOs at June 30, 2008 and December 31, 2007. Also includes commitments to SPEs that are not disclosed in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements because the Corporation does not hold a significant variable interest or because they are QSPEs, including $7.1 billion and $6.1 billion to municipal bond trusts and $1.2 billion and $1.7 billion to customer-sponsored conduits at June 30, 2008 and December 31, 2007.

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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The Corporation also facilitates bridge financing (high grade debt, high yield debt and equity) to fund acquisitions, recapitalizations and other short-term needs as well as provide syndicated financing for clients. These concentrations are managed in part through the Corporation s established originate to distribute strategy. These client transactions are sometimes large and leveraged. They can also have a higher degree of risk as the Corporation is providing offers or commitments for various components of the clients capital structures, including lower-rated unsecured and subordinated debt tranches and/or equity. In many cases, these offers to finance will not be accepted. If accepted, these conditional commitments are often retired prior to or shortly following funding via the placement of securities, syndication or the client s decision to terminate. Where the Corporation has a commitment and there is a market disruption or other unexpected event, there may be heightened exposure in the portfolios, and higher potential for loss, unless an orderly disposition of the exposure can be made. These commitments are not necessarily indicative of actual risk or funding requirements as the commitments may expire unused, the borrower may not be successful in completing the proposed transaction or may utilize multiple financing sources, including other investment and commercial banks, as well as accessing the general capital markets instead of drawing on the commitment. In addition, the Corporation may reduce its portion of the commitment through syndications to investors and/or lenders prior to funding. Therefore, these commitments are generally significantly greater than the amounts the Corporation will ultimately fund. Additionally, the borrower s ability to draw on the commitment may be subject to there being no material adverse change in the borrower s financial condition, among other factors. Commitments also generally contain certain flexible pricing features to adjust for changing market conditions prior to closing.

At June 30, 2008 and December 31, 2007, the Corporation s share of the leveraged finance forward calendar was $4.1 billion and $12.2 billion. During the six months ended June 30, 2008, the Corporation had new transactions of $7.7 billion, syndications of $8.8 billion, closed but not yet syndicated of $3.9 billion, and had client terminations and other transactions of $3.1 billion related to the leveraged finance forward calendar. The Corporation also had unfunded real estate loan commitments of $717 million at June 30, 2008 compared to $2.2 billion at December 31, 2007 with the primary change resulting from $1.2 billion of transactions that were funded. Pre-market disruption exposures originated prior to September 30, 2007, included in the leveraged finance forward calendar, amounted to $599 million at June 30, 2008 compared to $10.7 billion at December 31, 2007. We have not originated new unfunded real estate loan commitments subsequent to September 30, 2007.

Other Commitments

Principal Investing and Other Equity Investments

At June 30, 2008 and December 31, 2007, the Corporation had unfunded equity investment commitments of approximately $1.9 billion and $2.6 billion. These commitments relate primarily to the Strategic Investments portfolio, as well as equity commitments included in the Corporation s Principal Investing business, which is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. These investments are made either directly in a company or held through a fund and are accounted for at fair value. Bridge equity commitments provide equity bridge financing to facilitate clients investment activities. These conditional commitments are often 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 may be heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At June 30, 2008 the Corporation did not have any unfunded bridge equity commitments and had previously funded $1.2 billion of equity bridges which are considered held for investment. During the three months ended June 30, 2008, the Corporation recorded $184 million in losses related to these investments through equity investment income.

U.S. Government Guaranteed Charge Cards

At June 30, 2008 and December 31, 2007, the unfunded lending commitments related to charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. Government in the amount of $9.2 billion and $9.9 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were $308 million and $193 million at June 30, 2008 and December 31, 2007.

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Loan Purchases

At June 30, 2008, the Corporation had no collateralized mortgage obligation loan purchase commitments related to the Corporation s ALM activities. At December 31, 2007, the Corporation had net collateralized mortgage obligation loan purchase commitments related to the Corporation s ALM activities of $752 million, all of which settled in the first quarter of 2008.

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 $5.0 billion of such loans under this agreement for the six months ended June 30, 2008. In 2007, the Corporation purchased $4.5 billion of such loans. Under the agreement, the Corporation is committed to purchase up to $10.0 billion in each of the agreement s following two fiscal years. As of June 30, 2008, the Corporation was committed for additional purchases of up to $20.0 billion over the remaining term of the agreement. All loans purchased under this agreement are subject to a comprehensive set of credit criteria.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate $2.0 billion, $1.9 billion, $1.7 billion, $1.4 billion and $1.2 billion for 2008 through 2012, respectively, and $8.6 billion for all years thereafter.

Other Commitments

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 invest in high quality, short-term securities with a portfolio weighted average maturity of 90 days or less, including a limited number of securities issued by SIVs. Due to market disruptions, certain SIV investments were downgraded by the rating agencies and experienced a decline in fair value. The Corporation entered into capital commitments which required the Corporation to provide cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. The capital commitments expire no later than the third quarter of 2010. At June 30, 2008 and December 31, 2007, the Corporation had gross (i.e., funded and unfunded) capital commitments to the funds of $760 million and $565 million. For the three and six months ended June 30, 2008, the Corporation incurred losses of $36 million and $163 million related to these capital commitments. At June 30, 2008 and December 31, 2007, the remaining loss exposure was $212 million and $183 million. Additionally, during the six months ended June 30, 2008, the Corporation purchased $994 million of certain investments from the funds and recorded losses of $93 million. The Corporation did not purchase any of these investments or record any losses during the three months ended June 30, 2008.

The Corporation may from time to time, but is under no obligation to, provide additional support to funds managed within *GWIM*. 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 is not the primary beneficiary of the cash funds and 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. The cash funds had total assets under management of $163.4 billion and $189.5 billion at June 30, 2008 and December 31, 2007.

Other Guarantees
Written Put Options

At June 30, 2008 and December 31, 2007, the Corporation provided liquidity support in the form of written put options on $1.1 billion and $10.0 billion of commercial paper issued by CDOs, including $3.2 billion issued by a consolidated CDO and $6.8 billion issued by unconsolidated CDOs at December 31, 2007. These agreements have various maturities ranging from two to five years. For more information regarding written put options, see *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Merchant Services

The Corporation provides credit and debit card processing services to various merchants by processing credit and debit card transactions on their 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 service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended June 30, 2008 and 2007, the Corporation processed $95.1 billion and $91.5 billion of transactions and recorded losses as a result of these chargebacks of $5 million and $4 million. For the six months ended June 30, 2008 and 2007, the Corporation processed $183.4 billion and $174.3 billion of transactions and recorded losses as a result of these chargebacks of $10 million and $8 million.

At June 30, 2008 and December 31, 2007, the Corporation held as collateral $23 million and $19 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation 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 June 30, 2008 and December 31, 2007, the maximum potential exposure totaled approximately $146.3 billion and $151.2 billion.

Other Guarantees

For additional information on other guarantees, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see *Note 8 Securitizations* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K and in the Corporation s Quarterly Report on Form 10-Q for the period ended March 31, 2008.

Adelphia Communications Corporation

On June 17, 2008, the U.S. District Court for the Southern District of New York entered an order dismissing 25 claims from the lawsuit, including the majority of the fraudulent transfer claims, the preference claims, and the equitable subordination and equitable disallowance claims. The primary claims remaining against Bank of America, N.A., Banc of America Securities, LLC (BAS), Fleet National Bank, and Fleet Securities, Inc. include fraud, aiding and abetting breach of fiduciary duty and aiding and abetting fraud. Plaintiffs have indicated they intend to appeal the court s decision.

Auction Rate Securities Litigation and Investigations

Four purported class actions have been filed against Bank of America Corporation, Banc of America Investment Services, Inc. (BAI) and Banc of America Securities LLC (BAS) (collectively Bank of America), all of which allege, among other things, that Bank of America violated of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder in connection with the sale of auction rate securities (ARS). *Bondar v. Bank of America Corporation* was filed in the United States District Court for the Northern District of California on May 22, 2008. *Bearman v. Bank of America Corporation* was filed in the United States District Court for the Southern District of California on June 23, 2008. *Cattell v. Bank of America Corporation* was filed in the United States District Court for the Southern District of Illinois on July 13, 2008. *Ben-Tal v. Bank of America Corporation* was filed in the United States District Court for the Central District of California on July 21, 2008. The four putative class actions all purport to assert claims on behalf of purchasers of auction rate securities between May 2003 and February 2008 and contain substantively similar allegations regarding Bank of America s sales and marketing practices in connection with ARS. A related individual federal action as well as several related Financial Industry Regulatory Authority (FINRA) arbitrations have also been filed. The actions seek damages, attorneys fees, and rescission. BAI and BAS have also received subpoenas and requests for information from various state and federal governmental agencies regarding auction rate securities and are cooperating fully with those requests.

Countrywide Consolidated Securities Litigation

Prior to its July 1, 2008 merger with Red Oak Merger Subsidiary, a wholly-owned subsidiary of the Corporation, Countrywide Financial Corporation (CFC), had been named as a defendant in a consolidated putative class action entitled *In re Countrywide Financial Corp. Securities Litigation* filed in the U.S. District Court for the Central District of California by certain New York state and municipal pension funds on behalf of purchasers of CFC common stock and other securities. Other defendants include certain of CFC s current and former officers, directors, and public auditors and various underwriting firms (including BAS) that underwrote certain public offerings of CFC debt or other securities. The consolidated complaint alleges, among other things, that CFC made misstatements in certain SEC filings as well as in registration statements and prospectuses filed in connection with such public offerings, including misstatements concerning its financial results during the alleged relevant period and the nature and quality of its loan underwriting practices. Plaintiffs assert claims against CFC for violation of the antifraud provisions of the Exchange Act and against BAS and the other underwriter defendants under Sections 11 and 12 of the Securities Act of 1933. This action seeks unspecified compensatory damages, among other remedies. Defendants have filed a motion to dismiss the consolidated complaint.

CFC has also responded to subpoenas from the SEC, which has advised CFC that it is conducting a formal investigation. Beginning in March 2008, certain news media reported that numerous industry participants, including CFC, were subject to an investigation by the Federal Bureau of Investigation (FBI) in connection with mortgage business practices.

Countrywide State and Local Enforcement Actions

Certain state and local government officials have filed proceedings against CFC and/or various of CFC s wholly-owned subsidiaries, including lawsuits brought by the state attorneys general of California, Florida, Illinois, and Connecticut in their respective state courts. These lawsuits allege, among other things, that CFC and/or its subsidiaries violated state consumer protection laws by engaging in deceptive marketing practices designed to increase the volume of loans it originated and then sold into the secondary market. These lawsuits seek, among other remedies, restitution, other monetary relief, penalties and, in the Illinois action, rescission or repurchase of mortgage loans made to Illinois consumers. In addition, the Director of the Washington State Department of Financial Institutions has commenced an administrative proceeding against a CFC wholly-owned subsidiary alleging, among other things, that such subsidiary did not provide borrowers with certain required disclosures and that the loan products made available to Washington borrowers of protected races or ethnicities were less favorable than those made available to other, similarly situated borrowers. This proceeding seeks, among other things, a monetary fine and an order barring the CFC subsidiary from making consumer loans in the state of Washington for five years.

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Interchange Antitrust Litigation and Visa-Related Litigation

On May 8, 2008, plaintiffs filed a motion for class certification, to which the defendants have not yet responded. On March 19, 2008, Visa Inc. completed its initial public offering (Visa IPO). Visa Inc. has stated that a portion of the proceeds from the Visa IPO is being used to fund liabilities arising from the Visa-Related Litigation.

IPO Underwriting Fee Litigation

On May 23, 2008, the court entered Stipulations and Orders of Dismissal in *In re Public Offering Fee Antitrust Litigation* and in *In re Plaintiff Initial Public Offering Fee Antitrust Litigation*. These cases are concluded.

Municipal Derivatives Matters

Beginning in April 2008, the Corporation and Bank of America, N.A. received subpoenas, interrogatories and/or civil investigative demands from the attorneys general of a number of states requesting documents and information regarding municipal derivatives transactions from 1992 through the present. The Corporation and Bank of America, N.A. are cooperating with the state attorneys general.

Pension Plan Matters

IRS Audit

In May 2008, the Corporation and the Internal Revenue Service (IRS) entered into a closing agreement resolving all matters relating to an audit by the IRS of the 1998 and 1999 tax returns of The Bank of America Pension Plan and The Bank of America 401(k) Plan. The audit included a review of voluntary transfers by participants of 401(k) Plan accounts to The Bank of America Pension Plan. In connection with the agreement, the Bank of America Pension Plan will transfer certain assets and liabilities associated with the transferred accounts to a defined contribution plan.

NOTE 12 Shareholders Equity and Earnings Per Common Share

Common Stock

The Corporation may repurchase shares, from time to time, in the open market or in private transactions through the Corporation s approved repurchase program. For the six months ended June 30, 2008, the Corporation did not repurchase shares of common stock and issued 15.1 million shares under employee stock plans.

In July 2008, the Board declared a quarterly cash dividend of $0.64 per common share payable on September 26, 2008 to common shareholders of record on September 5, 2008. In April 2008, the Board declared a quarterly cash dividend of $0.64 per common share which was paid on June 27, 2008 to shareholders of record on June 6, 2008. In January 2008, the Board declared a first quarter cash dividend of $0.64 per common share which was paid on March 28, 2008 to shareholders of record on March 7, 2008.

Preferred Stock

During the second quarter of 2008, the Corporation declared aggregate dividends on preferred stock of $186 million. During the first quarter of 2008, the Corporation declared aggregate dividends on preferred stock of $190 million.

In May and June 2008, the Corporation issued 117 thousand shares of Bank of America Corporation 8.20% Non-Cumulative Preferred Stock, Series H (Series H Preferred Stock) with a par value of $0.01 per share for $2.9 billion. Ownership is held in the form of depositary shares, each representing a 1/1,000th interest in a share of Series H Preferred Stock, paying a quarterly cash dividend on the liquidation preference of $25,000 per share of Series H Preferred Stock at an annual rate of 8.20 percent. On any dividend date on or after May 1, 2013, the Corporation may redeem Series H Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus declared and unpaid dividends. The Series H Preferred Stock is not convertible.

In April 2008, the Corporation issued 160 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M (Series M Preferred Stock) with a par value of $0.01 per share for $4.0 billion. The fixed rate is 8.125 percent through May 14, 2018 and then adjusts to three-month LIBOR plus 364 basis points (bps) thereafter. Ownership is held in the form of depositary shares, each representing a 1/25th interest in a share of Series M Preferred Stock, paying a semiannual cash dividend through May 14, 2018 then adjusts to a quarterly cash dividend, on the liquidation preference of $25,000 per share of Series M Preferred Stock. On any dividend date on or after May 15, 2018, the Corporation may redeem the Series M Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus declared and unpaid dividends. The Series M Preferred Stock is not convertible.

In January 2008, the Corporation issued 240 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K (Series K Preferred Stock) with a par value of $0.01 per share for $6.0 billion. The fixed rate is 8.00 percent through January 29, 2018 and then adjusts to three-month LIBOR plus 363 bps thereafter. Ownership is held in the form of depositary shares, each representing a 1/25th interest in a share of Series K Preferred Stock, paying a semiannual cash dividend through January 29, 2018 then adjusts to a quarterly cash dividend, on the liquidation preference of $25,000 per share of Series K Preferred Stock. On any dividend date on or after January 30, 2018, the Corporation may redeem the Series K Preferred Stock, in whole or in part, at its option, at $25,000 per share, plus declared and unpaid dividends. The Series K Preferred Stock is not convertible.

Also in January 2008, the Corporation issued 6.9 million shares of Bank of America Corporation 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L (Series L Preferred Stock) with a par value of $0.01 per share for $6.9 billion, paying a quarterly cash dividend on the liquidation preference of $1,000 per share of Series L Preferred Stock at an annual rate of 7.25 percent. Each share of the Series L Preferred Stock may be converted at any time, at the option of the holder, into 20 shares of the Corporation s common stock plus cash in lieu of fractional shares. On or after January 30, 2013, the Corporation may cause some or all of the Series L Preferred Stock, at its option, at any time or from time to time, to be converted into shares of common stock at the then-applicable conversion rate if, for 20 trading days during any period of 30 consecutive trading days, the closing price of common stock exceeds 130 percent of the then-applicable conversion price of the Series L Preferred Stock. If the Corporation exercises its right to cause the automatic conversion of Series L Preferred Stock on January 30, 2013, it will still pay any accrued dividends payable on January 30, 2013 to the applicable holders of record.

The shares of the series of preferred stock discussed above are not subject to the operation of a sinking fund and have no participation rights. The holders of these series have no general voting rights. If any dividend payable on these series is in arrears for three or more semiannual or six or more quarterly dividend periods, as applicable (whether consecutive or not), the holders of these series and any other class or series of preferred stock ranking equally as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class) will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on these series for at least two semiannual or four quarterly dividend periods, as applicable, following the dividend arrearage.

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Accumulated OCI

The following table presents the changes in accumulated OCI for the six months ended June 30, 2008 and 2007, net-of-tax.

(Dollars in millions)	Securities [1]	Derivatives [2]	Employee Benefit Plans	Foreign Currency	Total
Balance, December 31, 2007	**$ 6,536**	**$ (4,402)**	**$ (1,301)**	**$ 296**	**$ 1,129**
Net change in fair value recorded in accumulated OCI	**(3,491)**	**(359)**	**-**	**62**	**(3,788)**
Net realized losses reclassified into earnings [3]	**389**	**383**	**23**	**-**	**795**
Balance, June 30, 2008	**$ 3,434**	**$ (4,378)**	**$ (1,278)**	**$ 358**	**$ (1,864)**
Balance, December 31, 2006	$ (2,733)	$ (3,697)	$ (1,428)	$ 147	$ (7,711)
Net change in fair value recorded in accumulated OCI	(2,561)	197	-	90	(2,274)
Net realized (gains) losses reclassified into earnings [3]	(262)	219	58	13	28
Balance, June 30, 2007	$ (5,556)	$ (3,281)	$ (1,370)	$ 250	$ (9,957)

[1] For the six months ended June 30, 2008 and 2007, the Corporation reclassified net realized (gains) losses into earnings on the sale and other-than-temporary impairments of AFS debt securities of $457 million and $(41) million, net-of-tax, and net realized (gains) on the sales and other-than-temporary impairments of AFS marketable equity securities of $(68) million and $(221) million, net-of-tax.

[2] The amounts included in accumulated OCI for terminated interest rate derivative contracts were losses of $4.0 billion and $3.3 billion, net-of-tax, at June 30, 2008 and 2007.

[3] 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.

Earnings per Common Share

Earnings per common share is computed by dividing net income available to common shareholders by the weighted average common shares issued and outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant s convertible preferred stock. Where the effect of this conversion would have been dilutive, net income available to common shareholders is adjusted by the associated preferred dividends. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units and the dilution resulting from the conversion of the registrant s convertible preferred stock, if applicable. The effects of convertible preferred stock, restricted stock, restricted stock units and stock options are excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive.

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The calculation of earnings per common share and diluted earnings per common share for the three and six months ended June 30, 2008 and 2007 is presented below.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Earnings per common share				
Net income	**$ 3,410**	$ 5,761	**$ 4,620**	$ 11,016
Preferred stock dividends	**(186)**	(40)	**(376)**	(86)
Net income available to common shareholders	**$ 3,224**	$ 5,721	**$ 4,244**	$ 10,930
Average common shares issued and outstanding	**4,435,719**	4,419,246	**4,431,870**	4,426,046
Earnings per common share	**$ 0.73**	$ 1.29	**$ 0.96**	$ 2.47
Diluted earnings per common share				
Net income available to common shareholders	**$ 3,224**	$ 5,721	**$ 4,244**	$ 10,930
Average common shares issued and outstanding	**4,435,719**	4,419,246	**4,431,870**	4,426,046
Dilutive potential common shares [1, 2]	**21,474**	57,553	**28,763**	61,178
Total diluted average common shares issued and outstanding	**4,457,193**	4,476,799	**4,460,633**	4,487,224
Diluted earnings per common share	**$ 0.72**	$ 1.28	**$ 0.95**	$ 2.44

(1) For the three and six months ended June 30, 2008, average options to purchase 177 million and 140 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and six months ended June 30, 2007, average options to purchase 34 million and 24 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and six months ended June 30, 2008, 138 million and 117 million average dilutive potential common shares associated with the convertible Series L Preferred Stock issued in January of 2008 were excluded from the diluted share count because the result would have been antidilutive under the if-converted method.

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

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NOTE 13 Pension and Postretirement 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 Bank of America Pension Plan (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. A detailed discussion of these plans is presented in *Note 16 Employee Benefit Plans* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

Net periodic benefit cost (income) for the three and six months ended June 30, 2008 and 2007 included the following components:

	Three Months Ended June 30					
	Qualified Pension Plans		**Nonqualified Pension Plans**		**Postretirement Health and Life Plans**	
(Dollars in millions)	**2008**	2007	**2008**	2007	**2008**	2007
Components of net periodic benefit cost (income)						
Service cost	**$ 69**	$ 65	**$ 1**	$ 1	**$ 3**	$ 4
Interest cost	**201**	180	**19**	16	**20**	19
Expected return on plan assets	**(355)**	(312)	**-**	-	**(3)**	(1)
Amortization of transition obligation	**-**	-	**-**	-	**8**	8
Amortization of prior service cost (credits)	**5**	12	**(2)**	(2)	**-**	-
Recognized net actuarial loss (gain)	**22**	43	**4**	4	**(28)**	(25)
Recognized loss due to settlements and curtailments	**-**	-	**-**	13	**-**	-
Net periodic benefit cost (income)	**$ (58)**	$ (12)	**$ 22**	$ 32	**$ -**	$ 5

	Six Months Ended June 30					
	Qualified Pension Plans		**Nonqualified Pension Plans**		**Postretirement Health and Life Plans**	
(Dollars in millions)	**2008**	2007	**2008**	2007	**2008**	2007
Components of net periodic benefit cost (income)						
Service cost	**$ 157**	$ 151	**$ 3**	$ 4	**$ 8**	$ 7
Interest cost	**411**	360	**38**	34	**43**	41
Expected return on plan assets	**(716)**	(628)	**-**	-	**(6)**	(3)
Amortization of transition obligation	**-**	-	**-**	-	**16**	16
Amortization of prior service cost (credits)	**17**	24	**(4)**	(4)	**-**	-
Recognized net actuarial loss (gain)	**38**	76	**7**	9	**(36)**	(31)
Recognized loss due to settlements and curtailments	**-**	-	**-**	13	**-**	-
Net periodic benefit cost (income)	**$ (93)**	$ (17)	**$ 44**	$ 56	**$ 25**	$ 30

During 2008, the Corporation expects to contribute $124 million and $101 million to its nonqualified pension plans and postretirement health and life plans. For the six months ended June 30, 2008, the Corporation contributed $78 million and $51 million to these plans. The Corporation does not expect to contribute to its qualified pension plans during 2008.

Note 14 Fair Value Disclosures

Fair Value Option
Corporate Loans and Loan Commitments

The Corporation accounts for certain large corporate loans and loan commitments which exceeded the Corporation s single name credit risk concentration guidelines at fair value in accordance with SFAS 159. 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 hedge accounting under SFAS 133 and are therefore carried at fair value with changes in fair value recorded in other income. SFAS 159 allows the Corporation to account for these loans and loan commitments at fair value, which is more consistent with 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 June 30, 2008 and December 31, 2007, funded loans that the Corporation fair values had an aggregate fair value of $5.01 billion and $4.59 billion recorded in loans and leases and an aggregate outstanding principal balance of $5.31 billion and $4.82 billion. At June 30, 2008 and December 31, 2007, unfunded loan commitments that the Corporation fair values had an aggregate fair value of $723 million and $660 million recorded in accrued expenses and other liabilities and an aggregate committed exposure of $18.7 billion and $20.9 billion. Interest income on these loans and commitment fees on these loan commitments are recorded in interest and fees on loans and leases. At June 30, 2008, $81 million of these loans were 90 days or more past due and still accruing interest (with an aggregate outstanding principal balance of $83 million), while none of these loans have been placed on nonaccrual status. At December 31, 2007, none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status. Net gains (losses) resulting from changes in fair value of these loans and loan commitments of $234 million and $(13) million were recorded in other income during the three months ended June 30, 2008 and 2007 while net losses of $127 million and $40 million were recorded during the six months ended June 30, 2008 and 2007. These gains and losses were primarily attributable to changes in instrument-specific credit risk. These changes in fair value were predominately offset by hedging activities.

Loans Held-for-Sale

The Corporation also accounts for certain LHFS at fair value. Using fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. The Corporation does not fair value other LHFS primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. Fair values for 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 and adjusted to reflect the inherent credit risk. At June 30, 2008 and December 31, 2007, residential mortgage loans, commercial mortgage loans, and other LHFS that the Corporation fair values had an aggregate fair value of $9.03 billion and $15.77 billion and an aggregate outstanding principal balance of $9.73 billion and $16.72 billion and were recorded in other assets. Interest income on these loans is recorded in other interest income. Net gains (losses) resulting from changes in fair value of these loans during the three months ended June 30, 2008 and 2007, including realized gains (losses) on sale, of $102 million and $3 million were recorded in mortgage banking income, $114 million and $(237) million were recorded in trading account profits (losses), and $27 million and $(15) million were recorded in other income. Approximately $13 million of losses were attributable to instrument-specific credit risk during the three months ended June 30, 2008. During the six months ended June 30, 2008 and 2007 net gains (losses), including realized gains (losses) on sale, of $117 million and $59 million were recorded in mortgage banking income, $(497) million and $(244) million were recorded in trading account profits (losses), and $(18) million and $(10) million were recorded in other income. Approximately $50 million of losses were attributable to instrument-specific credit risk during the six months ended June 30, 2008. These changes in fair value were predominately offset by hedging activities.

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Structured Reverse Repurchase Agreements

The Corporation fair values certain structured reverse repurchase agreements which are hedged with derivatives. Using fair value allows the Corporation to reduce volatility in earnings without the burden of complying with the requirements of hedge accounting under SFAS 133. At June 30, 2008 and December 31, 2007, these instruments had an aggregate fair value of $2.64 billion and $2.58 billion and a principal balance of $2.64 billion and $2.54 billion recorded in federal funds sold and securities purchased under agreements to resell. Interest earned on these instruments continues to be recorded in interest income. Net gains (losses) resulting from changes in fair value of these instruments of $(10) million and $6 million were recorded in other income for the three months ended June 30, 2008 and 2007, while gains (losses) of $(7) million and $8 million were recorded for the six months ended June 30, 2008 and 2007. The Corporation does not fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

Long-term Deposits

The Corporation fair values certain long-term fixed rate deposits which are economically hedged with derivatives. At June 30, 2008 and December 31, 2007, these instruments had an aggregate fair value of $1.91 billion and $2.00 billion and a principal balance of $1.88 billion and $1.99 billion recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Net gains resulting from changes in fair value of these instruments of $33 million and $22 million were recorded in other income for the three months ended June 30, 2008 and 2007 while net gains (losses) of $(21) million and $21 million were recorded for the six months ended June 30, 2008 and 2007. Using fair value 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 does not fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

Fair Value Measurement

SFAS 157 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 in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Corporation carries certain corporate loans and loan commitments, LHFS, structured reverse repurchase agreements, and long-term deposits at fair value in accordance with SFAS 159. The Corporation also carries at fair value trading account assets and liabilities, derivative assets and liabilities, AFS debt securities, mortgage servicing rights (MSRs), and certain other assets. A detailed discussion on how the Corporation measures fair value is presented in *Note 1 - Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2007 Annual Report on Form 10-K.

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 other 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 off of 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.

Structured Reverse Repurchase Agreements and Long-term Deposits

The fair values of structured reverse repurchase agreements and long-term deposits 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, 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.

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 other 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.

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 option adjusted spread levels. For more information on MSRs, see *Note 15 - Mortgage Servicing Rights* to the Consolidated Financial Statements.

Other Assets

The Corporation fair values certain other assets including certain LHFS, AFS equity securities and certain retained residual interests in securitization vehicles. 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. 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 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.

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Assets and liabilities measured at fair value on a recurring basis, including financial instruments that the Corporation accounts for at fair value in accordance with SFAS 159, are summarized below:

	June 30, 2008				
	Fair Value Measurements Using				Assets/Liabilities
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	at Fair Value
Assets					
Federal funds sold and securities purchased under agreements to resell	**$ -**	**$ 2,644**	**$ -**	**$ -**	**$ 2,644**
Trading account assets	**39,049**	**123,142**	**5,646**	**-**	**167,837**
Derivative assets	**1,486**	**545,213**	**10,269**	**(514,929)**	**42,039**
Available-for-sale debt securities	**2,560**	**237,707**	**8,324**	**-**	**248,591**
Loans and leases [2]	**-**	**-**	**5,014**	**-**	**5,014**
Mortgage servicing rights	**-**	**-**	**4,250**	**-**	**4,250**
Other assets [3]	**24,061**	**8,454**	**6,024**	**-**	**38,539**
Total assets	**$ 67,156**	**$ 917,160**	**$ 39,527**	**$ (514,929)**	**$ 508,914**
Liabilities					
Interest-bearing deposits in domestic offices	**$ -**	**$ 1,912**	**$ -**	**$ -**	**$ 1,912**
Trading account liabilities	**51,500**	**19,306**	**-**	**-**	**70,806**
Derivative liabilities	**1,250**	**519,410**	**8,952**	**(508,517)**	**21,095**
Accrued expenses and other liabilities	**-**	**-**	**723**	**-**	**723**
Total liabilities	**$ 52,750**	**$ 540,628**	**$ 9,675**	**$ (508,517)**	**$ 94,536**
	December 31, 2007				
Assets					
Federal funds sold and securities purchased under agreements to resell	$ -	$ 2,578	$ -	$ -	$ 2,578
Trading account assets	42,986	115,051	4,027	-	162,064
Derivative assets	516	442,471	8,972	(417,297)	34,662
Available-for-sale debt securities	2,089	205,734	5,507	-	213,330
Loans and leases [2]	-	-	4,590	-	4,590
Mortgage servicing rights	-	-	3,053	-	3,053
Other assets [3]	19,796	15,971	5,321	-	41,088
Total assets	$ 65,387	$ 781,805	$ 31,470	$ (417,297)	$ 461,365
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 2,000	$ -	$ -	$ 2,000
Trading account liabilities	57,331	20,011	-	-	77,342
Derivative liabilities	534	426,223	10,175	(414,509)	22,423
Accrued expenses and other liabilities	-	-	660	-	660
Total liabilities	$ 57,865	$ 448,234	$ 10,835	$ (414,509)	$ 102,425

(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 June 30, 2008 and December 31, 2007 included $22.8 billion and $22.6 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option election in accordance with SFAS 159.

(3) Other assets include equity investments held by Principal Investing, AFS equity securities and certain retained residual interests in securitization vehicles, including interest-only strips. Certain LHFS are also accounted for at fair value in accordance with SFAS 159. Substantially all of other assets are eligible for, and the Corporation has not chosen to, elect fair value accounting at June 30, 2008 and December 31, 2007.

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The table below presents 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 six months ended June 30, 2008 and 2007, including realized and unrealized gains (losses) included in earnings and OCI.

Level 3 - Fair Value Measurements

(Dollars in millions)

	Net Derivatives [1]	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases [2]	Mortgage Servicing Rights	Other Assets [3]	Accrued Expenses and Other Liabilities [2]
	Three Months Ended June 30, 2008						
Balance, March 31, 2008	**$ 316**	**$ 5,522**	**$ 9,658**	**$ 5,057**	**$ 3,163**	**$ 5,496**	**$ (903)**
Included in earnings	**(801)**	**(211)**	**(310)**	**55**	**635**	**121**	**180**
Included in other comprehensive income	**-**	**-**	**78**	**-**	**-**	**-**	**-**
Purchases, issuances, and settlements	**1,949**	**(227)**	**(2,263)**	**(98)**	**452**	**(741)**	**-**
Transfers in to (out of) Level 3	**(147)**	**562**	**1,161**	**-**	**-**	**1,148**	**-**
Balance, June 30, 2008	**$ 1,317**	**$ 5,646**	**$ 8,324**	**$ 5,014**	**$ 4,250**	**$ 6,024**	**$ (723)**
	Three Months Ended June 30, 2007						
Balance, March 31, 2007	$ 608	$ 269	$ 1,072	$ 3,859	$ 2,963	$ 5,867	$ (377)
Included in earnings	(519)	3	-	-	418	1,211	(14)
Included in other comprehensive income	-	-	-	-	-	(12)	-
Purchases, issuances, and settlements	(351)	6	(70)	(253)	(112)	(747)	-
Transfers in to (out of) Level 3	(1,039)	11	231	-	-	351	-
Balance, June 30, 2007	$ (1,301)	$ 289	$ 1,233	$ 3,606	$ 3,269	$ 6,670	$ (391)
	Six Months Ended June 30, 2008						
Balance, January 1, 2008	**$ (1,203)**	**$ 4,027**	**$ 5,507**	**$ 4,590**	**$ 3,053**	**$ 5,321**	**$ (660)**
Included in earnings	**(311)**	**(771)**	**(799)**	**(70)**	**588**	**544**	**(63)**
Included in other comprehensive income	**-**	**-**	**(504)**	**-**	**-**	**-**	**-**
Purchases, issuances, and settlements	**2,473**	**(795)**	**(1,011)**	**494**	**609**	**(865)**	**-**
Transfers in to Level 3	**358**	**3,185**	**5,131**	**-**	**-**	**1,024**	**-**
Balance, June 30, 2008	**$ 1,317**	**$ 5,646**	**$ 8,324**	**$ 5,014**	**$ 4,250**	**$ 6,024**	**$ (723)**
	Six Months Ended June 30, 2007						
Balance, January 1, 2007	$ 788	$ 303	$ 1,133	$ 3,947	$ 2,869	$ 6,605	$ (349)
Included in earnings	(583)	(27)	-	1	539	1,941	(42)
Included in other comprehensive income	-	-	4	-	-	(63)	-
Purchases, issuances, and settlements	(459)	2	(135)	(342)	(139)	(2,150)	-
Transfers in to (out of) Level 3	(1,047)	11	231	-	-	337	-
Balance, June 30, 2007	$ (1,301)	$ 289	$ 1,233	$ 3,606	$ 3,269	$ 6,670	$ (391)

(1) Net derivatives at June 30, 2008 and 2007 included derivative assets of $10.27 billion and $7.58 billion and derivative liabilities of $8.95 billion and $8.88 billion.

(2) Amounts represent items which are accounted for at fair value in accordance with SFAS 159 including commercial loan commitments recorded in accrued expenses and other liabilities.

(3) Other assets include equity investments held by Principal Investing and certain retained interests in securitization vehicles, including interest-only strips. Certain portfolios of LHFS are also accounted for at fair value in accordance with SFAS 159.

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The table below summarizes gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities during the three and six months ended June 30, 2008 and 2007. These amounts include those gains and losses generated by loans, LHFS and loan commitments which are accounted for at fair value in accordance with SFAS 159.

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

(Dollars in millions)

	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases [1]	Mortgage Servicing Rights	Other Assets [2]	Accrued Expenses and Other Liabilities [1]	Total
				Three Months Ended June 30, 2008				
Card income	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (87)**	**$ -**	**$ (87)**
Equity investment income	**-**	**-**	**-**	**-**	**-**	**258**	**-**	**258**
Trading account profits (losses)	**(708)**	**(211)**	**-**	**-**	**-**	**(10)**	**1**	**(928)**
Mortgage banking income (loss)	**(93)**	**-**	**-**	**-**	**635**	**(40)**	**-**	**502**
Other income (loss)	**-**	**-**	**(310)**	**55**	**-**	**-**	**179**	**(76)**
Total	**$ (801)**	**$ (211)**	**$ (310)**	**$ 55**	**$ 635**	**$ 121**	**$ 180**	**$ (331)**
				Three Months Ended June 30, 2007				
Card income	$ -	$ -	$ -	$ -	$ -	$ 99	$ -	$ 99
Equity investment income	-	-	-	-	-	1,103	-	1,103
Trading account profits (losses)	(396)	3	-	-	-	-	(1)	(394)
Mortgage banking income (loss)	(123)	-	-	-	418	-	-	295
Other income (loss)	-	-	-	-	-	9	(13)	(4)
Total	$ (519)	$ 3	$ -	$ -	$ 418	$ 1,211	$ (14)	$ 1,099
				Six Months Ended June 30, 2008				
Card income	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 377**	**$ -**	**$ 377**
Equity investment income	**-**	**-**	**-**	**-**	**-**	**264**	**-**	**264**
Trading account losses	**(350)**	**(771)**	**-**	**(2)**	**-**	**(40)**	**(4)**	**(1,167)**
Mortgage banking income (loss)	**39**	**-**	**-**	**-**	**588**	**(65)**	**-**	**562**
Other income (loss)	**-**	**-**	**(799)**	**(68)**	**-**	**8**	**(59)**	**(918)**
Total	**$ (311)**	**$ (771)**	**$ (799)**	**$ (70)**	**$ 588**	**$ 544**	**$ (63)**	**$ (882)**
				Six Months Ended June 30, 2007				
Card income	$ -	$ -	$ -	$ -	$ -	$ 280	$ -	$ 280
Equity investment income	-	-	-	-	-	1,611	-	1,611
Trading account losses	(465)	(27)	-	-	-	-	(1)	(493)
Mortgage banking income (loss)	(118)	-	-	-	539	-	-	421
Other income (loss)	-	-	-	1	-	50	(41)	10
Total	$ (583)	$ (27)	$ -	$ 1	$ 539	$ 1,941	$ (42)	$ 1,829

[1] Amounts represent items which are accounted for at fair value in accordance with SFAS 159.

[2] Amounts include certain portfolios of LHFS which are accounted for at fair value in accordance with SFAS 159.

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The table below summarizes changes in unrealized gains or losses recorded in earnings during the three and six months ended June 30, 2008 and 2007 for Level 3 assets and liabilities that are still held at June 30, 2008 and 2007. These amounts include changes in fair value of loans, LHFS and loan commitments which are accounted for at fair value in accordance with SFAS 159.

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

(Dollars in millions)

	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases [1]	Mortgage Servicing Rights	Other Assets [2]	Accrued Expenses and Other Liabilities [1]	Total
Three Months Ended June 30, 2008								
Card income	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (103)**	**$ -**	**$ (103)**
Equity investment income	**-**	**-**	**-**	**-**	**-**	**171**	**-**	**171**
Trading account losses	**(562)**	**(212)**	**-**	**-**	**-**	**(14)**	**-**	**(788)**
Mortgage banking income (loss)	**(86)**	**-**	**-**	**-**	**615**	**(6)**	**-**	**523**
Other income (loss)	**-**	**-**	**(282)**	**(1)**	**-**	**-**	**25**	**(258)**
Total	**$ (648)**	**$ (212)**	**$ (282)**	**$ (1)**	**$ 615**	**$ 48**	**$ 25**	**$ (455)**
Three Months Ended June 30, 2007								
Card income	$ -	$ -	$ -	$ -	$ -	$ 64	$ -	$ 64
Equity investment income	-	-	-	-	-	668	-	668
Trading account profits (losses)	(487)	3	-	-	-	-	(1)	(485)
Mortgage banking income (loss)	(114)	-	-	-	343	-	-	229
Other income (loss)	-	-	-	(10)	-	(4)	(47)	(61)
Total	$ (601)	$ 3	$ -	$ (10)	$ 343	$ 728	$ (48)	$ 415
Six Months Ended June 30, 2008								
Card income	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 100**	**$ -**	**$ 100**
Equity investment income	**-**	**-**	**-**	**-**	**-**	**118**	**-**	**118**
Trading account losses	**(404)**	**(800)**	**-**	**-**	**-**	**(53)**	**-**	**(1,257)**
Mortgage banking income (loss)	**(38)**	**-**	**-**	**-**	**519**	**(66)**	**-**	**415**
Other income (loss)	**-**	**-**	**(758)**	**(152)**	**-**	**-**	**(309)**	**(1,219)**
Total	**$ (442)**	**$ (800)**	**$ (758)**	**$ (152)**	**$ 519**	**$ 99**	**$ (309)**	**$ (1,843)**
Six Months Ended June 30, 2007								
Card income	$ -	$ -	$ -	$ -	$ -	$ 92	$ -	$ 92
Equity investment income	-	-	-	-	-	787	-	787
Trading account losses	(637)	(30)	-	-	-	-	(1)	(668)
Mortgage banking income (loss)	(111)	-	-	-	403	-	-	292
Other income (loss)	-	-	-	(11)	-	(4)	(79)	(94)
Total	$ (748)	$ (30)	$ -	$ (11)	$ 403	$ 875	$ (80)	$ 409

[1] Amounts represented items which are accounted for at fair value in accordance with SFAS 159.

[2] Amounts include certain portfolios of LHFS which are accounted for at fair value in accordance with SFAS 159.

Certain assets and liabilities are measured at fair value on a non-recurring basis (e.g., LHFS, unfunded loan commitments held-for-sale, and commercial and residential reverse mortgage MSRs, all of which are carried at the lower of cost or market). At June 30, 2008 and December 31, 2007, LHFS that the Corporation accounts for at the lower of cost or market with an aggregate cost of $13.65 billion and $14.70 billion had been written down to fair value of $13.49 billion and $14.50 billion (of which $1.56 billion and $1.20 billion were measured using Level 2 inputs, and $11.93 billion and $13.30 billion were measured using Level 3 inputs within the fair value hierarchy). During the three months ended June 30, 2008 and 2007, losses of $208 million and $22 million were recorded in other income (primarily commercial mortgage LHFS and leveraged LHFS) and losses of $7 million and $0 were recorded in mortgage banking income (primarily consumer mortgage LHFS). During the six months ended June 30, 2008 and 2007, losses of $896 million and $26 million were recorded in other income (primarily commercial mortgage LHFS and leveraged LHFS) and losses of $9 million and $4 million were recorded in mortgage banking income (primarily consumer mortgage LHFS).

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NOTE 15 Mortgage Servicing Rights

The Corporation accounts for residential first mortgage 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 such as options, forward settlement contracts and interest rate swaps.

The following table presents activity for residential first mortgage MSRs for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	**2008**	2007	**2008**	2007
Balance, beginning of period	**$ 3,163**	$ 2,963	**$ 3,053**	$ 2,869
Additions	**669**	97	**1,035**	268
Impact of customer payments	**(233)**	(184)	**(430)**	(367)
Other changes in MSR market value	**651**	393	**592**	499
Balance, June 30	**$ 4,250**	$ 3,269	**$ 4,250**	$ 3,269

For the three and six months ended June 30, 2008, other changes in MSR market value of $651 million and $592 million reflect the changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, as well as the effect of model changes. The amounts do not include $(16) million and $(4) million resulting from the actual cash received trailing expected prepayments. The net amounts of $635 million and $588 million are included in the line mortgage banking income (loss) in the table Level 3 - Total Realized and Unrealized Gains (Losses) Included in Earnings in *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements.

The key economic assumptions used in valuations of MSRs include modeled prepayment rates, the resultant weighted average lives of the MSRs and the option adjusted spread levels. 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 $327 million and $294 million at June 30, 2008 and December 31, 2007 and are not included in the table above.

NOTE 16 Business Segment Information

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking* (*GCSBB*), *Global Corporate and Investment Banking* (*GCIB*) and *Global Wealth and Investment Management* (*GWIM*). The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment.

Global Consumer and Small Business Banking

GCSBB provides a diversified range of products and services to individuals and small businesses. The Corporation reports *GCSBB* s results, specifically credit card, business card and certain unsecured lending portfolios, on a managed basis. This basis of presentation excludes the Corporation s securitized mortgage and home equity portfolios for which the Corporation retains servicing. Reporting on a managed basis is consistent with the way that management evaluates the results of *GCSBB*. 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 *GCSBB* s 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, retained excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. *GCSBB* s managed income statement line items differ from a held basis as follows:

Managed net interest income includes *GCSBB* s 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 *GCSBB* s noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record managed 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 strip that are recorded in card income as management continues to manage this impact within *GCSBB*.

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

Global Corporate and Investment Banking

GCIB provides a wide range of financial services to both the Corporation s issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products and advisory solutions.

Global Wealth and 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 includes the impact of migrated qualifying affluent customers, including their related deposit balances, from *GCSBB*. After migration, the associated net interest income, service charges and noninterest expense on the deposit balances are recorded in *GWIM*.

All Other

All Other consists of equity investment activities including Principal Investing, Corporate Investments and Strategic Investments, the residual impact of the allowance for credit losses and 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 *GCSBB,* in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis).

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 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.

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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 processing costs, 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.

The following tables present total revenue, net of interest expense, on a FTE basis and net income for the three and six months ended June 30, 2008 and 2007, and total assets at June 30, 2008 and 2007 for each business segment, as well as *All Other*.

Business Segments
Three Months Ended June 30

	Total Corporation [1]		**Global Consumer and Small Business Banking** [2, 3]		**Global Corporate and Investment Banking** [2]	
(Dollars in millions)	**2008**	2007	**2008**	2007	**2008**	2007
Net interest income [4]	**$ 10,937**	$ 8,784	**$ 8,015**	$ 7,109	**$ 3,824**	$ 2,609
Noninterest income	**9,694**	11,236	**5,077**	4,712	**2,136**	3,334
Total revenue, net of interest expense	**20,631**	20,020	**13,092**	11,821	**5,960**	5,943
Provision for credit losses [5]	**5,830**	1,810	**6,545**	3,094	**363**	42
Amortization of intangibles	**447**	391	**331**	331	**49**	42
Other noninterest expense	**9,117**	8,764	**4,962**	4,579	**2,752**	3,185
Income before income taxes	**5,237**	9,055	**1,254**	3,817	**2,796**	2,674
Income tax expense [4]	**1,827**	3,294	**442**	1,395	**1,050**	982
Net income	**$ 3,410**	$ 5,761	**$ 812**	$ 2,422	**$ 1,746**	$ 1,692
Period-end total assets	**$ 1,716,875**	$ 1,534,359	**$ 426,562**	$ 403,684	**$ 779,138**	$ 731,377

	Global Wealth and Investment Management [2]		**All Other** [2, 3]	
(Dollars in millions)	**2008**	2007	**2008**	2007
Net interest income [4]	**$ 1,133**	$ 949	**$ (2,035)**	$ (1,883)
Noninterest income	**1,146**	940	**1,335**	2,250
Total revenue, net of interest expense	**2,279**	1,889	**(700)**	367
Provision for credit losses [5]	**119**	(13)	**(1,197)**	(1,313)
Amortization of intangibles	**60**	16	**7**	2
Other noninterest expense	**1,181**	977	**222**	23
Income before income taxes	**919**	909	**268**	1,655
Income tax expense (benefit) [4]	**346**	333	**(11)**	584
Net income	**$ 573**	$ 576	**$ 279**	$ 1,071
Period-end total assets	**$ 167,187**	$ 128,388	**$ 343,988**	$ 270,910

(1) There were no material intersegment revenues among the segments.

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

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

(4) FTE basis

(5)

Provision for credit losses represents: For *GCSBB* 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 *GCSBB* securitization offset.

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Business Segments
Six Months Ended June 30

(Dollars in millions)	Total Corporation [1] 2008	Total Corporation [1] 2007	Global Consumer and Small Business Banking [2, 3] 2008	Global Consumer and Small Business Banking [2, 3] 2007	Global Corporate and Investment Banking [2] 2008	Global Corporate and Investment Banking [2] 2007
Net interest income [4]	**$ 21,228**	$ 17,383	**$ 15,699**	$ 14,113	**$ 7,415**	$ 5,017
Noninterest income	**16,706**	21,181	**10,699**	9,039	**1,704**	6,369
Total revenue, net of interest expense	**37,934**	38,564	**26,398**	23,152	**9,119**	11,386
Provision for credit losses [5]	**11,840**	3,045	**13,000**	5,505	**886**	157
Amortization of intangibles	**893**	780	**662**	660	**97**	84
Other noninterest expense	**17,866**	17,532	**9,764**	8,933	**5,168**	6,121
Income before income taxes	**7,335**	17,207	**2,972**	8,054	**2,968**	5,024
Income tax expense [4]	**2,715**	6,191	**1,068**	2,965	**1,115**	1,858
Net income	**$ 4,620**	$ 11,016	**$ 1,904**	$ 5,089	**$ 1,853**	$ 3,166
Period-end total assets	**$ 1,716,875**	$ 1,534,359	**$ 426,562**	$ 403,684	**$ 779,138**	$ 731,377

(Dollars in millions)	Global Wealth and Investment Management [2] 2008	Global Wealth and Investment Management [2] 2007	All Other [2, 3] 2008	All Other [2, 3] 2007
Net interest income [4]	**$ 2,131**	$ 1,871	**$ (4,017)**	$ (3,618)
Noninterest income	**2,070**	1,799	**2,233**	3,974
Total revenue, net of interest expense	**4,201**	3,670	**(1,784)**	356
Provision for credit losses [5]	**362**	9	**(2,408)**	(2,626)
Amortization of intangibles	**120**	32	**14**	4
Other noninterest expense	**2,436**	1,935	**498**	543
Income before income taxes	**1,283**	1,694	**112**	2,435
Income tax expense [4]	**481**	627	**51**	741
Net income	**$ 802**	$ 1,067	**$ 61**	$ 1,694
Period-end total assets	**$ 167,187**	$ 128,388	**$ 343,988**	$ 270,910

(1) There were no material intersegment revenues among the segments.

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

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

(4) FTE basis

(5) Provision for credit losses represents: For *GCSBB* 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 *GCSBB* securitization offset.

GCSBB 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 *GCSBB* 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.

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Global Consumer and Small Business Banking Reconciliation

(Dollars in millions)	**Three Months Ended June 30, 2008** Managed Basis [1]	Securitization Impact [2]	Held Basis	Three Months Ended June 30, 2007 Managed Basis [1]	Securitization Impact [2]	Held Basis
Net interest income [3]	**$ 8,015**	**$ (2,140)**	**$ 5,875**	$ 7,109	$ (1,981)	$ 5,128
Noninterest income:						
Card income	**2,560**	**557**	**3,117**	2,596	793	3,389
Service charges	**1,743**	**-**	**1,743**	1,488	-	1,488
Mortgage banking income	**409**	**-**	**409**	297	-	297
All other income	**365**	**(61)**	**304**	331	(74)	257
Total noninterest income	**5,077**	**496**	**5,573**	4,712	719	5,431
Total revenue, net of interest expense	**13,092**	**(1,644)**	**11,448**	11,821	(1,262)	10,559
Provision for credit losses	**6,545**	**(1,644)**	**4,901**	3,094	(1,262)	1,832
Noninterest expense	**5,293**	**-**	**5,293**	4,910	-	4,910
Income before income taxes	**1,254**	**-**	**1,254**	3,817	-	3,817
Income tax expense [3]	**442**	**-**	**442**	1,395	-	1,395
Net income	**$ 812**	**$ -**	**$ 812**	$ 2,422	$ -	$ 2,422

(Dollars in millions)	**Six Months Ended June 30, 2008** Managed Basis [1]	Securitization Impact [2]	Held Basis	Six Months Ended June 30, 2007 Managed Basis [1]	Securitization Impact [2]	Held Basis
Net interest income [3]	**$ 15,699**	**$ (4,195)**	**$ 11,504**	$ 14,113	$ (3,871)	$ 10,242
Noninterest income:						
Card income	**5,285**	**1,261**	**6,546**	4,977	1,632	6,609
Service charges	**3,309**	**-**	**3,309**	2,865	**-**	2,865
Mortgage banking income	**1,065**	**-**	**1,065**	599	**-**	599
All other income	**1,040**	**(126)**	**914**	598	(151)	447
Total noninterest income	**10,699**	**1,135**	**11,834**	9,039	1,481	10,520
Total revenue, net of interest expense	**26,398**	**(3,060)**	**23,338**	23,152	(2,390)	20,762
Provision for credit losses	**13,000**	**(3,060)**	**9,940**	5,505	(2,390)	3,115
Noninterest expense	**10,426**	**-**	**10,426**	9,593	-	9,593
Income before income taxes	**2,972**	**-**	**2,972**	8,054	-	8,054
Income tax expense [3]	**1,068**	**-**	**1,068**	2,965	-	2,965
Net income	**$ 1,904**	**$ -**	**$ 1,904**	$ 5,089	$ -	$ 5,089

(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

	Three Months Ended June 30, 2008			Three Months Ended June 30, 2007		
(Dollars in millions)	**Reported Basis [(1)]**	**Securitization Offset [(2)]**	**As Adjusted**	Reported Basis [(1)]	Securitization Offset [(2)]	As Adjusted
Net interest income [(3)]	**$ (2,035)**	**$ 2,140**	**$ 105**	$ (1,883)	$ 1,981	$ 98
Noninterest income:						
Card income	**595**	**(557)**	**38**	676	(793)	(117)
Equity investment income	**710**	**-**	**710**	1,719	-	1,719
Gains on sales of debt securities	**131**	**-**	**131**	2	-	2
All other income (loss)	**(101)**	**61**	**(40)**	(147)	74	(73)
Total noninterest income	**1,335**	**(496)**	**839**	2,250	(719)	1,531
Total revenue, net of interest expense	**(700)**	**1,644**	**944**	367	1,262	1,629
Provision for credit losses	**(1,197)**	**1,644**	**447**	(1,313)	1,262	(51)
Merger and restructuring charges	**212**	**-**	**212**	75	-	75
All other noninterest expense	**17**	**-**	**17**	(50)	-	(50)
Income before income taxes	**268**	**-**	**268**	1,655	-	1,655
Income tax expense (benefit) [(3)]	**(11)**	**-**	**(11)**	584	-	584
Net income	**$ 279**	**$ -**	**$ 279**	$ 1,071	$ -	$ 1,071

	Six Months Ended June 30, 2008			Six Months Ended June 30, 2007		
(Dollars in millions)	**Reported Basis [(1)]**	**Securitization Offset [(2)]**	**As Adjusted**	Reported Basis [(1)]	Securitization Offset [(2)]	As Adjusted
Net interest income [(3)]	**$ (4,017)**	**$ 4,195**	**$ 178**	$ (3,618)	$ 3,871	$ 253
Noninterest income:						
Card income	**1,259**	**(1,261)**	**(2)**	1,397	(1,632)	(235)
Equity investment income	**978**	**-**	**978**	2,615	-	2,615
Gains on sales of debt securities	**351**	**-**	**351**	63	-	63
All other income (loss)	**(355)**	**126**	**(229)**	(101)	151	50
Total noninterest income	**2,233**	**(1,135)**	**1,098**	3,974	(1,481)	2,493
Total revenue, net of interest expense	**(1,784)**	**3,060**	**1,276**	356	2,390	2,746
Provision for credit losses	**(2,408)**	**3,060**	**652**	(2,626)	2,390	(236)
Merger and restructuring charges	**382**	**-**	**382**	186	-	186
All other noninterest expense	**130**	**-**	**130**	361	-	361
Income before income taxes	**112**	**-**	**112**	2,435	-	2,435
Income tax expense [(3)]	**51**	**-**	**51**	741	-	741
Net income	**$ 61**	**$ -**	**$ 61**	$ 1,694	$ -	$ 1,694

(1) Provision for credit losses represents provision for credit losses in *All Other* combined with the *GCSBB* 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 three business segments (*GCSBB*, *GCIB* 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.

(Dollars in millions)	Three Months Ended June 30 2008	Three Months Ended June 30 2007	Six Months Ended June 30 2008	Six Months Ended June 30 2007
Segments total revenue, net of interest expense[1]	**$ 21,331**	$ 19,653	**$ 39,718**	$ 38,208
Adjustments:				
ALM activities	**291**	(136)	**508**	(40)
Equity investment income	**710**	1,719	**978**	2,615
Liquidating businesses	**100**	243	**174**	669
FTE basis adjustment	**(316)**	(395)	**(616)**	(724)
Managed securitization impact to total revenue, net of interest expense	**(1,644)**	(1,262)	**(3,060)**	(2,390)
Other	**(157)**	(197)	**(384)**	(498)
Consolidated revenue, net of interest expense	**$ 20,315**	$ 19,625	**$ 37,318**	$ 37,840
Segments net income	**$ 3,131**	$ 4,690	**$ 4,559**	$ 9,322
Adjustments, net of taxes:				
ALM activities	**(135)**	(141)	**(159)**	(145)
Equity investment income	**447**	1,083	**616**	1,647
Liquidating businesses	**24**	132	**57**	437
Merger and restructuring charges	**134**	47	**241**	117
Other	**(191)**	(50)	**(694)**	(362)
Consolidated net income	**$ 3,410**	$ 5,761	**$ 4,620**	$ 11,016

(1) FTE basis

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Bank of America Corporation and Subsidiaries

Management s Discussion and Analysis of Financial Condition and Results of Operations

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Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 150.

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

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our 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. Readers of the Form 10-Q of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. Risk Factors of the Corporation s 2007 Annual Report on Form 10-K. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: changes in general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates which may affect, among other things, the level of nonperforming assets, charge-offs and provision expense; changes in the interest rate environment and market liquidity which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets; changes in foreign exchange rates; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial products including securities, loans, deposits, debt and derivative financial instruments, and other similar financial instruments; political conditions and related actions by the United States abroad which may adversely affect the Corporation s businesses and economic conditions as a whole; liabilities resulting from litigation and regulatory investigations, including costs, expenses, settlements and judgments; changes in domestic or foreign tax laws, rules and regulations as well as court, Internal Revenue Service or other governmental agencies interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Financial Services Authority; changes in accounting standards, rules and interpretations; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions; ability to grow core businesses; ability to develop and introduce new banking-related products, services and enhancements, and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management s ability to manage these and other risks.

The Corporation, headquartered in Charlotte, North Carolina, operates in 32 states, the District of Columbia and more than 30 foreign countries. The Corporation provides a diversified range of banking and nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking (GCSBB)*, *Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM).*

At June 30, 2008, the Corporation had $1.7 trillion in assets and approximately 207,000 full-time equivalent employees. Notes to 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.

2008 Economic Environment

The slowing economy and declining housing prices continued to negatively affect our home equity and residential mortgage portfolios, as well as other areas of our consumer portfolio. In addition, we have seen sustained stress in the credit quality of our small business and commercial homebuilder portfolios. These factors have driven increases in consumer and commercial net charge-offs and nonperforming assets as well as higher commercial criticized utilized exposure and reserve increases across most portfolios during the first half of 2008. For more information on credit quality, see the Credit Risk Management discussion beginning on page 107.

The market dislocations that have been experienced in the financial markets over the past year continue to impact our results although to a lesser extent in the second quarter of 2008. We have incurred additional losses on CDOs and related subprime exposure (CDO exposure) and continue to reduce our exposure to these vehicles. For more information on CDOs, the related ongoing exposure and the impacts of the continuing market dislocation (e.g., leveraged finance and CMBS writedowns), see the *Capital Markets and Advisory Services (CMAS)* discussion beginning on page 77.

The market illiquidity continued to impact the credit ratings of certain structured investment vehicles (SIVs). During the first half of 2008, we provided additional support to certain cash funds managed within *GWIM* by utilizing existing capital commitments and purchasing certain investments from these funds. Further, some of the SIVs that we have purchased or are held by these funds are expected to be restructured which may result in additional losses. For more information on our cash fund support, see the *GWIM* discussion beginning on page 86.

The subprime mortgage dislocation also impacted the ratings of certain monoline insurance providers (monolines), which has affected the pricing of certain municipal securities and the liquidity of the short-term public finance markets. We have direct and indirect exposure to monolines and, in certain situations, recognized losses related to some of these exposures during the first half of 2008. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 128.

The above conditions together with deterioration in the overall economy will continue to affect these and other markets in which we do business and will adversely impact our results throughout the remainder of 2008. The degree of the impact is dependent upon the duration and severity of the aforementioned conditions.

On July 1, 2008, the Corporation acquired Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation. The impacts of the slowing economy and declining housing prices could also negatively affect the results of operations stemming from this acquisition that will be included in our results beginning July 1, 2008.

Recent Events

In July 2008, the Board of Directors (the Board) authorized a stock repurchase program of up to 75 million shares of the Corporation s common stock at an aggregate cost not to exceed $3.75 billion and is limited to a period of 12 to 18 months. This stock repurchase program replaced the previous stock repurchase program that expired in July 2008.

In July 2008, the Board declared a regular quarterly cash dividend on common stock of $0.64 per share, payable on September 26, 2008 to common shareholders of record on September 5, 2008. In April 2008, the Board declared a regular quarterly cash dividend on common stock of $0.64 per share which was paid on June 27, 2008 to common shareholders of record on June 6, 2008. In June and July 2008, we declared aggregate dividends on preferred stock of $472 million, and in March and April 2008 declared aggregate dividends on preferred stock of $187 million.

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 one share of Countrywide common stock. The acquisition of Countrywide significantly improved our mortgage originating and servicing capabilities, while making us the nation s leading mortgage originator and servicer. For more information related to our Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

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In June 2008, we reached a definitive agreement to sell our equity prime brokerage business to BNP Paribas. The decision to sell the business is part of a strategic realignment within *GCIB* which reflects the decision to exit certain brokerage processing and balance sheet-intensive activities. We remain committed to our hedge fund clients in equities as well as across asset classes and investment banking. The completion of this transaction is subject to obtaining all regulatory approvals and is expected to close in the third quarter of 2008.

In May and June 2008, we issued 117 thousand shares of Bank of America Corporation 8.20% Non-Cumulative Preferred Stock, Series H (Series H Preferred Stock) with a par value of $0.01 per share for $2.9 billion. Further, in April 2008, we issued 160 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M (Series M Preferred Stock) with a par value of $0.01 per share for $4.0 billion. The fixed rate is 8.125 percent through May 14, 2018 and then adjusts to three-month LIBOR plus 364 basis points (bps) thereafter.

Recent Accounting and Regulatory Developments

In July 2008, the President signed into law the Housing and Economic Recovery Act of 2008 (the Act). The Act has several provisions including the establishment of a voluntary program that permits the Federal Housing Administration (FHA) to refinance eligible mortgages for certain qualified borrowers. Some of the Act s other provisions include changes to the FHA program, increases in the limits on the principal balances of mortgage loans that the FHA and government sponsored enterprises (GSEs) can purchase, creating a new regulator for the GSEs, and establishing a registration system for loan originators. We are currently determining how we might use this new program in connection with ongoing home retention efforts within our mortgage business.

In May 2008, federal bank regulators in the U.S. proposed amendments to the rules regarding Unfair or Deceptive Acts or Practices (UDAP) and Truth in Lending that would restrict certain credit and charge card practices and require expanded disclosures to consumers. Similar legislative initiatives have been proposed. The proposed regulatory amendments include, among other matters, rules relating to the imposition by card issuers of interest rate increases on outstanding balances and the allocation of payments in respect of outstanding balances with different interest rates. If new regulations are adopted as proposed, we would likely make significant changes to our card practices. Also in the May 2008 proposal, the federal bank regulators proposed new regulations under the same UDAP authority and under the Truth in Savings Act that would require banks to offer consumer deposit customers the opportunity to opt-out of overdraft services and fees. If the new regulations are adopted as proposed, we would need to make significant changes in the manner in which we process transactions that affect consumer deposit accounts. We are continuing to evaluate the proposals and the potential impact on our financial condition and results of operations.

The FASB has decided to amend SFAS 140 which would impact the accounting for QSPEs and make certain changes to FIN 46R. Exposure drafts of the proposed requirements are expected in the third quarter of 2008. Based on the preliminary discussions and tentative decisions, and assuming no changes to the Corporation s current product offerings, it is possible that these changes may lead to the consolidation of certain QSPEs and VIEs. These consolidations may result in an increase in outstanding loans and on-balance sheet funding, higher provision and allowance for credit losses as well as changes in the timing of recognition and location of where items are classified on our income statement. In addition, regulatory capital amounts and ratios may be negatively impacted based on the outcome of the FASB s decisions. However, the impact on the Corporation cannot be determined until the FASB issues the final amendments to SFAS 140 and FIN 46R and regulators provide guidance on how these amendments will impact regulatory capital. See *Note 1 - Summary of Significant Accounting Principles* to the Consolidated Financial Statements for a further discussion of recently issued accounting pronouncements.

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Performance Overview

Net income was $3.4 billion, or $0.72 per diluted common share for the three months ended June 30, 2008, as compared to $5.8 billion, or $1.28 per diluted common share, for the three months ended June 30, 2007. Net income was $4.6 billion, or $0.95 per diluted common share for the six months ended June 30, 2008, as compared to $11.0 billion, or $2.44 per diluted common share, for the six months ended June 30, 2007.

Table 1
Business Segment Total Revenue and Net Income

	Three Months Ended June 30				Six Months Ended June 30			
	Total Revenue [1]		Net Income		Total Revenue [1]		Net Income	
(Dollars in millions)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Global Consumer and Small Business Banking [2]	**$ 13,092**	$ 11,821	**$ 812**	$ 2,422	**$ 26,398**	$ 23,152	**$ 1,904**	$ 5,089
Global Corporate and Investment Banking	**5,960**	5,943	**1,746**	1,692	**9,119**	11,386	**1,853**	3,166
Global Wealth and Investment Management	**2,279**	1,889	**573**	576	**4,201**	3,670	**802**	1,067
All Other [2]	**(700)**	367	**279**	1,071	**(1,784)**	356	**61**	1,694
Total FTE basis	**20,631**	20,020	**3,410**	5,761	**37,934**	38,564	**4,620**	11,016
FTE adjustment	**(316)**	(395)	**-**	-	**(616)**	(724)	**-**	-
Total Consolidated	**$ 20,315**	$ 19,625	**$ 3,410**	$ 5,761	**$ 37,318**	$ 37,840	**$ 4,620**	$ 11,016

(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 58.
(2) *GCSBB* is presented on a managed basis with a corresponding offset recorded in *All Other*.

The table above presents total revenue and net income for the business segments and *All Other* and the following discussion presents a summary of the related results. For more information on these results, see Business Segment Operations beginning on page 65.

For the three months ended June 30, 2008, *GCSBB* s net income decreased as higher revenue was more than offset by increased provision for credit losses and noninterest expense. Total revenue increased driven by the organic and merger-related average loan and deposit growth, as well as higher service charges and mortgage banking income. Higher provision for credit losses resulted from the impacts of the housing weakness and slowing economy. Noninterest expense increased due to the addition of LaSalle Bank Corporation (LaSalle).

In addition to the drivers discussed above, during the six months ended June 30, 2008, *GCSBB* s results were favorably impacted by the *Card Services* portion of the Visa IPO transactions. For more information on *GCSBB*, see page 66.

For the three months ended June 30, 2008, *GCIB* s net income increased as lower incentive compensation more than offset higher provision for credit losses. Revenue remained relatively flat as an increase in net interest income, primarily market-based, was offset by CDO-related writedowns and other market disruption-related losses incurred in *CMAS.* The higher provision for credit losses was due to the impact of the housing markets slowdown on the homebuilder loan portfolio.

In addition to the drivers discussed above, during the six months ended June 30, 2008, *GCIB* s results were favorably impacted by the *Treasury Services* portion of the Visa IPO transactions. For more information on *GCIB*, see page 74.

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For the three months ended June 30, 2008, *GWIM* s net income remained relatively flat as higher total revenue was offset by higher noninterest expense and provision for credit losses. Total revenue increased due to growth in investment and brokerage services income, resulting from the U.S. Trust Corporation and LaSalle acquisitions, and higher net interest income. The increase in provision for credit losses was driven by deterioration in the housing markets. Noninterest expense increased due to the addition of U.S. Trust Corporation and LaSalle.

In addition to the drivers discussed above, during the six months ended June 30, 2008, *GWIM* s results were impacted by losses associated with the support provided to certain cash funds managed within *GWIM*. For more information on *GWIM*, see page 86.

For the three months ended June 30, 2008, *All Other* s net income decreased due to lower equity investment income, higher credit costs related to our ALM residential mortgage portfolio and an increase in merger and restructuring charges.

In addition to the drivers discussed above, during the six months ended June 30, 2008, *All Other* s results were impacted by the absence of our Latin America operations, which were sold in the first quarter of 2007. For more information on *All Other*, see page 92.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $2.2 billion to $10.9 billion and $3.8 billion to $21.2 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007. The increases were driven by the beneficial impact of the current interest rate environment, strong loan growth, and the acquisition of LaSalle. The net interest yield on a FTE basis increased 33 bps to 2.92 percent and 23 bps to 2.83 percent for the three and six months ended June 30, 2008 compared to the same periods in 2007, due to the improvement in the market-based yield related to our *CMAS* business as well as an increase in loan levels originated at higher spreads partially offset by the impact of the LaSalle acquisition. For more information on net interest income on a FTE basis, see Tables 8 and 9 on pages 62 and 64.

Noninterest Income

Table 2
Noninterest Income

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	**2008**	2007	**2008**	2007
Card income	**$ 3,451**	$ 3,558	**$ 7,090**	$ 6,891
Service charges	**2,638**	2,200	**5,035**	4,272
Investment and brokerage services	**1,322**	1,193	**2,662**	2,342
Investment banking income	**695**	774	**1,171**	1,412
Equity investment income	**592**	1,829	**1,646**	2,843
Trading account profits (losses)	**357**	949	**(1,426)**	1,879
Mortgage banking income	**439**	148	**890**	361
Gains on sales of debt securities	**127**	2	**352**	64
Other income (loss)	**73**	583	**(714)**	1,117
Total noninterest income	**$ 9,694**	$ 11,236	**$ 16,706**	$ 21,181

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Noninterest income decreased $1.5 billion to $9.7 billion and $4.5 billion to $16.7 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007.

Card income on a held basis decreased $107 million for the three months ended June 30, 2008 primarily due to the unfavorable change in value of the interest-only strip partially offset by increases in debit card income and various fees. Card income increased $199 million for the six months ended June 30, 2008 due to the same factors noted above except that the change in the value of the interest-only strip increased earnings when compared to the prior period.

Service charges grew $438 million and $763 million resulting from increased volume, new account growth in deposit accounts and the beneficial impact of the LaSalle acquisition.

Investment and brokerage services increased $129 million and $320 million due primarily to the U.S. Trust Corporation and LaSalle acquisitions. This increase was partially offset by the absence of fees related to Marsico Capital Management, LLC (Marsico) which was sold in late 2007.

Investment banking income decreased $79 million and $241 million driven by reduced underwriting and advisory fees due to current markets disruptions.

Equity investment income decreased $1.2 billion for both the three and the six months ended June 30, 2008. This was due to a reduction in gains from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace including the absence of the $600 million increase in value during the second quarter of 2007 of private equity funds which were sold during July 2007. For the six months ended June 30, 2008, the decrease was partially offset by the $776 million gain associated with the Visa IPO.

Trading account profits (losses) decreased $592 million and $3.3 billion driven by continued losses related to CDO exposure and the continuing impact of the market disruptions on various parts of our *CMAS* business. For more information on the impact of these events refer to the *GCIB* discussion beginning on page 83.

Mortgage banking income increased $291 million and $529 million due to increased production income driven by improved margins on higher mortgage volume originated for distribution and an increased MSR valuation.

Other income (loss) decreased $510 million and $1.8 billion due to impairment writedowns of $501 million and $1.1 billion associated with CDOs classified as AFS debt securities and $64 million and $503 million of writedowns associated with our leveraged finance loans and commitments. In addition, we recorded losses of $36 million and $256 million associated with the support provided to certain cash funds managed within *GWIM* and writedowns related to certain investments that were previously purchased from the funds.

Provision for Credit Losses

The provision for credit losses increased $4.0 billion to $5.8 billion and $8.8 billion to $11.8 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007. Deterioration in the housing markets, particularly in geographic areas that have experienced the most significant home price declines, seasoning of the portfolio, reflective of growth, and the impacts of a slowing economy drove higher net charge-offs and reserve increases.

For more information on credit quality, see Provision for Credit Losses beginning on page 134.

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Noninterest Expense

Table 3
Noninterest Expense

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Personnel	**$ 4,420**	$ 4,737	**$ 9,146**	$ 9,762
Occupancy	**848**	744	**1,697**	1,457
Equipment	**372**	332	**768**	682
Marketing	**571**	537	**1,208**	1,092
Professional fees	**362**	283	**647**	512
Amortization of intangibles	**447**	391	**893**	780
Data processing	**587**	472	**1,150**	909
Telecommunications	**266**	244	**526**	495
Other general operating	**1,479**	1,340	**2,342**	2,437
Merger and restructuring charges	**212**	75	**382**	186
Total noninterest expense	**$ 9,564**	$ 9,155	**$ 18,759**	$ 18,312

Noninterest expense increased $409 million to $9.6 billion and $447 million to $18.8 billion for the three and six months ended June 30, 2008 compared to the same periods in 2007 primarily due to increases in various line items including data processing, occupancy and merger and restructuring charges. These increases were primarily attributable to the LaSalle and U.S. Trust Corporation acquisitions. Personnel expense decreased $317 million and $616 million as the impact of the acquisitions of LaSalle and U.S. Trust Corporation were more than offset by a reduction in performance-based incentive compensation expense due in part to modifications to certain employee incentive programs primarily in *GCIB*. The six months ended June 30, 2008 was also impacted by the reversal of certain Visa-related litigation costs associated with the completion of the Visa IPO and a decrease in stock-based compensation granted to eligible employees.

Income Tax Expense

Income tax expense was $1.5 billion for the three months ended June 30, 2008 compared to $2.9 billion for the same period in 2007, resulting in an effective tax rate of 30.7 percent and 33.5 percent. Income tax expense was $2.1 billion for the six months ended June 30, 2008 compared to $5.5 billion for the same period in 2007, resulting in an effective tax rate of 31.2 percent and 33.2 percent. The decreases in the effective tax rates reflect the impact of lower pre-tax income.

On April 29, 2008, the U.S. Court of Appeals for the Fourth Circuit affirmed a lower court s decision that related to another taxpayer to disallow tax benefits associated with leveraged lease transactions commonly referred to as lease-in, lease-out (LILOs). As a result of this decision, during the second quarter of 2008 in accordance with FSP 13-2, we revised our assumptions related to the projected cash flows of these and certain other leveraged lease transactions (e.g., sale-in, lease-out (SILOs)). The resulting charge, including accrued interest, did not have a significant impact on our financial position or results of operations.

On August 6, 2008, the Internal Revenue Service (IRS) announced a program giving taxpayers 30 days to accept an income tax settlement for LILO and SILO transactions. The Corporation has not received an official communication from the IRS of the settlement proposal and is evaluating the reported proposal settlement and impact of any such resolution on our financial statements or results of operations. Based on publicly available information, such impact is not expected to be material.

Assets

At June 30, 2008, total assets remained relatively flat with December 31, 2007 at $1.7 trillion as an increase in debt securities was offset by decreases in federal funds sold and securities purchased under agreements to resell, and other assets. Debt securities increased due to net purchases of securities and the securitization of residential mortgage loans into mortgage-backed securities which we retained. The decrease in other assets was primarily attributable to lower loans held for sale.

Average total assets for the three and six months ended June 30, 2008 increased $193.0 billion, or 12 percent, and $218.1 billion, or 14 percent, from the same periods in 2007, primarily due to higher loans and leases and debt securities. The increase in average loans and leases was attributable to organic growth and the LaSalle merger. The increase in debt securities was driven by the same factors as noted above and the LaSalle merger.

Liabilities and Shareholders Equity

At June 30, 2008, total liabilities were $1.6 trillion, a decrease of $14.8 billion from December 31, 2007. The decrease in total liabilities was primarily attributable to lower interest-bearing foreign deposits, and commercial paper and other short-term borrowings, partially offset by an increase in federal funds purchased and securities sold under agreements to repurchase, and long term debt.

Average total liabilities for the three and six months ended June 30, 2008 increased $165.1 billion, or 12 percent, and $193.6 billion, or 14 percent, from the same periods in 2007. The increase in average total liabilities was attributable to higher deposits and long-term debt to support growth in overall assets and fund the LaSalle merger. In addition these increases were attributable to the assumption of liabilities associated with LaSalle.

Period end shareholders equity was $162.7 billion at June 30, 2008, an increase of $15.9 billion from December 31, 2007, due to the issuance of preferred stock of $19.7 billion and net income of $4.6 billion, partially offset by dividend payments of $6.1 billion and a decrease in accumulated OCI of $3.0 billion.

Average shareholders equity for the three and six months ended June 30, 2008 compared to the same periods in 2007, increased $27.9 billion and $24.5 billion due to the same period-end factors discussed above except that accumulated OCI increased due to the fair value adjustment related to our investment in China Construction Bank (CCB).

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Table 4
Selected Quarterly Financial Data

	2008 Quarters		2007 Quarters		
(Dollars in millions, except per share information)	**Second**	First	Fourth	Third	Second
Income statement					
Net interest income	**$ 10,621**	$ 9,991	$ 9,165	$ 8,617	$ 8,389
Noninterest income	**9,694**	7,012	3,564	7,383	11,236
Total revenue, net of interest expense	**20,315**	17,003	12,729	16,000	19,625
Provision for credit losses	**5,830**	6,010	3,310	2,030	1,810
Noninterest expense, before merger and restructuring charges	**9,352**	9,025	10,194	8,530	9,080
Merger and restructuring charges	**212**	170	140	84	75
Income (loss) before income taxes	**4,921**	1,798	(915)	5,356	8,660
Income tax expense (benefit)	**1,511**	588	(1,183)	1,658	2,899
Net income	**$ 3,410**	$ 1,210	$ 268	$ 3,698	$ 5,761
Average common shares issued and outstanding (in thousands)	**4,435,719**	4,427,823	4,421,554	4,420,616	4,419,246
Average diluted common shares issued and outstanding (in thousands)	**4,457,193**	4,461,201	4,470,108	4,475,917	4,476,799
Performance ratios					
Return on average assets	**0.78 %**	0.28 %	0.06 %	0.93 %	1.48 %
Return on average common shareholders equity	**9.25**	2.90	0.60	11.02	17.55
Return on tangible shareholders equity[1]	**16.40**	6.31	1.60	21.90	34.06
Total ending equity to total ending assets	**9.48**	9.00	8.56	8.77	8.85