Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 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 October 31, 2008, there were 5,017,579,321 shares of Bank of America Corporation Common Stock outstanding.

Table of Contents

Bank of America Corporation

September 30, 2008 Form 10-Q

INDEX

Table of Contents

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 September 30 2008	2007	Nine Months Ended September 30 2008	2007
Interest income				
Interest and fees on loans and leases	**$ 14,261**	$ 14,111	**$ 41,797**	$ 40,318
Interest on debt securities	**3,621**	2,334	**9,295**	7,046
Federal funds sold and securities purchased under agreements to resell	**912**	1,839	**2,920**	5,974
Trading account assets	**2,344**	2,519	**6,937**	7,059
Other interest income	**1,058**	1,230	**3,133**	3,428
Total interest income	**22,196**	22,033	**64,082**	63,825
Interest expense				
Deposits	**3,846**	4,545	**11,954**	12,840
Short-term borrowings	**3,223**	5,519	**10,452**	16,369
Trading account liabilities	**661**	906	**2,250**	2,619
Long-term debt	**2,824**	2,446	**7,172**	6,721
Total interest expense	**10,554**	13,416	**31,828**	38,549
Net interest income	**11,642**	8,617	**32,254**	25,276
Noninterest income				
Card income	**3,122**	3,595	**10,212**	10,486
Service charges	**2,722**	2,221	**7,757**	6,493
Investment and brokerage services	**1,238**	1,378	**3,900**	3,720
Investment banking income	**474**	389	**1,645**	1,801
Equity investment income (loss)	**(316)**	904	**1,330**	3,747
Trading account profits (losses)	**(384)**	(1,388)	**(1,810)**	491
Mortgage banking income	**1,674**	155	**2,564**	516
Insurance premiums	**678**	235	**1,092**	548
Gains on sales of debt securities	**10**	7	**362**	71
Other income (loss)	**(1,239)**	(16)	**(2,204)**	880
Total noninterest income	**7,979**	7,480	**24,848**	28,753
Total revenue, net of interest expense	**19,621**	16,097	**57,102**	54,029
Provision for credit losses	**6,450**	2,030	**18,290**	5,075
Noninterest expense				
Personnel	**5,198**	4,169	**14,344**	13,931
Occupancy	**926**	754	**2,623**	2,211
Equipment	**440**	336	**1,208**	1,018
Marketing	**605**	552	**1,813**	1,644
Professional fees	**424**	258	**1,071**	770
Amortization of intangibles	**464**	429	**1,357**	1,209
Data processing	**755**	463	**1,905**	1,372
Telecommunications	**288**	255	**814**	750
Other general operating	**2,313**	1,411	**4,818**	3,940
Merger and restructuring charges	**247**	84	**629**	270
Total noninterest expense	**11,660**	8,711	**30,582**	27,115
Income before income taxes	**1,511**	5,356	**8,230**	21,839
Income tax expense	**334**	1,658	**2,433**	7,125
Net income	**$ 1,177**	$ 3,698	**$ 5,797**	$ 14,714
Preferred stock dividends	**473**	43	**849**	129

Net income available to common shareholders	**$ 704**	$ 3,655	**$ 4,948**	$ 14,585
Per common share information				
Earnings	**$ 0.15**	$ 0.83	**$ 1.11**	$ 3.30
Diluted earnings	**0.15**	0.82	**1.10**	3.25
Dividends paid	**0.64**	0.64	**1.92**	1.76
Average common shares issued and outstanding (in thousands)	**4,543,963**	4,420,616	**4,469,517**	4,424,269
Average diluted common shares issued and outstanding (in thousands)	**4,563,508**	4,475,917	**4,493,506**	4,483,465

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet

(Dollars in millions)	September 30 2008	December 31 2007
Assets		
Cash and cash equivalents	**$ 39,341**	$ 42,531
Time deposits placed and other short-term investments	**11,709**	11,773
Federal funds sold and securities purchased under agreements to resell (includes **$2,636** and $2,578 measured at fair value, and **$86,722** and $128,887 pledged as collateral)	**87,038**	129,552
Trading account assets (includes **$134,775** and $88,745 pledged as collateral)	**174,859**	162,064
Derivative assets	**45,792**	34,662
Debt securities:		
Available-for-sale (includes **$120,113** and $107,440 pledged as collateral)	**257,427**	213,330
Held-to-maturity, at cost (fair value - **$1,250** and $726)	**1,250**	726
Total debt securities	**258,677**	214,056
Loans and leases (includes **$5,383** and $4,590 measured at fair value and **$167,728** and $115,285 pledged as collateral)	**942,676**	876,344
Allowance for loan and lease losses	**(20,346)**	(11,588)
Loans and leases, net of allowance	**922,330**	864,756
Premises and equipment, net	**13,000**	11,240
Mortgage servicing rights (includes **$20,811** and $3,053 measured at fair value)	**21,131**	3,347
Goodwill	**81,756**	77,530
Intangible assets	**9,167**	10,296
Loans held-for-sale (includes **$15,610** and $15,765 measured at fair value)	**27,414**	34,424
Other assets (includes **$26,499** and $25,323 measured at fair value)	**138,963**	119,515
Total assets	**$ 1,831,177**	$ 1,715,746
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 201,025**	$ 188,466
Interest-bearing (includes **$1,737** and $2,000 measured at fair value)	**577,503**	501,882
Deposits in foreign offices:		
Noninterest-bearing	**3,524**	3,761
Interest-bearing	**91,999**	111,068
Total deposits	**874,051**	805,177
Federal funds purchased and securities sold under agreements to repurchase	**225,729**	221,435
Trading account liabilities	**68,229**	77,342
Derivative liabilities	**26,466**	22,423
Commercial paper and other short-term borrowings	**145,812**	191,089
Accrued expenses and other liabilities (includes **$1,854** and $660 measured at fair value and **$427** and $518 of reserve for unfunded lending commitments)	**72,141**	53,969
Long-term debt	**257,710**	197,508
Total liabilities	**1,670,138**	1,568,943
Commitments and contingencies (*Note 9 Variable Interest Entities* and *Note 12 Commitments and Contingencies*)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized 100,000,000 shares; issued and outstanding **7,602,067** and 185,067 shares	**24,151**	4,409
Common stock and additional paid-in capital, $0.01 par value; authorized 7,500,000,000 shares; issued and outstanding **4,562,054,554** and 4,437,885,419 shares	**65,361**	60,328
Retained earnings	**77,695**	81,393
Accumulated other comprehensive income (loss)	**(5,647)**	1,129
Other	**(521)**	(456)
Total shareholders equity	**161,039**	146,803
Total liabilities and shareholders equity	**$ 1,831,177**	$ 1,715,746

See accompanying Notes to Consolidated Financial Statements.

4

Table of Contents

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				14,714			14,714	$ 14,714
Net changes in available-for-sale debt and marketable equity securities					(1,130)		(1,130)	(1,130)
Net changes in foreign currency translation adjustments					156		156	156
Net changes in derivatives					(22)		(22)	(22)
Employee benefit plan adjustments					92		92	92
Cash dividends paid:								
Common				(7,847)			(7,847)	
Preferred				(129)			(129)	
Issuance of preferred stock	550						550	
Common stock issued under employee plans and related tax benefits		49,734	2,366			(113)	2,253	
Common stock repurchased		(71,030)	(3,664)				(3,664)	
Balance, September 30, 2007	$ 3,401	4,436,855	$ 60,276	$ 84,027	$ (8,615)	$ (579)	$ 138,510	$ 13,810
Balance, December 31, 2007	**$ 4,409**	**4,437,885**	**$ 60,328**	**$ 81,393**	**$ 1,129**	**$ (456)**	**$ 146,803**	
Net income				**5,797**			**5,797**	**$ 5,797**
Net changes in available-for-sale debt and marketable equity securities					**(7,054)**		**(7,054)**	**(7,054)**
Net changes in foreign currency translation adjustments					**(242)**		**(242)**	**(242)**
Net changes in derivatives					**485**		**485**	**485**
Employee benefit plan adjustments					**35**		**35**	**35**
Cash dividends paid:								
Common				**(8,646)**			**(8,646)**	
Preferred				**(849)**			**(849)**	
Issuance of preferred stock	**19,742**						**19,742**	
Stock issued in acquisition [3]		**106,776**	**4,201**				**4,201**	
Common stock issued under employee plans and related tax benefits		**17,394**	**832**			**(65)**	**767**	
Balance, September 30, 2008	**$ 24,151**	**4,562,055**	**$ 65,361**	**$ 77,695**	**$ (5,647)**	**$ (521)**	**$ 161,039**	**$ (979)**

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

(2) 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.

(3) Includes adjustments for the fair value of certain Countrywide stock-based compensation awards of 507 thousand shares and $86 million.

See accompanying Notes to Consolidated Financial Statements.

5

Table of Contents

Bank of America Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	Nine Months Ended September 30	
(Dollars in millions)	**2008**	2007
Operating activities		
Net income	**$ 5,797**	$ 14,714
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**18,290**	5,075
Gains on sales of debt securities	**(362)**	(71)
Depreciation and premises improvements amortization	**1,074**	836
Amortization of intangibles	**1,357**	1,209
Deferred income tax benefit	**(1,429)**	(213)
Net increase in trading and derivative instruments	**(13,615)**	(14,252)
Net (increase) decrease in other assets	**6,422**	(19,157)
Net increase in accrued expenses and other liabilities	**13,639**	7,238
Other operating activities, net	**103**	3,429
Net cash provided by (used in) operating activities	**31,276**	(1,192)
Investing activities		
Net decrease in time deposits placed and other short-term investments	**64**	5,135
Net decrease in federal funds sold and securities purchased under agreements to resell	**49,163**	148
Proceeds from sales of available-for-sale debt securities	**69,218**	10,956
Proceeds from paydowns and maturities of available-for-sale debt securities	**18,825**	15,231
Purchases of available-for-sale debt securities	**(109,219)**	(7,217)
Proceeds from maturities of held-to-maturity debt securities	**176**	547
Purchases of held-to-maturity debt securities	**(840)**	(116)
Proceeds from sales of loans and leases	**42,209**	45,058
Other changes in loans and leases, net	**(62,464)**	(138,371)
Net purchases of premises and equipment	**(1,526)**	(1,318)
Proceeds from sales of foreclosed properties	**506**	60
(Acquisition) divestiture of business activities, net	**6,650**	(3,694)
Other investing activities, net	**(214)**	2,078
Net cash provided by (used in) investing activities	**12,548**	(71,503)
Financing activities		
Net increase in deposits	**5,884**	2,318
Net decrease in federal funds purchased and securities sold under agreements to repurchase	**(15,398)**	(18,809)
Net increase (decrease) in commercial paper and other short-term borrowings	**(45,277)**	59,928
Proceeds from issuance of long-term debt	**24,038**	60,580
Retirement of long-term debt	**(26,559)**	(23,018)
Proceeds from issuance of preferred stock	**19,742**	550
Proceeds from issuance of common stock	**229**	1,022
Common stock repurchased	**-**	(3,664)
Cash dividends paid	**(9,495)**	(7,976)
Excess tax benefits of share-based payments	**34**	233
Other financing activities, net	**(85)**	(52)
Net cash provided by (used in) financing activities	**(46,887)**	71,112
Effect of exchange rate changes on cash and cash equivalents	**(127)**	110
Net decrease in cash and cash equivalents	**(3,190)**	(1,473)
Cash and cash equivalents at January 1	**42,531**	36,429
Cash and cash equivalents at September 30	**$ 39,341**	$ 34,956

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

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

The fair values of noncash assets acquired and liabilities assumed in the Countrywide acquisition were $157.6 billion and $158.0 billion.

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

During the nine months ended September 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.

Table of Contents

Bank of America Corporation and Subsidiaries
Notes to Consolidated Financial Statements

On July 1, 2008, Bank of America Corporation and its subsidiaries (the Corporation) acquired Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation in exchange for stock with a value of $4.2 billion. For more information related to our Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements. On October 1, 2007, the Corporation acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. 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, Countrywide s, LaSalle s and U.S. Trust Corporation s results of operations were included in the Corporation s results from their dates of acquisition.

The Corporation, through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At September 30, 2008, the Corporation operated its banking activities primarily under four charters: Bank of America, National Association (Bank of America, N.A.), FIA Card Services, N.A., LaSalle Bank, N.A. and Countrywide Bank, FSB. Effective October 17, 2008, LaSalle Bank, N.A. merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

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

On October 10, 2008 the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3). FSP 157-3 clarifies how Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements (SFAS 157) should be applied when valuing securities in markets that are not active. The adoption of FSP 157-3, effective September 30, 2008, did not impact the Corporation s financial condition and results of operations.

On September 15, 2008 the FASB released exposure drafts which would 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), and FASB Interpretation (FIN) No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R). As written, the proposed amendments would, among other things, eliminate the concept of a qualifying special purpose entity (QSPE) and change the standards for consolidation of variable interest entities (VIEs). The changes would be effective for both existing and newly-created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not

Table of Contents

currently recorded on the Consolidated Balance Sheet of the Corporation. However, the impact on the Corporation cannot be determined with any degree of certainty until the FASB issues the final amendments to SFAS 140 and FIN 46R.

On September 12, 2008, the FASB issued FSP No. 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP 133-1). FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 are effective for the Corporation s financial statements for the year ending December 31, 2008 and earlier adoption is not permitted. The adoption of FSP 133-1 will not impact the Corporation s financial condition and results of operations.

On June 16, 2008, the FASB issued FSP 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 (SFAS 161) which 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 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 FSP 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. Management is currently evaluating the impact of the adoption of SFAS 160 on the Corporation s financial condition. The adoption of SFAS 160 will not have any impact on the Corporation s results of operations.

On January 1, 2008, 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 on a prospective basis. 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.

Table of Contents

On January 1, 2008, 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.

NOTE 2 Merger and Restructuring Activity

Merrill Lynch

In September 2008, the Corporation announced an agreement to acquire Merrill Lynch & Co., Inc. (Merrill Lynch) in an all-stock transaction. The transaction has been approved by the board of directors of each company. Merrill Lynch common shareholders would receive 0.8595 of a share of Bank of America Corporation common stock in exchange for one share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders would receive Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock will remain outstanding and will thereafter be convertible into Bank of America common stock at an equivalent exchange ratio. The acquisition would add Merrill Lynch s more than 16,000 financial advisors and its interest in BlackRock, Inc., a publicly traded investment management company. In addition, the acquisition is expected to increase the Corporation s underwriting capabilities for debt and equity offerings, as well as its ability to advise on global mergers and acquisitions. The completion of this transaction is subject to closing conditions, and shareholder and regulatory approvals, and is expected to close on or around December 31, 2008.

Countrywide

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for one share of Countrywide common stock. The acquisition of Countrywide significantly improved the Corporation s mortgage originating and servicing capabilities, while making us a leading mortgage originator and servicer.

As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 107 million shares of the Corporation s common stock. This represents approximately two percent of the Corporation s outstanding common stock at the date of acquisition. 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.

Table of Contents

The merger is being accounted for as a purchase in accordance with SFAS 141. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities 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 of the fair values of Countrywide s assets and liabilities.

Countrywide Preliminary Purchase Price Allocation

(Dollars in billions)	
Purchase price [(1)]	**$ 4.2**
Preliminary allocation of the purchase price	
Countrywide stockholders equity[(2)]	8.4
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Loans [(3)]	(9.3)
Investments in other financial instruments	(0.3)
Mortgage servicing rights	(1.5)
Other assets	(0.7)
Deposits	(0.2)
Notes payable and other liabilities	(1.0)
Pre-tax total adjustments	(13.0)
Deferred income taxes	4.7
After-tax total adjustments	(8.3)
Fair value of net assets acquired	0.1
Preliminary goodwill resulting from the Countrywide merger [(4)]	**$ 4.1**

(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 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) Represents the loan portfolio credit adjustment of $14.3 billion less the allowance for loan and lease losses of $5.0 billion at the acquisition date and other miscellaneous adjustments.

(4) No goodwill is expected to be deductible for federal income tax purposes. All the goodwill was allocated to *Global Consumer and Small Business Banking*.

LaSalle

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.

Table of Contents

The LaSalle acquisition was accounted for under the purchase method of accounting in accordance with SFAS 141. The 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 Purchase Price Allocation
(Dollars in billions)

Purchase price	**$ 21.0**
Allocation of the purchase price	
LaSalle stockholders equity	12.5
LaSalle goodwill and other intangible assets	(2.7)
Adjustments to reflect assets acquired and liabilities assumed at fair value:	
Loans and leases	(0.1)
Premises and equipment	(0.2)
Identified intangibles [1]	1.0
Other assets	(0.3)
Exit and termination liabilities	(0.4)
Fair value of net assets acquired	9.8
Goodwill resulting from the LaSalle merger [2]	**$ 11.2**

(1) Includes core deposit intangibles of $0.7 billion, and other intangibles of $0.3 billion. 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 deductible for federal income tax purposes. The goodwill has been allocated across all of the Corporation s business segments.

U.S. Trust

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.

MBNA

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA) and as a result, 1,260 million shares of MBNA common stock were exchanged for 631 million shares of the Corporation s common stock. MBNA shareholders also received cash of $5.2 billion. MBNA s results of operations were included in the Corporation s results beginning January 1, 2006.

Table of Contents

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 nine months ended September 30, 2008 and 2007.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2008**	2007	**2008**	2007
Severance and employee-related charges	**$ 15**	$ 21	**$ 90**	$ 39
Systems integrations and related charges	**186**	47	**431**	183
Other	**46**	16	**108**	48
Total merger and restructuring charges [(1)]	**$ 247**	$ 84	**$ 629**	$ 270

(1) Included for the three and nine months ended September 30, 2008, are merger-related charges of $72 million for both periods related to the Countrywide merger, $159 million and $462 million related to the LaSalle merger and $16 million and $95 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 nine months ended September 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**	-	**46**	-
U.S. Trust Corporation	**-**	-	**26**	-
MBNA	**(2)**	-	**-**	16
Cash payments	**(112)**	(45)	**(67)**	(47)
Balance, June 30	**350**	80	**113**	36
Exit cost and restructuring charges:				
Countrywide	**588**	-	**32**	-
LaSalle	**(56)**	-	**(22)**	-
U.S. Trust Corporation	**-**	35	**5**	19
MBNA	**(4)**	-	**(3)**	2
Cash payments	**(203)**	(12)	**(50)**	(7)
Balance, September 30	**$ 675**	$ 103	**$ 75**	$ 50

(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, U.S. Trust Corporation and LaSalle mergers, including $187 million for severance, relocation and other employee-related costs and $190 million for contract terminations. During the three months ended September 30, 2008, $528 million was added to the exit cost reserves primarily related to the Countrywide acquisition, including $453 million for severance, relocation and other employee-related costs and $75 million for contract terminations. The $528 million included $56 million in exit cost reserve adjustments related to the LaSalle acquisition primarily due to lower than expected lease terminations with the offset being recorded as a reduction to goodwill. Cash payments of $203 million during the three months ended September 30, 2008 consisted of

$160 million in severance, relocation and other employee-related costs and $43 million for contract

12

Table of Contents

terminations. During the nine months ended September 30, 2008, a net amount of $613 million was added to the exit cost reserves related to the Countrywide, LaSalle and MBNA mergers, including $538 million for severance, relocation and other employee-related costs and $75 million for contract terminations. Cash payments of $315 million during the nine months ended September 30, 2008 consisted of $260 million in severance, relocation and other employee-related costs and $55 million for contract terminations. As of September 30, 2008, exit cost reserves of $675 million included $465 million for Countrywide and $194 million for LaSalle.

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 nine months ended September 30, 2008, $12 million and $84 million were added to the restructuring reserves, related to severance and other employee-related costs. Cash payments of $50 million during the three months ended September 30, 2008 were all related to severance and other employee-related costs. Cash payments of $117 million during the nine months ended September 30, 2008 consisted of $115 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, LaSalle and Countrywide mergers will continue into 2009.

NOTE 3 Trading Account Assets and Liabilities

The following table presents the fair values of the components of trading account assets and liabilities at September 30, 2008 and December 31, 2007.

(Dollars in millions)	**September 30 2008**	December 31 2007
Trading account assets		
U.S. Government and agency securities [1]	**$ 87,778**	$ 48,240
Corporate securities, trading loans, and other	**47,542**	55,360
Foreign sovereign debt	**14,610**	17,161
Equity securities	**14,352**	22,910
Mortgage trading loans and asset-backed securities	**10,577**	18,393
Total trading account assets	**$ 174,859**	$ 162,064
Trading account liabilities		
U.S. Government and agency securities	**$ 37,366**	$ 35,375
Equity securities	**17,842**	25,926
Foreign sovereign debt	**7,373**	9,292
Corporate securities and other	**5,648**	6,749
Total trading account liabilities	**$ 68,229**	$ 77,342

(1) Includes $56.2 billion and $21.5 billion at September 30, 2008 and December 31, 2007 of government-sponsored enterprise obligations.

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. These fair values are further adjusted to take into account the Corporation s and counterparties credit risk. 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

Table of Contents

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.

The following table presents the contract/notional amounts and credit risk amounts at September 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 September 30, 2008 and December 31, 2007, the cash collateral applied against derivative assets was $18.1 billion and $12.8 billion. In addition, at September 30, 2008 and December 31, 2007, the cash collateral applied against derivative liabilities was $10.0 billion. The average fair value of derivative assets, less cash collateral, for the three months ended September 30, 2008 and December 31, 2007 was $43.7 billion and $33.9 billion. The average fair value of derivative liabilities, less cash collateral, for the three months ended September 30, 2008 and December 31, 2007 was $22.1 billion and $20.7 billion.

	September 30, 2008		December 31, 2007	
(Dollars in millions)	**Contract/ Notional [1]**	**Credit Risk**	Contract/ Notional [1]	Credit Risk
Interest rate contracts				
Swaps	**$ 26,231,470**	**$ 22,692**	$ 22,472,949	$ 15,368
Futures and forwards	**4,524,377**	**276**	2,596,146	10
Written options	**1,655,861**	**-**	1,402,626	-
Purchased options	**1,681,905**	**3,009**	1,479,985	2,508
Foreign exchange contracts				
Swaps	**442,839**	**5,070**	505,878	7,350
Spot, futures and forwards	**2,029,134**	**8,468**	1,600,683	4,124
Written options	**241,301**	**-**	341,148	-
Purchased options	**215,581**	**1,356**	339,101	1,033
Equity contracts				
Swaps	**30,865**	**2,250**	56,300	2,026
Futures and forwards	**20,900**	**318**	12,174	10
Written options	**257,855**	**-**	166,736	-
Purchased options	**282,074**	**8,175**	195,240	6,337
Commodity contracts				
Swaps	**5,019**	**974**	13,627	770
Futures and forwards	**11,756**	**64**	14,391	12
Written options	**22,455**	**-**	14,206	-
Purchased options	**19,335**	**390**	13,093	372
Credit derivatives	**2,467,386**	**10,876**	3,046,381	7,493
Credit risk before cash collateral		**63,918**		47,413
Less: Cash collateral applied		**18,126**		12,751
Total derivative assets		**$ 45,792**		$ 34,662

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

Table of Contents

The Corporation executes the majority of its derivative positions in the over-the-counter market with large, international financial institutions, including broker/dealers and to a lesser degree with a variety of other investors. The Corporation is subject to counterparty credit risk in the event that these counterparties fail to perform under the terms of their contracts and records valuation adjustments against the derivative assets to reflect counterparty credit risk. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty (where applicable), and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as discussed above, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. During the three and nine months ended September 30, 2008, valuation adjustments of $467 million and $1.4 billion were recognized as trading account losses for counterparty credit risk. At September 30, 2008 the cumulative counterparty credit risk valuation adjustment that was netted against the derivative asset balance was $2.0 billion.

In addition, the fair value of the Corporation s derivative liabilities is adjusted to reflect the impact of the Corporation s credit quality. During the three and nine months ended September 30, 2008, valuation adjustments of $106 million and $346 million were recognized as trading account profits for changes in the Corporation s credit risk. At September 30, 2008 the Corporation s cumulative credit risk valuation adjustment that was netted against the derivative liabilities balance was $555 million.

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 $1.5 billion ($947 million 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.

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
(Dollars in millions)	**2008**	2007	**2008**	2007
Fair value hedges				
Hedge ineffectiveness recognized in net interest income	**$ (10)**	$ 35	**$ (8)**	$ (1)
Cash flow hedges				
Hedge ineffectiveness recognized in net interest income	**1**	(8)	**(7)**	(1)
Net losses on transactions which are probable of not occurring recognized in other income	**-**	32	**-**	18

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 as well as by issuing foreign denominated debt. The Corporation recorded a net derivative gain of $1.4 billion in accumulated OCI associated with net investment hedges for both the three and nine months ended September 30, 2008 as compared to losses of $266 million and $568 million for the same periods in the prior year.

Table of Contents

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 September 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, September 30, 2008				
U.S. Treasury securities and agency debentures	**$ 906**	**$ 10**	**$ (5)**	**$ 911**
Mortgage-backed securities [1]	**221,390**	**129**	**(8,756)**	**212,763**
Foreign securities	**5,657**	**13**	**(112)**	**5,558**
Corporate/Agency bonds	**3,790**	**2**	**(574)**	**3,218**
Other taxable securities [2]	**26,469**	**9**	**(357)**	**26,121**
Total taxable securities	**258,212**	**163**	**(9,804)**	**248,571**
Tax-exempt securities	**9,896**	**1**	**(1,041)**	**8,856**
Total available-for-sale debt securities	**$ 268,108**	**$ 164**	**$ (10,845)**	**$ 257,427**
Available-for-sale marketable equity securities [3]	**$ 9,469**	**$ 10,733**	**$ (903)**	**$ 19,299**
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.

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

At September 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 (losses) on AFS debt and marketable equity securities included in accumulated OCI were $(518) million and $6.6 billion, net of the related income tax expense (benefit) of $(333) million and $3.7 billion.

The Corporation recognized $1.6 billion and $2.7 billion of other-than-temporary impairment losses on AFS debt, primarily CDO-related, and marketable equity securities during the three and nine months ended September 30, 2008. No such losses were recognized during the three and nine months ended September 30, 2007. At September 30, 2008 and December 31, 2007, the Corporation had nonperforming AFS debt securities of $436 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 September 30, 2008 are other-than-temporarily impaired.

The Corporation obtained certain securities as part of the Countrywide acquisition with evidence of deterioration and for which it was probable that all contractually required payments would not be collected. The securities par value was approximately $4.2 billion and fair value was approximately $2.5 billion as of the merger date.

Table of Contents

Certain Corporate and Strategic Investments

At September 30, 2008 and December 31, 2007, the Corporation owned approximately 11 percent, or 25.1 billion common shares and eight percent, or 19.1 billion common shares, of China Construction Bank (CCB). On July 21, 2008, under the terms of the purchase option the Corporation increased its ownership by purchasing approximately $1.9 billion of the common shares of CCB. These recently purchased shares are accounted for at cost, recorded in other assets and are non-transferable until August 2011. The initial investment of 19.1 billion common shares is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset to accumulated OCI. These shares became transferable in October 2008. At September 30, 2008 and December 31, 2007, the cost of the CCB investment was $4.9 billion and $3.0 billion and the carrying value was $14.5 billion and $16.4 billion. Dividend income on this investment is recorded in equity investment income. We also hold an option to increase our ownership interest in CCB to 19.1 percent. Additional shares received upon exercise of this option are restricted through August 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 107 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 137.0 million of preferred shares, and 51.3 million and 41.1 million of common shares of Banco Itaú Holding Financeira S.A. (Banco Itaú) at September 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 September 30, 2008 and December 31, 2007, the cost of this investment was $2.6 billion and the fair value was $3.7 billion and $4.6 billion.

At September 30, 2008 and December 31, 2007, the Corporation had a 24.9 percent, or $2.9 billion and $2.6 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.

Table of Contents

NOTE 6 Outstanding Loans and Leases

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

(Dollars in millions)	September 30 2008	December 31 2007
Consumer		
Residential mortgage	**$ 256,989**	$ 274,949
Home equity	**151,938**	114,820
Discontinued real estate [1]	**22,081**	n/a
Credit card domestic	**63,012**	65,774
Credit card foreign	**18,338**	14,950
Direct/Indirect consumer [2]	**82,849**	76,538
Other consumer [3]	**3,680**	4,170
Total consumer	**598,887**	551,201
Commercial		
Commercial domestic[4]	**219,303**	208,297
Commercial real estate [5]	**63,736**	61,298
Commercial lease financing	**22,416**	22,582
Commercial foreign	**32,951**	28,376
Total commercial loans	**338,406**	320,553
Commercial loans measured at fair value [6]	**5,383**	4,590
Total commercial	**343,789**	325,143
Total loans and leases	**$ 942,676**	$ 876,344

(1) Includes $20.1 billion of pay option loans and $1.9 billion of subprime loans obtained as part of the acquisition of Countrywide. The Corporation no longer originates these products.

(2) Includes foreign consumer loans of $2.4 billion and $3.4 billion at September 30, 2008 and December 31, 2007.

(3) Includes consumer finance loans of $2.7 billion and $3.0 billion, and other foreign consumer loans of $736 million and $829 million at September 30, 2008 and December 31, 2007.

(4) Includes small business commercial domestic loans, primarily card related, of $19.4 billion and $19.3 billion at September 30, 2008 and December 31, 2007.

(5) Includes domestic commercial real estate loans of $62.7 billion and $60.2 billion, and foreign commercial real estate loans of $1.0 billion and $1.1 billion at September 30, 2008 and December 31, 2007.

(6) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial domestic loans of $4.0 billion and $3.5 billion, commercial foreign loans of $1.2 billion and $790 million, and commercial real estate loans of $213 million and $304 million at September 30, 2008 and December 31, 2007. See *Note 16 Fair Value Disclosures* to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

n/a = not applicable

Nonperforming Loans and Leases

At September 30, 2008 and December 31, 2007, nonperforming loans and leases, including impaired and nonaccrual consumer loans and excluding acquired loans that were accounted for under SOP 03-3, totaled $11.8 billion and $5.6 billion. In addition, included in other assets were consumer and commercial nonperforming loans held-for-sale of $848 million and $188 million at September 30, 2008 and December 31, 2007. Impaired loans also include loans that have been modified in troubled debt restructurings where concessions to borrowers who experienced financial difficulties have been granted.

Table of Contents

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 114 at September 30, 2008 and December 31, 2007. SFAS 114 defines impairment to include performing loans which had previously been accounted for as a troubled debt restructuring and excludes all commercial leases.

Impaired Loans

(Dollars in millions)	**September 30 2008**	December 31 2007
Commercial		
Commercial domestic[1]	**$ 1,761**	$ 1,018
Commercial real estate	**3,090**	1,099
Commercial foreign	**48**	19
Total impaired loans	**$ 4,899**	$ 2,136

(1) Includes small business commercial domestic loans of $183 million and $152 million at September 30, 2008 and December 31, 2007.

SOP 03-3

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that the Corporation will be unable to collect all contractually required payments are accounted for under American Institute of Certified Public Accountants Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3). Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, refreshed borrower credit scores, and refreshed loan-to-value (LTV), some of which are not immediately available as of the purchase date. The Corporation will continue to evaluate this information and other credit related information as it becomes available. SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the Corporation s initial investment in loans if those differences are attributable, at least in part, to credit quality. SOP 03-3 requires acquired impaired loans be recorded at fair value and prohibits carrying over or the creation of valuation allowances in the initial accounting for loans acquired in a transfer that are within the scope of this SOP.

The fair values for loans within the scope of SOP 03-3 are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected at acquisition using internal credit risk, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions, such as default rates, loss severity and payment speeds.

As of July 1, 2008 and September 30, 2008 acquired loans within the scope of SOP 03-3 had an unpaid principal balance of $54.4 billion and $52.8 billion and carrying value of $41.1 billion and $39.9 billion. The following table provides details on loans obtained in connection with the Countrywide acquisition within the scope of SOP 03-3.

Acquired Loan Information

(Dollars in millions)	**As of July 1, 2008 [1]**
Contractually required payments including interest	$ 77,534
Less: Nonaccretable difference	(19,574)
Cash flows expected to be collected [2]	57,960
Less: Accretable yield	(16,841)
Fair value of loans acquired	$ 41,119

(1) Date of the Countrywide acquisition.

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

Table of Contents

Under SOP 03-3, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to the expected cash flows will generally result in a charge to the provision for credit losses resulting in an increase to the allowance for loan and lease losses, and a reclassification from accretable yield to nonaccretable difference. Subsequent increases in cash flows will result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield. There was no allowance for loan and lease losses related to loans acquired within the scope of SOP 03-3 as of September 30, 2008. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, foreclosure, or troubled debt restructurings result in removal of the loan from the SOP 03-3 portfolio at its carrying amount.

The following table provides activity for the accretable yield of loans acquired from Countrywide within the scope of SOP 03-3 for the three months ended September 30, 2008.

Accretable Yield Activity

(Dollars in millions)	Three Months Ended September 30, 2008
Accretable yield, beginning balance	$ 16,841
Accretions	(748)
Disposals	(413)
Reclassifications (to)/from nonaccretable difference [1]	-
Accretable yield, September 30	$ 15,680

[1] Nonaccretable difference represents gross contractually required payments including interest less expected cash flows.

20

Table of Contents

NOTE 7 Allowance for Credit Losses

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2008**	2007	**2008**	2007
Allowance for loan and lease losses, beginning of period	**$ 17,130**	$ 9,060	**$ 11,588**	$ 9,016
Adjustment due to the adoption of SFAS 159	**-**	-	**-**	(32)
Loans and leases charged off	**(4,698)**	(1,897)	**(11,760)**	(5,445)
Recoveries of loans and leases previously charged off	**342**	324	**1,070**	950
Net charge-offs	**(4,356)**	(1,573)	**(10,690)**	(4,495)
Provision for loan and lease losses	**6,530**	2,014	**18,381**	5,050
Other [1]	**1,042**	34	**1,067**	(4)
Allowance for loan and lease losses, September 30	**20,346**	9,535	**20,346**	9,535
Reserve for unfunded lending commitments, beginning of period	**507**	376	**518**	397
Adjustment due to the adoption of SFAS 159	**-**	-	**-**	(28)
Provision for unfunded lending commitments	**(80)**	16	**(91)**	25
Other	**-**	-	**-**	(2)
Reserve for unfunded lending commitments, September 30	**427**	392	**427**	392
Allowance for credit losses, September 30	**$ 20,773**	$ 9,927	**$ 20,773**	$ 9,927

(1) Includes the $1.3 billion addition of the Countrywide allowance for loan losses.

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, over-collateralization and cash reserve accounts, all of which are called retained interests. These retained interests are recorded in other assets, AFS debt securities, and/or trading account assets and are carried at fair value or amounts that approximate fair value with changes recorded in income or accumulated OCI. Changes in the fair value for credit card related interest-only strips are recorded in card income.

Mortgage-related Securitizations

The Corporation securitizes a portion of its residential mortgage loan originations in conjunction with or shortly after loan closing. In addition, the Corporation may, from time to time, securitize commercial mortgages and first lien residential mortgages that it originates or purchases from other entities. During the three and nine months ended September 30, 2008, the Corporation converted a total of $51.9 billion (including $525 million originated by other entities) and $116.7 billion (including $12.4 billion originated by other entities), compared to $24.9 billion (including $2.2 billion originated by other entities) and $62.8 billion (including $12.6 billion originated by other entities) during the same periods in 2007, of commercial mortgages and first lien residential mortgages into mortgage-backed securities issued through government sponsored entities (GSE) or through subsidiaries of the Corporation. At September 30, 2008 and December 31, 2007, the Corporation held senior securities issued by its securitization vehicles of $16.3 billion ($11.9 billion issued in 2008) and $9.2 billion ($5.9 billion issued in 2007), substantially all of which are valued using quoted market prices. Of these senior securities, $14.6 billion and $7.8 billion were classified as AFS debt securities and $1.7 billion and $1.4 billion were classified as trading account assets at September 30, 2008 and December 31, 2007. In addition, the Corporation retained

Table of Contents

subordinated securities, which totaled $42 million (none of which were issued in 2008) and $196 million ($137 million issued in 2007) at September 30, 2008 and December 31, 2007, which are typically valued using quantitative models, and are classified in trading account assets.

During the three and nine months ended September 30, 2008, the Corporation reported $740 million and $1.3 billion in gains, net of hedges, on loans converted into securities and sold, as compared to $30 million and $273 million during the same periods in 2007. At September 30, 2008 and December 31, 2007, the Corporation had recourse obligations of $158 million and $150 million with varying terms up to seven years on loans that had been securitized and sold.

Included in the information above for the third quarter of 2008 are mortgage-related securitizations related to Countrywide. During the three months ended September 30, 2008, $37.3 billion of first lien residential mortgages were converted into mortgage-backed securities issued through a GSE or through subsidiaries of the Corporation. In addition, the Corporation reported $525 million in gains, net of hedges, on these loans converted into securities and sold.

The Corporation sells loans with various representations and warranties related to among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, process used in selecting the loans for inclusion in a transaction, the loan s compliance with any applicable loan criteria established by the buyer, and the loan s compliance with applicable local, state and federal laws. In the event of a breach of the Corporation s representations and warranties, the Corporation may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. The Corporation s representations and warranties are generally not subject to stated limits. However, the Corporation s contractual liability arises only when the representations and warranties are breached. The Corporation attempts to limit its risk of incurring these losses by structuring its operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain of our securitizations include a corporate guarantee, which are contracts written to protect purchasers of our loans from credit losses up to a specified amount. We estimate the losses to be absorbed by the guarantees when we sell loans with guarantees and update our estimates every quarter. The Corporation records its liability for representations and warranties, and corporate guarantees in accrued expenses and other liabilities and records the related expense through mortgage banking income.

During the three and nine months ended September 30, 2008, the Corporation purchased $3.8 billion and $11.1 billion of mortgage-backed securities from third parties and resecuritized them, as compared to $2.8 billion and $16.4 billion during the same periods in 2007. Net gains, which include net interest income earned during the holding period, totaled $26 million and $64 million for the three and nine months ended September 30, 2008, as compared to net losses of $4 million and net gains of $10 million during the same periods in 2007. At September 30, 2008 and December 31, 2007 the Corporation retained $403 million and $540 million of the securities issued in these transactions which were recorded in trading account assets.

The Corporation has retained consumer MSRs from the sale or securitization of mortgage loans, including discontinued mortgage and home equity loans. Servicing fee and ancillary fee income on all consumer mortgage loans serviced, including securitizations, was $1.5 billion and $196 million during the three months ended September 30, 2008 and 2007 and $2.0 billion and $593 million during the nine months ended September 30, 2008 and 2007. For more information on MSRs, see *Note 17 Mortgage Servicing Rights* to the Consolidated Financial Statements.

Home Equity and Other Securitizations Acquired

With the purchase of Countrywide, the Corporation acquired residual and other interests held in its home equity securitizations which totaled $128 million at September 30, 2008. The aggregate debt securities outstanding related to these securitizations totaled $30.8 billion at September 30, 2008. In addition, the Corporation acquired residual and other interests held by Countrywide in its subprime mortgage and Alt-A mortgage securitizations which totaled $20 million at September 30, 2008. The aggregate debt securities outstanding related to these securitizations totaled $39.6 billion at September 30, 2008.

At September 30, 2008, the Corporation held senior securities issued by its securitization vehicles of $896 million, all of which are valued using quoted market prices and which $111 million were classified as AFS debt securities and $785 million were classified as trading account assets. At September 30, 2008, the Corporation also held subordinated securities issued by its securitization vehicles of $19 million, all of which are valued using quoted market prices and classified as AFS debt securities.

22

Under the terms of the Corporation s home equity securitizations, advances are made to borrowers when they make a subsequent draw on their line of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun its rapid amortization period, reimbursement of the Corporation s advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation s advances are outstanding. In particular, if loan losses requiring draws on monoline insurer s policies (which protect the bondholders in the securitization) exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurer have priority for repayment. The available credit lines for the securitizations that have triggered or are expected to trigger a rapid amortization event are approximately $1.2 billion at September 30, 2008. At September 30, 2008 the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was $422 million.

Credit Card Securitizations

For the three and nine months ended September 30, 2008, the Corporation securitized $3.3 billion and $16.3 billion of credit card receivables resulting in $14 million and $62 million in gains (net of securitization transaction costs of $3 million and $15 million) which were recorded in card income. For the three and nine months ended September 30, 2007, the Corporation securitized $4.6 billion and $14.3 billion of credit card receivables resulting in $29 million and $71 million in gains (net of securitization transaction costs of $1 million and $11 million) which were recorded in card income. At September 30, 2008 and December 31, 2007, the aggregate debt securities outstanding for the Corporation s credit card securitization trusts were $100.5 billion and $101.3 billion.

At September 30, 2008, the Corporation held senior securities issued by its credit card securitization vehicles of $439 million (issued in 2008). There were no senior securities held at December 31, 2007. At September 30, 2008 and December 31, 2007, the Corporation held subordinated securities issued by its securitization vehicles of $2.2 billion ($1.8 billion issued in 2008) and $425 million (issued in 2007). All of these securities were classified as AFS debt securities and valued using quoted market prices at September 30, 2008 and December 31, 2007.

At September 30, 2008 and December 31, 2007, there were no recognized servicing assets or liabilities associated with any of these credit card securitization transactions.

Table of Contents

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) in credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

	Credit Card	
	September 30	December 31
(Dollars in millions)	**2008**	2007
Carrying amount of residual interests (at fair value) [1]	**$ 2,303**	$ 2,766
Balance of unamortized securitized loans	**102,048**	102,967
Weighted average life to call or maturity (in years)	**0.3**	0.3
Monthly payment rate	**10.3-14.3 %**	11.6-16.6 %
Impact on fair value of 10% favorable change	**$ 20**	$ 51
Impact on fair value of 25% favorable change	**64**	158
Impact on fair value of 10% adverse change	**(14)**	(35)
Impact on fair value of 25% adverse change	**(31)**	(80)
Weighted average of expected credit losses (annual rate)	**7.0 %**	5.3 %
Impact on fair value of 10% favorable change	**$ 209**	$ 141
Impact on fair value of 25% favorable change	**522**	374
Impact on fair value of 10% adverse change	**(165)**	(133)
Impact on fair value of 25% adverse change	**(173)**	(333)
Residual cash flows discount rate (annual rate)	**12.5 %**	11.5 %
Impact on fair value of 100 bps favorable change	**$ 2**	$ 9
Impact on fair value of 200 bps favorable change	**2**	13
Impact on fair value of 100 bps adverse change	**(4)**	(12)
Impact on fair value of 200 bps adverse change	**(10)**	(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 $37.3 billion and $126.1 billion for the three and nine months ended September 30, 2008 compared to $45.7 billion and $135.0 billion for the same periods in 2007. Contractual credit card servicing fee income totaled $544 million and $1.6 billion for the three and nine months ended September 30, 2008 compared to $526 million and $1.5 billion for the same periods in 2007. Other cash flows received on retained interests, such as cash flow from interest-only strips, were $1.4 billion and $4.6 billion for the three and nine months ended September 30, 2008 compared to $1.7 billion and $4.9 billion for the same periods in 2007, for credit card securitizations.

Table of Contents

Other Securitizations

In September 2008, the Corporation securitized $5.7 billion of automobile loans and recorded a loss of $33 million on the transaction. At September 30, 2008 aggregate debt securities outstanding for the Corporation s automobile securitization vehicle were $5.6 billion. At September 30, 2008, the Corporation held debt securities of $4.9 billion of which $1.6 billion were senior and $3.3 billion were subordinated and all were classified as AFS debt securities and valued using quoted market prices. The Corporation also held a residual asset of $35 million pertaining to this securitization. The Corporation did not securitize any automobile loans during the three and nine months ended September 30, 2007.

Managed Asset Quality Indicators

Portfolio balances, delinquency and historical loss amounts of the managed loans and leases portfolios at September 30, 2008 and December 31, 2007 and for the three and nine months ended September 30, 2008 and 2007, are presented in the following tables.

	September 30, 2008			December 31, 2007		
(Dollars in millions)	**Total Loans and Leases**	**Accruing Loans and Leases Past Due 90 Days or More [1]**	**Nonperforming Loans and Leases [1]**	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More	Nonperforming Loans and Leases
Residential mortgage [2]	**$ 256,989**	**$ 268**	**$ 4,638**	$ 274,949	$ 237	$ 1,999
Home equity	**151,938**	**-**	**2,049**	114,820	-	1,340
Discontinued real estate	**22,081**	**-**	**33**	n/a	n/a	n/a
Credit card domestic	**151,118**	**4,545**	**n/a**	151,862	4,170	n/a
Credit card foreign	**32,280**	**743**	**n/a**	31,829	714	n/a
Direct/Indirect consumer	**82,849**	**1,113**	**13**	76,538	745	8
Other consumer	**3,680**	**4**	**89**	4,170	4	95
Total consumer	**700,935**	**6,673**	**6,822**	654,168	5,870	3,442
Commercial domestic [3, 4]	**219,303**	**850**	**1,749**	208,297	546	1,004
Commercial real estate	**63,736**	**204**	**3,090**	61,298	36	1,099
Commercial lease financing	**22,416**	**45**	**35**	22,582	25	33
Commercial foreign	**32,951**	**5**	**48**	28,376	16	19
Total commercial	**338,406**	**1,104**	**4,922**	320,553	623	2,155
Total managed loans and leases excluding loans measured at fair value [5]	**1,039,341**	**7,777**	**11,744**	974,721	6,493	5,597

Total measured at fair value	**5,383**	**-**	**-**	4,590	-	-
Managed loans in securitizations	**(102,048)**	**(2,958)**	**n/a**	(102,967)	(2,757)	n/a
Total held loans and leases	**$ 942,676**	**$ 4,819**	**$ 11,744**	$ 876,344	$ 3,736	$ 5,597

(1) Balances do not include loans accounted for in accordance with SOP 03-3 even though the customer may be contractually past due. Loans accounted for in accordance with SOP 03-3 were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(2) Accruing loans and leases past due 90 days or more represent residential mortgage loans related to repurchases pursuant to the Corporation s servicing agreements with GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

(3) Includes small business commercial domestic loans.

(4) Includes small business commercial domestic accruing loans and leases past due 90 days or more of $598 million and $427 million and nonperforming loans and leases of $183 million and $152 million at September 30, 2008 and December 31, 2007.

(5) Does not include first mortgage and home equity securitizations that were part of the Countrywide acquisition. As of September 30, 2008, the total loans and leases related to these securitizations were $71.1 billion, with $4.9 billion in nonperforming loans and leases. At September 30, 2008 and December 31, 2007, the remaining other consumer and commercial loan securitization vehicles were not material to the Corporation.

n/a = not applicable

Table of Contents

	Three Months Ended September 30, 2008			Three Months Ended September 30, 2007		
(Dollars in millions)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)
Residential mortgage	$ 260,748	$ 242	0.37 %	$ 274,385	$ 13	0.02 %
Home equity	151,142	964	2.53	98,611	50	0.20
Discontinued real estate	22,031	(3)	(0.05)	n/a	n/a	n/a
Credit card domestic	153,037	2,643	6.87	142,369	1,707	4.76
Credit card foreign	33,371	353	4.21	29,633	317	4.24
Direct/Indirect consumer	85,392	845	3.94	72,978	353	1.92
Other consumer	3,723	106	11.36	4,322	78	7.18
Total consumer	709,444	5,150	2.89	622,298	2,518	1.61
Commercial domestic (2)	220,847	644	1.16	173,488	250	0.57
Commercial real estate	63,013	262	1.65	38,732	28	0.28
Commercial lease financing	22,585	8	0.13	20,044	(3)	(0.07)
Commercial foreign	32,376	46	0.56	24,560	(4)	(0.06)
Total commercial	338,821	960	1.13	256,824	271	0.42
Total managed loans and leases excluding loans measured at fair value (3)	1,048,265	6,110	2.32	879,122	2,789	1.26
Total measured at fair value	4,568	n/a	n/a	3,910	n/a	n/a
Managed loans in securitizations	(105,919)	(1,754)	6.59	(102,516)	(1,216)	4.71
Total held loans and leases	$ 946,914	$ 4,356	1.84 %	$ 780,516	$ 1,573	0.80 %

	Nine Months Ended September 30, 2008			Nine Months Ended September 30, 2007		
(Dollars in millions)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)
Residential mortgage	$ 262,478	$ 459	0.23 %	$ 260,469	$ 30	0.02 %
Home equity	129,402	2,383	2.46	94,179	95	0.13
Discontinued real estate	7,397	(3)	(0.05)	n/a	n/a	n/a
Credit card domestic	152,495	7,125				