BANK OF AMERICA CORP /DE/
Form 10-K
February 26, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[ü] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State or other jurisdiction of incorporation or organization:

Delaware

IRS Employer Identification No.:

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

class	**Name of each exchange on whic**
ck	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange
hares, each Representing a 1/1,000th interest in a share of on-Cumulative Preferred Stock, Series D	New York Stock Exchange
hares, each Representing a 1/1,000th interest in a share of ate Non-Cumulative Preferred Stock, Series E	New York Stock Exchange
hares, each Representing a 1/1,000th Interest in a Share of 8.20% Non-Cumulative Preferred Stock, Series H	New York Stock Exchange
hares, each Representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
hares, each Representing a 1/1,000th interest in a share of 7.25% Non-Cumulative Preferred Stock, Series J	New York Stock Exchange
Cumulative Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 1	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 2	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation 6.375% Non-Cumulative Preferred Stock, Series 3	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 4	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 5	New York Stock Exchange
hares, each representing a 1/40th interest in a share of Bank of America Corporation 6.70% Non-cumulative Perpetual Preferred Stock, Series 6	New York Stock Exchange
hares, each representing a 1/40th interest in a share of Bank of America Corporation 6.25% Non-cumulative Perpetual Preferred Stock, Series 7	New York Stock Exchange
hares, each representing a 1/1,200th interest in a share of Bank of America Corporation 8.625% Non-Cumulative Preferred Stock, Series 8	New York Stock Exchange
Preferred Securities of Countrywide Capital IV (and the guarantees related thereto)	New York Stock Exchange
al Securities of Countrywide Capital V (and the guarantees related thereto)	New York Stock Exchange
rities of BAC Capital Trust I (and the guarantee related thereto)	New York Stock Exchange
rities of BAC Capital Trust II (and the guarantee related thereto)	New York Stock Exchange
rities of BAC Capital Trust III (and the guarantee related thereto)	New York Stock Exchange
al Securities of BAC Capital Trust IV (and the guarantee related thereto)	New York Stock Exchange
ecurities of BAC Capital Trust V (and the guarantee related thereto)	New York Stock Exchange
ecurities of BAC Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
l Securities of BAC Capital Trust X (and the guarantee related thereto)	New York Stock Exchange
al Securities of BAC Capital Trust XII (and the guarantee related thereto)	New York Stock Exchange

e Preferred Hybrid Income Term Securities of BAC Capital Trust XIII (and the guarantee related thereto)	New York Stock Exchange
to Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIV (and the guarantee related thereto)	New York Stock Exchange

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Title of each class	Name of each exchange on which registered
Minimum Return Index EAGLES℠, due June 1, 2010, Linked to the Nasdaq-100 Index®	NYSE Amex
Minimum Return Index EAGLES®, due June 28, 2010, Linked to the S&P 500® Index	NYSE Amex
Minimum Return Return Linked Notes, due June 24, 2010, Linked to the Nikkei 225 Index	NYSE Amex
Minimum Return Basket EAGLES℠, due August 2, 2010, Linked to a Basket of Energy Stocks	NYSE Amex
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the Nasdaq-100 Index®	NYSE Amex
1.50% Index CYCLES™, due November 26, 2010, Linked to the S&P 500® Index	NYSE Amex
1.00% Index CYCLES™, due December 28, 2010, Linked to the S&P MidCap 400 Index	NYSE Amex
Return Linked Notes due June 28, 2010, Linked to the Nikkei 225 Index	NYSE Amex
1.00% Index CYCLES™, due January 28, 2011, Linked to a Basket of Health Care Stocks	NYSE Amex
Minimum Return Index EAGLES®, due January 28, 2011, Linked to the Russell 2000® Index	NYSE Amex
1.00% Basket CYCLES™, due May 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
Minimum Return Index EAGLES®, due June 25, 2010, Linked to the Dow Jones Industrial Average℠	NYSE Amex
1.50% Basket CYCLES™, due July 29, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
1.25% Index CYCLES™, due August 25, 2010, Linked to the Dow Jones Industrial Average℠	NYSE Amex
1.25% Basket CYCLES™, due September 27, 2011, Linked to a Basket of Four Indices	NYSE Amex
Minimum Return Basket EAGLES℠, due September 29, 2010, Linked to a Basket of Energy Stocks	NYSE Amex
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the S&P 500® Index	NYSE Amex
Minimum Return Index EAGLES®, due November 23, 2010, Linked to the Nasdaq-100 Index®	NYSE Amex
Minimum Return Index EAGLES®, due November 24, 2010, Linked to the CBOE China Index	NYSE Amex
1.25% Basket CYCLES™, due December 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
1.50% Index CYCLES™, due December 28, 2011, Linked to a Basket of Health Care Stocks	NYSE Amex
6 1/2% Subordinated InterNotes℠, due 2032	New York Stock Exchange
5 1/2% Subordinated InterNotes℠, due 2033	New York Stock Exchange
5 7/8% Subordinated InterNotes℠, due 2033	New York Stock Exchange
6% Subordinated InterNotes℠, due 2034	New York Stock Exchange
Minimum Return Index EAGLES®, due March 25, 2011, Linked to the Dow Jones Industrial Average℠	NYSE Amex
1.625% Index CYCLES™, due March 23, 2010, Linked to the Nikkei 225 Index	NYSE Amex
1.75% Index CYCLES™, due April 28, 2011, Linked to the S&P 500® Index	NYSE Amex
Return Linked Notes, due August 26, 2010, Linked to a Basket of Three Indices	NYSE Amex
Return Linked Notes, due June 27, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
Minimum Return Index EAGLES®, due July 29, 2010, Linked to the S&P 500® Index	NYSE Amex
Return Linked Notes, due January 28, 2011, Linked to a Basket of Two Indices	NYSE Amex
Minimum Return Index EAGLES®, due August 26, 2010, Linked to the Dow Jones Industrial Average℠	NYSE Amex
Return Linked Notes, due August 25, 2011, Linked to the Dow Jones EURO STOXX 50® Index	NYSE Amex
Minimum Return Index EAGLES®, due October 3, 2011, Linked to the S&P 500® Index	NYSE Amex

Minimum Return Index EAGLES®, due October 28, 2011, Linked to the AMEX Biotechnology Index	NYSE Amex
Return Linked Notes, due October 27, 2011, Linked to a Basket of Three Indices	NYSE Amex
Return Linked Notes, due November 22, 2010, Linked to a Basket of Two Indices	NYSE Amex
Minimum Return Index EAGLES®, due November 23, 2011, Linked to a Basket of Five Indices	NYSE Amex
Minimum Return Index EAGLES®, due December 27, 2011, Linked to the Dow Jones Industrial Average℠	NYSE Amex
0.25% Senior Notes Optionally Exchangeable Into a Basket of Three Common Stocks, due February 2012	NYSE Amex
Return Linked Notes, due December 29, 2011 Linked to a Basket of Three Indices	NYSE Amex
Bear Market Strategic Accelerated Redemption Securities®, Linked to the iShares® Dow Jones U.S. Real Estate Index Fund, due August 3, 2010	NYSE Arca, Inc.
Accelerated Return Notes℠, Linked to the S&P 500® Index, due April 5, 2010	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due February 1, 2011	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities® Linked to the S&P 500® Index, due January 11, 2012	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due December 23, 2011	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities® Linked to the S&P 500® Index, due December 5, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due November 26, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due December 2, 2014	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due November 28, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due October 28, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the Russell 2000® Index, due October 28, 2011	NYSE Arca, Inc.
Notes Linked to the S&P 500® Index, due October 4, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due September 27, 2013	NYSE Arca, Inc.
Accelerated Return Notes® Linked to the S&P 500® Index, due October 29, 2010	NYSE Arca, Inc.
Leveraged Index Return Notes®, Linked to the S&P 500® Index, due July 27, 2012	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due August 2, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due July 26, 2013	NYSE Arca, Inc.
Leveraged index Return Notes®, Linked to the S&P 500® Index, due June 29, 2012	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the iShares® FTSE/Xinhua 25 Index Fund, due June 1, 2011	NYSE Arca, Inc.
Accelerated Return Notes®, Linked to the S&P 500® Index, due July 30, 2010	NYSE Arca, Inc.
Leveraged Index Return Notes®, Linked to the S&P 500® Index, due June 1, 2012	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due June 1, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the Dow Jones Industrial Average℠, due May 31, 2013	NYSE Arca, Inc.
Capped Leveraged Index Return Notes®, Linked to the S&P 500® Index, due November 29, 2010	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the SPDR® Gold Trust, due May 3, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due April 25, 2014	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due April 5, 2011	NYSE Arca, Inc.
Bear Market Strategic Accelerated Redemption Securities®, Linked to the iShares® Dow Jones U.S. Real Estate Index Fund, due September 30, 2010	NYSE Arca, inc.
	NYSE Arca, Inc.

Market Index Target-Term Securities®, Linked to the S&P 500® Index, due March 28, 2014	
Capped Leveraged Index Return Notes®, Linked to the S&P 500® Index, due August 27, 2010	NYSE Arca, Inc.
Bear Market Strategic Accelerated Redemption Securities®, Linked to the S&P Small Cap Regional Banks Index, due August 31, 2010	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due March 1, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due February 28, 2014	NYSE Arca, Inc.
Accelerated Return Notes℠, Linked to the S&P 500® Index, due April 5, 2010	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due February 1, 2011	NYSE Arca, Inc.
Bear Market Strategic Accelerated Redemption Securities®, Linked to the iShares® Dow Jones U.S. Real Estate Index Fund, due August 3, 2010	NYSE Arca, Inc.

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Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No ü

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Rule 12b-2 of the Act). Yes No ü

The aggregate market value of the registrant s common stock (Common Stock) held by non-affiliates is approximately $114,282,338,121 (based on the June 30, 2009 closing price of Common Stock of $13.20 per share as reported on the New York Stock Exchange). As of February 24, 2010, there were 10,032,005,453 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document of the Registrant	**Form 10-K Reference Locations**
Portions of the 2010 Proxy Statement	PART III

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Bank of America Corporation and Subsidiaries

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Part I

Bank of America Corporation and Subsidiaries

Item 1. Business

General

Bank of America Corporation (together, with its consolidated subsidiaries, Bank of America, the Corporation, our company, we or us) is a Delaware corporation, a bank holding company and a financial holding company under the Gramm-Leach-Bliley Act. Our principal executive offices are located in the Bank of America Corporate Center, Charlotte, North Carolina 28255.

Bank of America is one of the world s largest financial institutions, serving individual consumers, small- and middle-market businesses, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Through our banking subsidiaries (the Banks) and various nonbanking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets*, *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*.

We are a global franchise, serving customers and clients around the world with operations in all 50 U.S. states, the District of Columbia and more than 40 foreign countries. As of December 31, 2009, the Bank of America retail banking footprint includes approximately 80 percent of the U.S. population, and in the United States, we serve approximately 59 million consumer and small business relationships with approximately 6,000 banking centers, more than 18,000 ATMs, nationwide call centers, and the leading online and mobile banking platforms. We have banking centers in 12 of the 15 fastest growing states and have leadership positions in eight of those states. We offer industry-leading support to approximately four million small business owners. We have the No. 1 U.S. retail deposits market share and are the No. 1 issuer of debit cards in the United States. We have the No. 2 market share in credit card products in the United States and we are the No. 1 credit card lender in Europe. We have approximately 8,900 mortgage loan officers and are the No. 1 mortgage servicer and No. 2 mortgage originator in the United States.

In addition, as of December 31, 2009, our commercial and corporate clients include 98 percent of the U.S. Fortune 1,000 and 82 percent of the Global Fortune 500 and we serve more than 11,000 issuer clients and 3,500 institutional investors. We are the No. 1 treasury services provider in the United States and a leading provider globally. With our acquisition of Merrill Lynch & Co., Inc. (Merrill Lynch) in 2009, we significantly enhanced our wealth management business and are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world. We have one of the largest wealth management businesses in the world with approximately 15,000 financial advisors and more than $2.1 trillion in net client assets, and we are a leading wealth manager for high-net-worth and ultra high net-worth clients. In addition, we have an economic ownership of approximately 34 percent in BlackRock, Inc., a publicly traded investment management company.

Additional information relating to our businesses and our subsidiaries is included in the information set forth in pages 27 through 42 of Item 7,

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and *Note 23 Business Segment Information* to the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data (Consolidated Financial Statements).

Bank of America s website is www.bankofamerica.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website at http://investor.bankofamerica.com under the heading SEC Filings as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). In addition, we make available on http://investor.bankofamerica.com under the heading Corporate Governance: (i) our Code of Ethics (including our insider trading policy); (ii) our Corporate Governance Guidelines; and (iii) the charter of each committee of our Board of Directors (the Board) (by clicking on the committee names under the Committee Composition link), and we also intend to disclose any amendments to our Code of Ethics, or waivers of our Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, on our website. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing to: Bank of America Corporation, Attention: Shareholder Relations Department, 101 South Tryon Street, NC1-002-29-01, Charlotte, North Carolina 28255.

Competition

We operate in a highly competitive environment. Our competitors include banks, thrifts, credit unions, investment banking firms, investment advisory firms, brokerage firms, investment companies, insurance companies, mortgage banking companies, credit card issuers, mutual fund companies and e-commerce and other internet-based companies in addition to those competitors discussed more specifically below. We compete with some of these competitors globally and with others on a regional or product basis. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience. Our ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate our existing employees, while managing compensation and other costs.

More specifically, our consumer banking business competes with banks, thrifts, credit unions, finance companies and other nonbank organizations offering financial services. Our commercial and large corporate lending businesses compete with local, regional and international banks and nonbank financial organizations. In the investment banking, wealth management, investment advisory and brokerage businesses, our nonbanking subsidiaries compete with U.S. and international commercial banking and investment banking firms, investment advisory firms, brokerage firms, investment companies, mutual funds, hedge funds, private equity funds, trust banks, multi-family offices, advice boutiques and other organizations offering similar services and other investment alternatives available to investors. Our mortgage banking business competes with

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banks, thrifts, mortgage brokers and other nonbank organizations offering mortgage banking and mortgage related services. Our card business competes in the United States and internationally with banks, consumer finance companies and retail stores with private label credit and debit cards.

We also compete actively for funds. A primary source of funds for the Banks is deposits, and competition for deposits includes other deposit-taking organizations, such as banks, thrifts and credit unions, as well as money market mutual funds. Investment banks and other entities that became bank holding companies and financial holding companies as a result of the recent financial crisis are also competitors for deposits. In addition, we compete for funding in the domestic and international short-term and long-term debt securities capital markets.

Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. This trend continued in 2008 and 2009 as the financial crisis caused additional mergers and asset acquisitions among industry participants. This trend toward consolidation has significantly increased the capital base and geographic reach of some of our competitors. This trend has also hastened the globalization of the securities markets. These developments could result in our remaining competitors gaining greater capital and other resources or having stronger local presences and longer operating histories outside the United States.

Our ability to expand certain of our banking operations in additional U.S. states remains subject to various federal and state laws. See Government Supervision and Regulation General below for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

Employees

As of December 31, 2009, there were approximately 284,000 full-time equivalent employees with Bank of America. Of these employees, 75,800 were employed within *Deposits*, 24,900 were employed within *Global Card Services*, 52,800 were employed within *Home Loans & Insurance*, 22,900 were employed within *Global Banking*, 17,600 were employed within *Global Markets* and 40,400 were employed within *GWIM*. The remainder were employed elsewhere within our company including various staff and support functions.

None of our domestic employees is subject to a collective bargaining agreement. Management considers our employee relations to be good.

Acquisition and Disposition Activity

As part of our operations, we regularly evaluate the potential acquisition of, and hold discussions with, various financial institutions and other businesses of a type eligible for financial holding company ownership or control. In addition, we regularly analyze the values of, and submit bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. We also regularly consider the potential disposition of certain of our assets, branches, subsidiaries or lines of businesses. As a general rule, we publicly announce any material acquisitions or dispositions when a definitive agreement has been reached.

On January 1, 2009, we completed the acquisition of Merrill Lynch. Additional information on our acquisitions and mergers is included in *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements which is incorporated herein by reference.

Government Supervision and Regulation

The following discussion describes, among other things, elements of an extensive regulatory framework applicable to bank holding companies, financial holding companies and banks and specific information about Bank of America. U.S. federal regulation of banks, bank holding companies and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund (DIF) rather than for the protection of stockholders and creditors. For additional information about recent regulatory programs, initiatives and legislation that impact us, see Regulatory Initiatives in the MD&A.

General

As a registered bank holding company and financial holding company, Bank of America Corporation is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (Federal Reserve Board). The Banks are organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (Comptroller or OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board and other federal and state regulatory agencies. In addition to banking laws, regulations and regulatory agencies, we are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect our operations and management and our ability to make distributions to stockholders. For example, our U.S. broker dealer subsidiaries are subject to regulation by and supervision of the SEC, the New York Stock Exchange and the Financial Industry Regulatory Authority (FINRA); our commodities businesses in the United States are subject to regulation by and supervision of the Commodities Futures Trading Commission (CFTC); and our insurance activities are subject to licensing and regulation by state insurance regulatory agencies.

Our non-U.S. businesses are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which the businesses operate. Our financial services operations in the United Kingdom are subject to regulation by and supervision of the Financial Services Authority (FSA).

A U.S. financial holding company, and the companies under its control, are permitted to engage in activities considered financial in nature as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations (including, without limitation, insurance and securities activities), and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. Unless otherwise limited by the Federal Reserve Board, a financial holding company may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, provided the financial holding company gives the Federal Reserve Board after-the-fact notice of the new activities. In addition, if the Federal Reserve Board finds that any of the Banks is not well capitalized or well managed, we would be required to enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements and which may contain additional limitations or conditions relating to our activities. The Gramm-Leach-Bliley Act also permits national banks, such as the Banks, to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC.

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U.S. bank holding companies (including bank holding companies that also are financial holding companies) also are required to obtain the prior approval of the Federal Reserve Board before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Banking and Branching Act), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state. At December 31, 2009, we controlled approximately 12 percent of the total amount of deposits of insured institutions in the United States. Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines to create interstate banks. The Interstate Banking and Branching Act also permits a bank to open new branches in a state in which it does not already have banking operations if such state enacts a law permitting de novo branching.

Changes in Regulations

Proposals to change the laws and regulations governing the banking and financial services industries are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies as well as by lawmakers and regulators in jurisdictions outside the United States where we operate. For example, in 2009, the U.S. Department of the Treasury (U.S. Treasury), the FDIC and the Federal Reserve Board developed programs and facilities designed to support the banking and financial services industries during the financial crisis. Congress and the U.S. government have continued to evaluate and develop legislation, programs and initiatives designed to, among other things, stabilize the financial and housing markets, stimulate the economy, including the U.S. government s foreclosure prevention program, and prevent future financial crises by further regulating the financial services industry. As a result of the financial crisis and challenging economic environment, we expect additional changes to be proposed and continued legislative and regulatory scrutiny of the financial services industry. The final form of any proposed programs or initiatives or related legislation, the likelihood and timing of any other future proposals or legislation, and the impact they might have on us cannot be determined at this time. For additional information regarding proposed regulatory and legislative initiatives, see Executive Summary Regulatory Overview in the MD&A.

Capital and Operational Requirements

The Federal Reserve Board, the OCC and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Tier 1 capital includes common shareholders equity, trust preferred securities, noncontrolling interests, qualifying preferred stock and any Common Equivalent Securities (CES), less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 capital includes subordinated debt that is

unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank s risk-based capital ratio to fall or remain below the required minimum. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents our qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent. Our Tier 1 and total risk-based capital ratios under these guidelines at December 31, 2009 were 10.40 percent and 14.66 percent. At December 31, 2009, we had no subordinated debt that qualified as Tier 3 capital. While not an explicit requirement of law or regulation, bank regulatory agencies have stated that they expect common capital to be the primary component of a financial holding company s Tier 1 capital and that financial holding companies should maintain a Tier 1 common capital ratio of at least 4%. The Tier 1 common capital ratio is determined by dividing Tier 1 common capital by risk weighted assets. We calculate Tier 1 common capital as Tier 1 capital, which includes CES, less preferred stock, trust preferred securities, hybrid securities and noncontrolling interest. As of December 31, 2009, our Tier 1 common capital ratio was 7.81 percent.

The leverage ratio is determined by dividing Tier 1 capital by adjusted quarterly average total assets, after certain adjustments. Well-capitalized bank holding companies must have a minimum Tier 1 leverage ratio of three percent and not be subject to a Federal Reserve Board directive to maintain higher capital levels. Our leverage ratio at December 31, 2009 was 6.91 percent, which exceeded our leverage ratio requirement.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital-raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank s compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent s general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation, and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well capitalized institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage

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ratio of at least five percent and not be subject to a capital directive order. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2009.

Regulators also must take into consideration: (a) concentrations of credit risk; (b) interest rate risk; and (c) risks from non-traditional activities, as well as an institution s ability to manage those risks, when determining the adequacy of an institution s capital. This evaluation is made as a part of the institution s regular safety and soundness examination. In addition, Bank of America Corporation, and any Bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

In addition, in June 2004, the Basel Committee on Banking Supervision published Basel II, which is designed to address credit risk, market risk and operational risk in the international banking markets. In December 2007, U.S. banking regulators published Basel II final rules which require us and certain of our U.S. Banks to implement Basel II. In December 2009, the Basel Committee on Banking Supervision released consultative documents on both capital and liquidity. Additionally, U.S. banking regulators continue to refine market risk requirements, which also have a regulatory capital impact. Revised requirements have not been issued but are expected in 2010. For additional information regarding these regulatory initiatives and proposals, see Executive Summary Regulatory Overview in the MD&A and *Note 16 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Distributions

Our funds for cash distributions to our stockholders are derived from a variety of sources, including cash and temporary investments. The primary source of such funds, and funds used to pay principal and interest on our indebtedness, is dividends received from the Banks. Each of the Banks is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof.

In addition, the ability of Bank of America Corporation and the Banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. The right of Bank of America Corporation, our stockholders and our creditors to participate in any distribution of the assets or earnings of our subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

For additional information regarding the requirements relating to the payment of dividends, including the minimum capital requirements, see *Note 15 Shareholders Equity and Earnings Per Common Share* and *Note 16 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Source of Strength

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC either as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default the other Banks may be assessed for the FDIC s loss, subject to certain exceptions.

Deposit Insurance

Deposits placed at the U.S. Banks are insured by the FDIC subject to limits and conditions of applicable law and the FDIC s regulations. In 2009, FDIC insurance coverage limits were temporarily increased from $100,000 to $250,000 per customer until December 31, 2013. The FDIC administers the DIF, and all insured depository institutions are required to pay assessments to the FDIC that fund the DIF. Assessments are required if the ratio of the DIF to insured deposits in the United States falls below 1.15%. As a result of the ongoing instability in the economy and the failure of other U.S. depository institutions, the DIF ratio currently is below the required level and the FDIC has adopted a restoration plan that will result in substantially higher deposit insurance assessments for all depository institutions over the coming years. On December 30, 2009, the FDIC required all depository institutions to prepay deposit insurance assessments for the next three years in order to provide liquidity to the DIF. Deposit insurance assessment rates are subject to change by the FDIC and will be impacted by the overall economy and the stability of the banking industry as a whole.

Transactions with Affiliates

The U.S Banks are subject to restrictions under federal law that limit certain types of transactions between the Banks and their non-bank affiliates. In general, the U.S Banks are subject to quantitative and qualitative limits on extensions of credit, purchases of assets and certain other transactions involving Bank of America and its non-bank affiliates. Transactions between the U.S. Banks and their nonbank affiliates are required to be on arms length terms.

Privacy and Information Security

We are subject to many U.S., state and international laws and regulations governing requirements for maintaining policies and procedures to protect the non-public confidential information of our customers. The Gramm-Leach-Bliley Act requires the Banks to periodically disclose Bank of America s privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to market to affiliates and non-affiliates under certain circumstances.

Additional Information

See also the following additional information which is incorporated herein by reference: Net Interest Income (under the captions Financial Highlights Net Interest Income and Supplemental Financial Data in the MD&A and Tables I, II and XIII of the Statistical Tables); Securities (under the caption Balance Sheet Analysis Debt Securities and Market Risk Management Interest Rate Risk Management for Nontrading Activities Securities in the MD&A and *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities* to the Consolidated Financial Statements); Outstanding Loans and Leases (under the caption Balance Sheet Analysis Loans and Leases and Credit Risk Management in the MD&A, Table IV of the Statistical Tables, and *Note 1 Summary of Significant Accounting Principles* and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements); Deposits (under the caption Balance Sheet Analysis Deposits and Liquidity Risk and Capital Management Funding and Liquidity Risk Management in the MD&A and *Note 11 Deposits* to the Consolidated Financial Statements); Short-term Borrowings (under the caption Balance Sheet Analysis Commercial Paper and Other Short-term Borrowings and Liquidity Risk and Capital Management Funding and Liquidity Risk Management in the MD&A, Table IX of the Statistical Tables and *Note 12 Short-term Borrowings* and *Note 13 Long-term Debt* to the Consolidated Financial Statements); Trading Account Assets and Liabilities (under the caption Balance Sheet

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Analysis Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell , Balance Sheet Analysis Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase and Market Risk Management Trading Risk Management in the MD&A and *Note 3 Trading Account Assets and Liabilities* to the Consolidated Financial Statements); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk and Capital Management in the MD&A); Compliance Risk Management (under the Caption Compliance Risk Management in the MD&A) and Operational Risk Management (under the caption Operational Risk Management in the MD&A); and Performance by Geographic Area (under *Note 25 Performance by Geographical Area* to the Consolidated Financial Statements).

Item 1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors which are particularly relevant to us in the current period of significant economic and market disruption. Other factors besides those discussed below or elsewhere in this report could also adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect us.

Our businesses and earnings have been, and may continue to be, negatively affected by adverse business and economic conditions. Our businesses and earnings are affected by general business and economic conditions in the United States and abroad. Given the concentration of our business activities in the United States, we are particularly exposed to downturns in the U.S. economy. For example, as a result of the challenging economic environment there continues to be a greater likelihood that an elevated number of our customers or counterparties will become delinquent on their loans or other obligations to us, which, in turn, may continue to result in a high level of charge-offs and provision for credit losses, all of which would adversely affect our earnings and capital levels.

General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, and the strength of the U.S. economy and the other economies in which we operate. The deterioration of any of these conditions can adversely affect our consumer and commercial businesses and securities portfolios, as well as our earnings.

In 2009, weak economic conditions in the United States and abroad continued to adversely affect many of our businesses as well as our earnings. Dramatic declines in the housing market, with falling home prices and increasing foreclosures, and rising unemployment and underemployment, have further negatively impacted the demand for many of our products and the credit performance of our consumer and commercial portfolios. In addition, these conditions resulted in significant write-downs of asset values in several asset classes, notably mortgage-backed securities, commercial real estate and leveraged loans and exposure to monoline insurers. While there are early indications that the U.S. economy is stabilizing, the performance of our overall consumer and commercial portfolios may not significantly improve in the near future. A protracted continuation or worsening of these difficult business or economic conditions would likely exacerbate the adverse effects on us.

We have sold and continue to sell mortgage and other loans, including mortgage loans to third-party buyers and to the Federal National Mortgage

Association and Federal Home Loan Mortgage Corporation, under agreements that contain representations and warranties related to, among other things, the process for selecting the loans for inclusion in a sale and compliance with applicable criteria established by the buyer. We also have indirect exposure with respect to our mortgage and other loan sales as a result of credit protection provided by monoline financial guarantors. We have experienced and continue to experience increasing repurchase demands from and disputes with these buyers and monoline financial guarantors. In the event we are required to repurchase these mortgage and other loans or provide indemnification or other recourse, this could significantly increase our losses and thereby affect our future earnings.

Additional factors which could reduce our earnings include, among other things, lower residual net interest income as a result of a decision to deleverage our asset and liability management portfolio, higher than expected losses on our purchased impaired portfolio and compliance with governmental foreclosure prevention and loan modification initiatives.

We are a diversified financial services company providing consumer and commercial banking, credit card, mortgage, investment banking and capital markets trading services and investment services. Although we believe this diversity generally assists us in lessening the effect of a downturn in any of our businesses, it also means that our earnings could be adversely affected by the downturn to the extent not fully offset by any of our other businesses.

For a further discussion of the economic downturn and the resulting adverse impact on our credit performance, see Executive Summary, Financial Highlights and Credit Risk Management in the MD&A.

Our increased credit risk could result in higher credit losses and reduced earnings. When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their agreements. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation s largest lenders, the credit quality of our consumer and commercial portfolios has a significant impact on our earnings. Current negative economic conditions are likely to continue to increase our credit exposure to third parties who may be more likely to default on their obligations to us. This increased credit risk could adversely affect our consumer credit card, home equity, consumer real estate and purchased impaired portfolios, among others, including causing increases in delinquencies and default rates, which we expect will continue to impact our charge-offs and provision for credit losses. In addition, this could also adversely affect our commercial loan portfolios where we have experienced increased losses, particularly in our commercial real estate and commercial domestic portfolios, reflecting broad based deteriorations across industries, property types and borrowers.

We estimate and establish reserves for credit risks and credit losses inherent in our lending activities (including unfunded lending commitments), excluding those measured at fair value under the fair value option. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how our borrowers will react to those conditions. Our ability to assess future economic conditions or the creditworthiness of our customers is imperfect. The ability of our borrowers to repay their loans will likely be impacted by changes in economic conditions, which in turn could impact the accuracy of our forecasts. As with any such assessments, there is also the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. In addition, we may underestimate the credit losses in our loan portfolios and suffer unexpected losses if the models and approaches we use to establish reserves and make judgments in extending credit to our bor -

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rowers and other counterparties become less predictive of future behaviors, valuations, assumptions or estimates.

In the ordinary course of our business, we also may be subject to a concentration of credit risk to a particular industry, country, counterparty, borrower or issuer. A deterioration in the financial condition or prospects of a particular industry or a failure or downgrade of, or default by, any particular entity or group of entities could negatively impact our businesses, perhaps materially, and the systems by which we set limits and monitor the level of our credit exposure to individual entities, industries and countries may not function as we have anticipated. While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and insurers. This has resulted in significant credit concentration with respect to this industry.

We have concentration of credit risk with respect to our consumer real estate, consumer credit card and commercial real estate portfolios, which represent a large percentage of our overall credit portfolio. The current financial crisis and economic slowdown has adversely affected these portfolios and further exposed us to this concentration of risk. Continued economic weakness or deterioration in real estate values or household incomes could result in materially higher credit losses.

For a further discussion of credit risk and our credit risk management policies and procedures, see Credit Risk Management in the MD&A and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Adverse changes in legislative and regulatory initiatives may significantly impact our earnings, operations, capital position and ability to pursue business opportunities. We are heavily regulated by regulatory agencies at the federal, state and international levels. As a result of the recent financial crisis and economic downturn, we have faced and expect to continue to face increased regulation and regulatory and political scrutiny, which creates significant uncertainty for us and the financial services industry in general.

In 2009, several major regulatory and legislative initiatives were adopted that will have significant future impacts on our businesses and financial results. For instance, in November 2009, the Federal Reserve Board issued amendments to Regulation E, which implements the Electronic Fund Transfer Act. The new rules have a compliance date of July 1, 2010. These amendments change, among other things, the way we and other banks may charge overdraft fees by limiting our ability to charge an overdraft fee for automated teller machine and one-time debit card transactions that overdraw a consumer s account, unless the consumer affirmatively consents to payment of overdrafts for those transactions. In connection with the amendments, we announced a program that allowed customers to opt out of overdraft services prior to the effective date of the amendments. In addition, in May 2009, the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 was enacted that provides for comprehensive reform related to credit card industry practices, including (1) significantly restricting banks ability to change interest rates and assess fees to reflect individual consumer risk, (2) changing the way payments are applied and (3) requiring changes to consumer credit card disclosures. As a result, as we announced in October 2009, we did not increase interest rates on consumer credit accounts in response to provisions in the CARD Act prior to its effective date, unless a customer s account fell past due or was based on a variable interest rate. The most significant provisions of the CARD Act took effect in February 2010. Complying with the Regulation E amendments and the CARD Act requires us to invest significant management attention and resources to make the necessary disclosure and systems changes and will likely adversely affect our earnings.

Federal banking regulatory agencies may from time to time require that we change our required capital levels, including maintaining capital above

minimum levels. In January 2010, U.S. banking regulators issued a final rule regarding risk-based capital that eliminates the exclusion of certain asset- backed commercial paper (ABCP) program assets from risk-weighted assets. As a result of the new rules, as with all other consolidated variable interest entities, a banking organization is required to include the assets of a consolidated ABCP program in risk-weighted assets. The new rules would also eliminate the associated provision in the general risk-based capital rules that excludes from Tier 1 capital the noncontrolling interest in a consolidated ABCP program not included in a banking organization s risk-weighted assets. Beginning with reporting for the quarter ended March 31, 2010, we will be required to risk-weight the underlying assets of ABCP conduits as well as the contractual exposures (e.g. liquidity facilities).

In conjunction with the federal banking regulatory agencies Supervisory Capital Assessment Program (SCAP) conducted in May 2009, we were required to increase Tier 1 common capital by approximately $33.9 billion. Additionally, in order to repay the $45 billion investment in our preferred stock previously made under the Trouble Asset Relief Program (TARP) by the U.S. Treasury, in December 2009, we raised approximately $19.3 billion in gross proceeds in an offering of CES and agreed to increase equity by $3 billion through asset sales by June 30, 2010 and raise up to approximately $1.7 billion through the issuance of restricted stock in lieu of a portion of incentive cash compensation to certain Bank of America associates as part of normal year-end incentive payments. For a further discussion of the CES, see Executive Summary TARP Repayment in the MD&A.

In July 2009, the Basel Committee on Banking Supervision released a consultative document that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies are currently evaluating the proposed rulemaking and related impacts before establishing final rules. As a result, we cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision released consultative documents on both capital and liquidity. If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold, by disqualifying certain instruments that previously have qualified as Tier 1 capital. The proposal currently includes a leverage ratio and increased liquidity and disclosure requirements. The leverage ratio could prove more restrictive than a risk-based measure while the liquidity requirement could result in banks holding greater levels of lower yielding instruments as a percentage of their assets. The proposal could also increase the capital charges imposed on certain assets, potentially making certain businesses more expensive to conduct. U.S. regulatory agencies have not opined on these proposals for U.S. implementation. We continue to assess the potential impact of this proposal. If we are required to increase our regulatory capital as a result of these or other regulatory or legislative initiatives, we may be required among other things to issue additional shares of common stock, which could dilute our existing stockholders.

As a result of the financial crisis, the financial services industry is facing the possibility of legislative and regulatory changes that would impose significant, adverse changes on its ability to serve both retail and wholesale customers. A proposal is currently being considered to levy a tax or fee on financial institutions with assets in excess of $50 billion to repay the costs of TARP, although the proposed tax would continue even after those costs are repaid. If enacted as proposed, the tax could significantly affect our earnings, either by increasing the costs of our liabilities or causing us to reduce our assets. It remains uncertain whether the tax will be enacted, to whom it would apply, or the amount of the tax we would be required to pay. It is also unclear the extent to which the costs of such a tax could be recouped through higher pricing.

In addition, various proposals for broad-based reform of the financial regulatory system are pending. A majority of these proposals would not disrupt our core businesses, but a proposal could ultimately be adopted that adversely affects certain of our businesses. The proposals would require divestment of certain proprietary trading activities, or limit private equity investments. Other proposals, which include limiting the scope of an institution s derivatives activities, or forcing certain derivatives activities to be traded on exchanges, would diminish the demand for, and profitability of, certain businesses. Several other proposals would require issuers to retain unhedged interests in any asset that is securitized, potentially severely restricting the secondary market as a source of funding for consumer or commercial lending. There are also numerous proposals pending on how to resolve a failed systemically important institution. Following the passage of a bill in the U.S. House of Representatives and the possibility of similar provisions in a U.S. Senate bill, one ratings agency has placed us and other banks on negative outlook, and therefore adoption of such provisions may adversely affect our access to credit markets.

In addition, other countries, including the United Kingdom and France, have proposed and in some cases adopted certain reforms targeted at financial institutions, including, but not limited to, increased capital and liquidity requirements for local entities, including regulated U.K. subsidiaries of foreign bank holding companies and other financial institutions as well as branches of foreign banks located in the United Kingdom, the creation and production of recovery and resolutions plans (commonly referred to as living wills) by such entities, and a significant payroll tax on bank bonuses paid to employees over a certain threshold.

There can be no assurance as to whether or when any of the parts of these or other proposals will be enacted, and if enacted, what the final initiatives will consist of and what the ultimate impact on us will be.

We also may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the DIF and reduced the ratio of reserves to insured deposits, which could increase our noninterest expense and reduce our earnings.

For more information on these and other legislative and regulatory initiatives, see Regulatory Initiatives in the MD&A.

In addition, Congress is currently considering reinstating income tax provisions whereby a majority of the income of certain foreign subsidiaries would not be subject to current U.S. income tax as a result of long-standing deferral provisions applicable to active finance income. These provisions, which in the past have expired and been extended, expired again for taxable years beginning on or after January 1, 2010. Absent an extension of these provisions, active financing income earned by our foreign subsidiaries during 2010 will generally be subject to a tax provision that considers the incremental U.S. income tax. The impact of the expiration of the provisions should they not be extended could be significant. The exact impact would depend upon the amount, composition and geographic mix of our future earnings. For more information on these provisions, see Financial Highlights Income Tax Expense in the MD&A.

Compliance with current or future legislative and regulatory initiatives could require us to change certain of our business practices, impose significant additional costs on us, limit the products that we offer, result in a significant loss of revenue, limit our ability to pursue business opportunities in an efficient manner, require us to increase our regulatory capital, cause business disruptions, impact the value of assets that we hold or otherwise adversely affect our business, results of operations or financial condition. We have recently witnessed the introduction of an ever-increasing number of regulatory proposals that could substantially impact us and others in the financial services industry. The extent of changes imposed by, and frequency of adoption of, any regulatory initiatives could make it more difficult for us to comply in a timely manner, which could further limit our operations, increase compliance costs or divert management attention or other resources. The long-term impact of legislative and

regulatory initiatives on our business practices and revenues will depend upon the successful implementation of our strategies, consumer behavior, and competitors responses to such initiatives, all of which are difficult to predict.

We could suffer losses as a result of the actions of or deterioration in the commercial soundness of other financial services institutions and counterparties, including as a result of derivatives transactions. Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other market participants. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Financial services institutions and other counterparties are inter-related because of trading, funding, clearing or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to future losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, our credit risk may be impacted when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivatives exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

We are party to a large number of derivatives transactions, including credit derivatives. Many of these derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling some positions difficult. Many credit derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold, and may not be able to obtain, the underlying security, loan or other obligation. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us.

Derivatives contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While a transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of default may find it more difficult to enforce the contract. In addition, as new and more complex derivatives products have been created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts may arise, which could impair our ability to effectively manage our risk exposures from these products and subject us to increased costs. For a further discussion of our derivatives exposure, see *Note 4 -- Derivatives* to the Consolidated Financial Statements.

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial results. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the reported value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain.

Recently, the Financial Accounting Standards Board (FASB) and other regulators have adopted new guidance or rules relating to financial accounting or regulatory capital standards such as, among other things, the rules related to fair value accounting and new FASB guidance on consolidation of variable interest entities. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our independent registered public accounting firm) may amend or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the Corporation restating prior period financial statements. For a further discussion of some of our critical accounting policies and standards and recent accounting changes, see Regulatory Initiatives and Complex Accounting Estimates in the MD&A and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Our ability to attract and retain customers and employees could be adversely affected to the extent our reputation is harmed. Our ability to attract and retain customers and employees could be adversely affected to the extent our reputation is damaged. Our actual or perceived failure to address various issues could give rise to reputational risk that could cause harm to us and our business prospects, including failure to properly address operational risks. These issues also include, but are not limited to, legal and regulatory requirements; privacy; properly maintaining customer and associate personal information; record keeping; money-laundering; sales and trading practices; ethical issues; appropriately addressing potential conflicts of interest; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products.

We are also facing enhanced public and regulatory scrutiny resulting from the financial crisis, including the U.S. Treasury s previous investment in our preferred stock, our acquisition of Merrill Lynch, modification of mortgages, volume of lending, compensation practices and the suitability of certain trading and investment businesses. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions, reputational harm and legal risks, which could among other consequences increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

We face substantial potential legal liability and significant regulatory action, which could have materially adverse financial consequences or cause significant reputational harm to us. We face significant legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against us and other financial institutions remain high and are increasing. Increased litigation costs, substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously impact our business prospects. In addition, we face increased litigation risk and regulatory scrutiny as a result of the Merrill Lynch and Countrywide acquisitions. As a result of current economic conditions and the increased level of defaults over the prior couple of years, we have continued to experience increased litigation and other disputes with counterparties regarding relative rights and responsibilities. These litigation and regulatory matters and any related settlements could adversely impact our earnings and lead to volatility of our stock price. For a further discussion of litigation risks, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Our liquidity could be impaired by our inability to access the capital markets on favorable terms. Liquidity is essential to our businesses. Under normal business conditions, primary sources of funding for Bank of America Corporation include dividends received from banking and nonbanking subsidiaries and proceeds from the issuance of securities in the capital markets. The primary sources of funding for our banking subsidiaries include customer deposits and wholesale market-based funding. Our liquidity could be impaired by an inability to access the capital markets or by unforeseen outflows of cash, including deposits. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption, negative views about the financial services industry generally, or an operational problem that affects third parties or us. Our

ability to raise certain types of funds as a result of the recent financial crisis has been and could continue to be adversely affected by conditions in the United States and international markets and economies. In 2009, global capital and credit markets continued to experience volatility and disruptions. As a result, we utilized several temporary U.S. government liquidity programs to enhance our liquidity position. Our ability to engage in securitization funding transactions on favorable terms could be adversely affected by continued or subsequent disruptions in the capital markets or other events, including actions by ratings agencies or deteriorating investor expectations.

Our credit ratings and the credit ratings of our securitization trusts are important to our liquidity. The ratings agencies regularly evaluate us and our securities, and their ratings of our long-term and short-term debt and other securities, including asset securitizations, are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. During 2009, the ratings agencies took numerous actions to adjust our credit ratings and outlooks, many of which were negative. The ratings agencies have indicated that our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. In February 2010, Standard & Poor s affirmed our current credit ratings but revised the outlook to negative from stable, based on their belief that it is less certain whether the U.S. government would be willing to provide extraordinary support. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that we will maintain our current ratings. Failure to maintain those ratings could adversely affect our liquidity and competitive position by materially increasing our borrowing costs and significantly limiting our access to the funding or capital markets, including securitizations. A reduction in our credit ratings also could have a significant impact on certain trading revenues, particularly in those businesses where counterparty credit worthiness is critical. In connection with certain trading agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

For a further discussion of our liquidity position and other liquidity matters, including ratings and outlooks and the policies and procedures we use to manage our liquidity risks, see Liquidity Risk and Capital Management in the MD&A.

Changes in financial or capital market conditions could cause our earnings and the value of our assets to decline. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. As a result, we are directly and indirectly affected by changes in market conditions. For example, we rely on bank deposits for a low cost and stable source of funding for the loans that we make. However, changes in interest rates on bank deposits could adversely affect our net interest margin the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding which could in turn affect our net interest income and earnings.

Market risk is inherent in the financial instruments associated with our operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities and derivatives. Just a few of the market conditions that may change from time to time, thereby exposing us to market risk, include changes in interest and currency exchange rates, equity and futures prices, the implied volatility of interest rates, credit spreads and price deterioration or changes in value due to changes in market perception or actual credit quality of either the issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on our results of operations and our overall financial condition. We also may incur significant unrealized gains or losses as a result of changes in our credit spreads or those of third parties, which may affect the fair value of our derivatives instruments and debt securities that we hold or issue.

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Our models and strategies we use to assess and control our risk exposures are subject to inherent limitations. For example, our models, which rely on historical trends and assumptions, may not be sufficiently predictive of future results due to limited historical patterns, extreme or unanticipated market movements and illiquidity, especially during severe market downturns or stress events. The models that we use to assess and control our risk exposures also reflect assumptions about the degree of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, such as the market conditions experienced in 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets. To the extent that we make investments directly in securities that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with such positions.

For a further discussion of market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A.

Adverse changes in the value of certain of our assets and liabilities could adversely impact our earnings. We have a large portfolio of financial instruments that we measure at fair value, including among others certain corporate loans and loan commitments, loans held-for-sale, structured reverse repurchase agreements and long-term deposits. We also have trading account assets and liabilities, derivatives assets and liabilities, available-for-sale debt and marketable equity securities, consumer-related mortgage servicing rights (MSRs) and certain other assets that are valued at fair value. We determine the fair values of these instruments based on the fair value hierarchy under applicable accounting guidance. The fair values of these financial instruments include adjustments for market liquidity, credit quality and other deal specific factors, where appropriate.

Gains or losses on these instruments can have a direct and significant impact on our earnings, unless we have effectively hedged our exposures. For example, changes in interest rates, among other things, can impact the value of our MSRs and can result in substantially higher or lower mortgage banking income and earnings, depending upon our ability to fully hedge the performance of our MSRs. Fair values may be impacted by declining values of the underlying assets or the prices at which observable market transactions occur and the continued availability of these transactions. The financial strength of counterparties, such as monoline financial guarantors, with whom we have economically hedged some of our exposure to these assets, also will affect the fair value of these assets. Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading activity for these assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may increase our risk-weighted assets which requires us to maintain additional capital and increases our funding costs.

As previously disclosed on a current report on Form 8-K, in connection with the $2.8 billion in cash-settled restricted stock units awarded to some associates as part of their year-end compensation, we may recognize additional expense as a result of changes in the price of our common stock during the vesting period to the extent we do not effectively hedge this exposure. The awards of cash-settled restricted stock units are stock-based compensation paid out over time based on the price of

our common stock. Although we currently plan to make those payments in cash, we have reserved the right to make some or all of the payments in shares of our common stock.

Asset values also directly impact revenues in our asset management business. We receive asset-based management fees based on the value of our clients portfolios or investments in funds managed by us and, in some cases, we also receive incentive fees based on increases in the value of such investments. Declines in asset values can reduce the value of our clients portfolios or fund assets, which in turn can result in lower fees earned for managing such assets.

Our ability to successfully identify and manage our compliance and other risks is an important factor that can significantly impact our results. We seek to monitor and control our various risk exposures through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic, financial or regulatory outcome or the specifics or timing of such outcomes. Accordingly, our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. Recent economic conditions, increased legislative and regulatory scrutiny and increased complexity of our operations, among other things, have increased and made it more difficult for us to manage our operational, compliance and other risks. For a further discussion of our risk management policies and procedures, see Managing Risk in the MD&A.

We may be unable to compete successfully as a result of the evolving financial services industry and market conditions. We operate in a highly competitive environment. Over time, there has been substantial consolidation among companies in the financial services industry, and this trend accelerated in 2008 and 2009 as the credit crisis led to numerous mergers and asset acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. This trend has also hastened the globalization of the securities and financial services markets. We will continue to experience intensified competition as further consolidation in the financial services industry in connection with current market conditions may produce larger and better-capitalized companies that are capable of offering a wider array of financial products and services at more competitive prices. To the extent we expand into new business areas and new geographic regions, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to compete. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. Increased competition may affect our results by creating pressure to lower prices on our products and services and reducing market share.

Our continued ability to compete effectively in our businesses, including management of our existing businesses and expansion into new businesses and geographic areas, depends in part on our ability to retain and motivate our existing employees and attract new employees. We face significant competition for qualified employees both within and outside the financial services industry, including foreign-based institutions and institutions not subject to compensation or hiring restrictions imposed under any U. S. government initiatives or not subject to the same regulatory scrutiny. This is particularly the case in emerging markets, where we are often competing for qualified employees with entities that may have a significantly greater presence or more extensive experience in the region. A substantial portion of our annual bonus compensation paid to our senior employees has in recent years been paid in the form of long-term awards. The value of long-term equity awards to senior employees generally

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has been impacted by the significant decline in the market price of our common stock. We also reduced the number of employees across nearly all of our businesses in 2008 and 2009. In addition, the consolidation in the financial services industry has intensified the inherent challenges of cultural integration between differing types of financial services institutions. The combination of these events could have a significant adverse impact on our ability to retain and hire the most qualified employees.

Our inability to successfully integrate, or realize the expected benefits from, our recent acquisitions could adversely affect our results. There are significant risks and uncertainties associated with mergers. We have made several significant acquisitions in the last several years, including our acquisition of Merrill Lynch, and there is a risk that integration difficulties or a significant decline in asset valuations or cash flows may cause us not to realize expected benefits from the transactions and may affect our results, including adversely impacting the carrying value of the acquisition premium or goodwill. In particular, the success of the Merrill Lynch acquisition will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of Bank of America and Merrill Lynch. To realize these anticipated benefits and cost savings, we must continue to successfully integrate our businesses, systems and operations. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the acquisition may not be realized fully or may take longer to realize than expected. For example, we may fail to realize the growth opportunities and cost savings anticipated to be derived from the acquisition. Our ability to achieve these objectives has also been made more difficult as a result of the substantial challenges that we are facing in our businesses because of the current economic environment.

In addition, it is possible that the integration process could result in disruption of our and Merrill Lynch s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain sufficiently strong relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the acquisition. Integration efforts may also divert management attention and resources. These integration matters could have an adverse effect on us for an undetermined period. We will be subject to similar risks and difficulties in connection with any future acquisitions or decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

We may be adversely impacted by business, economic and political conditions in the non-U.S. jurisdictions in which we operate. We do business throughout the world, including in developing regions of the world commonly known as emerging markets. Our acquisition of Merrill Lynch has significantly increased our exposure to a number of risks in non-U.S. jurisdictions, including economic, market, reputational, operational, litigation and regulatory risks. Our businesses and revenues derived from non-U.S. jurisdictions are subject to risk of loss from currency fluctuations, social or judicial instability, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, unfavorable political and diplomatic developments and changes in legislation. Also, as in the United States, many non-U.S. jurisdictions in which we do business have been negatively impacted by recessionary conditions. While a number of these jurisdictions are showing signs of recovery, others continue to experience increasing levels of stress. In addition, the risk of default on sovereign debt in some non-U.S. jurisdictions is increasing and could expose us to losses.

In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market or manage our relationships with multiple regulators in various jurisdictions. Our inability to remain in compliance with local laws in a particular market and manage our relationships with regulators could have a significant and negative effect not only on our business in that market but also on our reputation generally.

In addition, our revenues from emerging markets are particularly exposed to severe political, economic and financial disruptions, including significant currency devaluations, currency exchange controls and low or negative economic growth rates.

We also invest or trade in the securities of corporations and governments located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. Furthermore, the impact of these fluctuations could be magnified, because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.

We are subject to geopolitical risks, including acts or threats of terrorism, and actions taken by the U.S. or other governments in response and/or military conflicts, that could adversely affect business and economic conditions abroad as well as in the United States.

For a further discussion of our foreign credit and trading portfolio, see Credit Risk Management Foreign Portfolio in the MD&A.

Changes in governmental fiscal and monetary policy could adversely affect our businesses. Our businesses and earnings are affected by domestic and international fiscal and monetary policy. For example, the Federal Reserve Board regulates the supply of money and credit in the United States and its policies determine in large part our cost of funds for lending, investing and capital raising activities and the return we earn on those loans and investments, both of which affect our net interest margin. The actions of the Federal Reserve Board also can materially affect the value of financial instruments we hold, such as debt securities and MSRs, and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings are also affected by the fiscal or other policies that are adopted by various U.S. regulatory authorities, non-U.S. governments and international agencies. Changes in domestic and international fiscal and monetary policies are beyond our control and difficult to predict.

We may suffer losses as a result of operational risk or technical system failures. The potential for operational risk exposure exists throughout our organization. Integral to our performance is the continued efficacy of our internal processes, systems, relationships with third parties and the vast array of associates and key executives in our day-to-day and ongoing operations, including losses resulting from unauthorized trades by any associates. Operational risk also encompasses the failure to implement strategic objectives in a successful, timely and cost-effective manner. Failure to properly manage operational risk subjects us to risks of loss that may vary in size, scale and scope, including loss of customers. This also includes but is not limited to operational or technical failures, unlawful tampering with our technical systems, ineffectiveness or exposure due to interruption in third party support, as well as the loss of key individuals or failure on the part of key individuals to perform properly. For further discussion of operational risks and our operational risk management, see Operational Risk Management in the MD&A.

Our inability to adapt our products and services to evolving industry standards and consumer preferences could harm our businesses. Our business model is based on a diversified mix of businesses that provide a broad range of financial products and services, delivered through multiple distribution channels. Our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competitors to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including internet services, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing or introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or sufficiently developing and maintaining loyal customers.

Bank of America Corporation is a holding company and as such is dependent upon its subsidiaries for liquidity, including its ability to pay dividends. Bank of America Corporation is a separate and distinct legal entity from our banking and nonbanking subsidiaries. We therefore depend on dividends, distributions and other payments from our banking and nonbanking subsidiaries to fund dividend payments on our common stock and preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries are subject to laws that authorize regulatory agencies to block or reduce the flow of funds from those subsidiaries to Bank of America Corporation. Regulatory action of that kind could impede access to funds we need to make pay -

ments on our obligations or dividend payments. In addition, our right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors. For a further discussion regarding our ability to pay dividends, see Government Supervision and Regulation Distributions on page 4 of this report and Note 15 *Shareholders Equity and Earnings Per Common Share* and *Note 16 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC s staff 180 days or more before the end of our 2009 fiscal year relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

As of December 31, 2009, our principal offices and other materially important properties consisted of the following:

Property	Type	Primary Segment	Owned/ Leased	Occupied; Sub-Leased to 3rd parties
Bank of America Corporate Center Charlotte, NC	60 story building	Principal executive offices-All Business Segments*	Owned	Occupy 48% (573,734 sq. ft.); sub-lease 50% (603,833 sq. ft.) of building
100 Federal Street Boston, MA	37 story building	Global Wealth & Investment Management	Owned	Occupy 51% (636,202 sq. ft.); sub-lease 38% (470,029 sq. ft.) of building
Bank of America Tower One Bryant Park New York, NY	52 story building	Global Markets; Global Wealth & Investment Management	49% Owned	Occupy 99% of building (1,628,416 sq. ft.)
2 World Financial Center New York, NY	44 story building (South Tower)	Global Markets; Global Wealth & Investment Management	Leased	Occupy 24% (609,155 sq. ft.); sub-lease 72% (1,815,833 sq. ft.) of building
4 World Financial Center New York, NY	34 story building (North Tower)	Global Markets; Global Wealth & Investment Management	49% Owned	Occupy 78% (1,215,754 sq. ft.) of building
222 Broadway New York, NY	31 story building	Global Markets; Global Wealth & Investment Management	Owned	Occupy 93% (652,633 sq. ft.); sub-lease 7% (50,902 sq. ft.) of building
Hopewell Campus	8 building campus	All Business Segments	Owned	

Hopewell, NJ				Occupy 99% (1,561,611 sq. ft.); sub-lease 1% of buildings
Jacksonville Complex				
Jacksonville, FL	9 building campus	All Business Segments	Leased	Occupy 80% (950,842 sq. ft.) of buildings
Jacksonville Campus				
Jacksonville, FL	4 building campus	All Business Segments	Owned	Occupy 95% (549,436 sq. ft.) of buildings
Concord Campus				
Concord, CA	4 building campus	All Business Segments	Owned	Occupy 82% (887,469 sq. ft.) of buildings
Merrill Lynch Financial Center				
London, England	4 building campus	Global Markets; Global Wealth & Investment Management	Leased	Occupy 84% (485,495 sq. ft.) of buildings
Other London Locations				
London, England	3 buildings	Global Markets; Global Wealth & Investment Management	Leased	Occupy 70% (125,962 sq. ft.); sub-lease 5% of buildings
Bank of America Merrill Lynch Japan				
Tokyo, Japan	20 story building	Global Markets; Global Wealth & Investment Management	Leased	Occupy 60% (158,861 sq. ft.); sub-lease 24% (62,613 sq. ft.) of building

* All Business Segments consists of *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets and Global Wealth & Investment Management*.

We own or lease approximately 118.7 million square feet in 27,779 locations in 50 states in the United States, the District of Columbia, the U.S. Virgin Islands, and Puerto Rico. We also own or lease approximately 6.9 million square feet in 90 cities in 44 foreign countries. We believe that the properties we own or lease are adequate for our needs and well maintained.

Item 3. Legal Proceedings

See Litigation and Regulatory Matters in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements beginning on page 160 for Bank of America s litigation disclosure which is incorporated herein by reference.

Item 4. Submission of Matters To A Vote of Security Holders

There were no matters submitted to a vote of stockholders during the quarter ended December 31, 2009.

Executive Officers of The Registrant

The name, age and position of each of our current executive officers are listed below along with such officer s business experience. Unless otherwise indicated, executive officers are appointed by the Board to hold office until their successors are elected and qualified or until their earlier resignation or removal.

Neil A. Cotty (55) Interim Chief Financial Officer since February 1, 2010 and **Chief Accounting Officer** since July 2009; Chief Financial Officer, Global Banking and Global Wealth and Investment Management from October 2008 to July 2009; Chief Accounting Officer from April 2004 to September 2008; Senior Finance Executive for Consumer Products supporting Commercial Banking (now Global Commercial Banking) from October 2003 to April 2004; Senior Finance Executive for Consumer Products from January 2003 to October 2003.

David C. Darnell (56) President, Global Commercial Banking since July 2005. President, Middle Market Banking Group from June 2001 to July 2005; President, Bank of America Central Region from August 2000 to June 2001; President, Bank of America Midwest and Texas from September 1996 to August 2000; Executive Vice President and Commercial Division Executive in Florida from January 1989 to September 1996.

Barbara J. Desoer (57) President, Bank of America Home Loans and Insurance, since July 2008; Chief Technology and Operations Officer from August 2004 to July 2008; President, Consumer Products from July 2001 to August 2004; Director of Marketing from September 1999 to July 2001; President, Bank of America Northern California from January 1998 to September 1999.

Sallie L. Krawcheck (45) President, Global Wealth and Investment Management since August 2009; Chairman of Global Wealth Management of Citigroup, Inc. from January 2007 until December 2008; Chief Executive Officer of Global Wealth Management of Citigroup, Inc. from January 2007 to September 2008; Chief Financial Officer and Head of Strategy Citigroup, Inc. from November 2004 to January 2007; Chairman and Chief Executive Officer - SmithBarney of Citigroup, Inc. from October 2002 to November 2004; Chairman and Chief Executive Officer of Sanford C. Bernstein & Co. prior to 2002.

Thomas K. Montag (52) President, Global Banking and Markets since August 2009; President, Global Markets from January 2009 to August 2009; Executive Vice President and Head of Global Sales and Trading of Merrill Lynch & Co., Inc. from August 2008 to December 2008; Co-head, Global Securities of The Goldman Sachs Group, Inc. from 2006 to 2008; Co-president, Japanese Operations of The Goldman Sachs Group, Inc. from 2002 to 2007; Member, Management Committee of The Goldman Sachs Group, Inc. from 2002 to 2008; Member, Fixed Income, Currency and Commodities & Equities Executive Committee of The Goldman Sachs Group, Inc. from 2000 to 2008.

Brian T. Moynihan (50) President and Chief Executive Officer since January 2010; President, Consumer and Small Business Banking, from August 2009 to December 2009; President, Global Banking and Wealth

Management (now Global Wealth and Investment Management) from January 2009 to August 2009; General Counsel from December 2008 to January 2009; President, Global Corporate and Investment Banking (now Global Banking and Markets) from October 2007 to December 2008; President, Global Wealth and Investment Management from April 2004 to October 2007; Executive Vice President of FleetBoston Financial Corporation from 1999 to April 2004, with responsibility for Brokerage and Wealth Management from 2000 and Regional Commercial Financial Services and Investment Management from May 2003.

Edward P. O Keefe (54) General Counsel since January 2009; Deputy General Counsel and Head of Litigation from December 2008 to January 2009; Global Compliance and Operational Risk Executive and Senior Privacy Executive from September 2008 to December 2008; Deputy General Counsel for Staff Support from August 2004 to September 2008.

Joe L. Price (49) President; Consumer, Small Business and Card Banking since February 1, 2010; Chief Financial Officer from January 2007 to January 2010; Global Corporate and Investment Banking Risk Management Executive from June 2003 to December 2006; Senior Vice President, Corporate Strategy and President, Consumer Special Assets from July 2002 to May 2003; President, Consumer Finance from November 1999 to July 2002; Corporate Risk Evaluation Executive and General Auditor from August 1997 to October 1999; Controller from June 1995 to July 1997; Accounting Policy and Finance Executive from April 1993 to May 1995.

Bruce R. Thompson (45) Chief Risk Officer since January 2010; Head of Global Capital Markets from July 2008 to January 2010; Co-head of Capital Markets (now Global Capital Markets) from October 2007 to July 2008; Co-head of Global Credit Products from June 2007 to October 2007; Co-head of Global Leveraged Finance from March 2007 to June 2007; Head of U.S. Leveraged Finance Capital Markets from May 2006 to March 2007; Managing Director of Banc of America Securities LLC, from 1996 to May 2006.

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Part II

Bank of America Corporation and Subsidiaries

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the New York Stock Exchange. Our common stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The following table sets forth the high and low closing sales prices of the common stock on the New York Stock Exchange for the periods indicated:

	Quarter	High	Low
2008	first	$ 45.03	$ 35.31
	second	40.86	23.87
	third	37.48	18.52
	fourth	38.13	11.25
2009	first	14.33	3.14
	second	14.17	7.05
	third	17.98	11.84
	fourth	18.59	14.58

As of February 24, 2010, there were 257,307 registered shareholders of common stock. During 2008 and 2009, we paid dividends on the common stock on a quarterly basis.

The following table sets forth dividends paid per share of our common stock for the periods indicated:

	Quarter	Dividend
2008	first	$ 0.64
	second	0.64
	third	0.64
	fourth	0.32
2009	first	0.01
	second	0.01
	third	0.01
	fourth	0.01

For additional information regarding our ability to pay dividends, see the discussion under the heading Government Supervision and Regulation Distributions on page 4 of this report and *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements beginning on page 171, and *Note 16 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements beginning on page 175, which are incorporated herein by reference.

For information on our equity compensation plans, see Item 12 beginning on page 204 of this report and *Note 18 Stock-Based Compensation Plans* to the Consolidated Financial Statements beginning on page 182, both of which are incorporated herein by reference.

The table below presents share repurchase activity for the three months ended December 31, 2009. For additional information regarding share repurchases on these restrictions, see *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements on page 171 which is incorporated herein by reference.

(Dollars in millions, except per share information; shares in thousands)	**Common Shares Repurchased** [1]	Weighted Average Per Share Price	Shares Purchased as Part of Publicly Announced Programs	Remaining Buyback Authority [2] Amounts	Shares
October 1 31, 2009	98	15.96	-	3,750	75,000
November 1 30, 2009	24	14.28	-	3,750	75,000
December 1 31, 2009	314	14.50	-	3,750	75,000
Three months ended December 31, 2009	435	14.82			

[1] Consists of shares of our common stock purchased by participants under certain retirement plans and shares acquired by us in connection with satisfaction of tax withholding obligations on vested restricted stock units and certain forfeitures and terminations of employment related to awards under equity incentive plans.

[2] On July 23, 2008, the Board authorized a stock repurchase program of up to 75 million shares of our common stock at an aggregate cost not to exceed $3.75 billion and is limited to a period of 12 to 18 months. The stock repurchase program expired on January 23, 2010.

We did not have any unregistered sales of our equity securities in 2009, except as previously disclosed on Form 8-K.

Item 6. Selected Financial Data

See Table 6 in the MD&A on page 24 and Table XII of the Statistical Tables on page 105 which are incorporated herein by reference.

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Item 7. 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 108.

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

This report on Form 10-K and the documents into which it may be incorporated by reference may contain, and from time to time our management may make, certain statements that constitute forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent the current expectations, plans or forecasts of Bank of America Corporation and its subsidiaries (the Corporation) regarding the Corporation s integration of the Merrill Lynch and Countrywide acquisitions and related cost savings, future results and revenues, credit losses, credit reserves and charge-offs, delinquency trends, nonperforming asset levels, level of preferred dividends, service charges, the closing of the sales of Columbia Management (Columbia) and First Republic Bank, effective tax rate, noninterest expense, impact of changes in fair value of Merrill Lynch structured notes, impact of new accounting guidance regarding consolidation on capital and reserves, mortgage production, the effect of various legal proceedings discussed in Litigation and Regulatory Matters in Note 14 Commitments and Contingencies to the Consolidated Financial Statements and other matters relating to the Corporation and the securities that we may offer from time to time. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation s forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report, including under Item 1A. Risk Factors, and in any of the Corporation s other subsequent Securities and Exchange Commission (SEC) filings: negative economic conditions that adversely affect the general economy, housing prices, job market, consumer confidence and spending habits which may affect, among other things, the credit quality of our loan portfolios (the degree of the impact of which is dependent upon the duration and severity of these conditions); the Corporation s modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices which may affect, among other things, our liquidity and the value of our assets and liabilities and, in turn, our trading and investment portfolios; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions; the Corporation s credit ratings and the credit ratings of our securitizations which are important to the Corporation s liquidity, borrowing costs and trading revenues; estimates of fair value of certain of the Corporation s assets and liabilities which could change in value significantly from period to period; legislative and regulatory actions in the United States (including the Electronic Fund Transfer Act, the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 and related regulations) and internationally which may increase the Corporation s costs and adversely affect the Corporation s businesses and economic conditions as a whole; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments; various monetary and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations (including new accounting guidance on consolidation) and the impact on the Corporation s financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; the Corporation s ability to attract new employees and retain and motivate existing employees; mergers and acquisitions and their integration into the Corporation, including our ability to realize the benefits and cost savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch acquisition; the Corporation s reputation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

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Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. Our principal executive offices are located in the Bank of America Corporate Center in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments*: Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM),* with the remaining operations recorded in *All Other*. At December 31, 2009, the Corporation had $2.2 trillion in assets and approximately 284,000 full-time equivalent employees. On January 1, 2009, we acquired Merrill Lynch & Co., Inc. (Merrill Lynch) and as a result we have one of the largest wealth management businesses in the world with approximately 15,000 financial advisors and more than $2.1 trillion in

net client assets. Additionally, we are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world. On July 1, 2008, we acquired Countrywide Financial Corporation (Countrywide) significantly expanding our mortgage origination and servicing capabilities, making us a leading mortgage originator and servicer.

As of December 31, 2009, we currently operate in all 50 states, the District of Columbia and more than 40 foreign countries. In addition, our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S. we serve approximately 59 million consumer and small business relationships with approximately 6,000 banking centers, more than 18,000 ATMs, nationwide call centers, and leading online and mobile banking platforms. We have banking centers in 12 of the 15 fastest growing states and have leadership positions in eight of those states. We offer industry-leading support to approximately four million small business owners.

The following table provides selected consolidated financial data for 2009 and 2008.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	**2009**	2008
Income statement		
Revenue, net of interest expense (FTE basis)	**$ 120,944**	$ 73,976
Net income	**6,276**	4,008
Diluted earnings (loss) per common share	**(0.29)**	0.54
Average diluted common shares issued and outstanding (in millions)	**7,729**	4,596
Dividends paid per common share	**$ 0.04**	$ 2.24
Performance ratios		
Return on average assets	**0.26%**	0.22%
Return on average tangible shareholders equity[(1)]	**4.18**	5.19
Efficiency ratio (FTE basis) [(1)]	**55.16**	56.14
Balance sheet at year end		
Total loans and leases	**$ 900,128**	$ 931,446
Total assets	**2,223,299**	1,817,943
Total deposits	**991,611**	882,997
Total common shareholders equity	**194,236**	139,351
Total shareholders equity	**231,444**	177,052
Common shares issued and outstanding (in millions)	**8,650**	5,017
Asset quality		
Allowance for loan and lease losses	**$ 37,200**	$ 23,071
Nonperforming loans, leases and foreclosed properties	**35,747**	18,212
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases	**111%**	141%
Net charge-offs	**$ 33,688**	$ 16,231
Net charge-offs as a percentage of average loans and leases outstanding	**3.58%**	1.79%
Capital ratios		
Tier 1 common	**7.81%**	4.80%

Tier 1	**10.40**	9.15
Total	**14.66**	13.00
Tier 1 leverage	**6.91**	6.44

(1) Return on average tangible shareholders equity and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 25.

2009 Economic Environment

2009 was a transition year as the U.S. economy began to stabilize although unemployment continued to rise. Gross Domestic Product, which fell sharply in the first quarter and continued to decline in the second quarter, rebounded in the second half of the year but remained well below its earlier expansion peak level. Consumer spending, which had declined sharply in the second half of 2008, rose modestly in each quarter of 2009 and received a boost from the U.S. government s Cash-for-Clunkers auto subsidies in the third quarter. Consumer spending remained tentative as households saved more and paid down debt. After reaching lows in January, housing activity increased compared to 2008 as home sales and new housing starts rose through the year lifting residential construction. Nevertheless, large inventories of unsold homes and the

increase in foreclosures continued to weigh heavily on the housing sector.

Businesses cut production, inventories, employment and capital spending aggressively in response to the financial crisis in late 2008 continuing into 2009. Production and capital spending fell in the first half of the year, inventories declined for the first three quarters and employment declined through the entire year although at a progressively lower rate. U.S. exports increased in the second half of the year reflecting the rebound of certain international economies following the global recession. Despite the modest growth in product demand and output in the second half of the year, job layoffs mounted, and the unemployment rate increased to over 10 percent in the fourth quarter, the highest since the early 1980s. Producing more with fewer workers drove improvement in labor productivity, boosting profits in the second half of the year.

The Board of Governors of the Federal Reserve System (Federal Reserve) lowered the federal funds rate to close to zero percent early in the first quarter and in mid-March announced a program of quantitative easing, in which it purchased U.S. Treasuries, mortgage-backed securities (MBS) and long-term debt of government-sponsored enterprises (GSEs). This program contributed to lower mortgage rates generating an increase in consumer mortgage refinancing which helped homeowners, and along with lower home prices, stimulated activity in the housing market.

In early 2009, the short-term funding markets began to return to normal and the U.S. government began to unwind its alternative liquidity facilities, and loan and asset guarantee programs. By mid-year, order had been restored to most financial market sectors. The stock market fell sharply through mid-March, but rebounded abruptly, triggered in part by the U.S. government s bank stress tests and banks successful capital raising. The stock market rally through year end retraced some of the losses in household net worth and increased consumer confidence.

Our consumer businesses were affected by the economic factors mentioned above, as our *Deposits* business was negatively impacted by spread compression. *Global Card Services* was affected as reduced consumer spending led to lower revenue and a higher level of bankruptcies led to increased provision for credit losses. *Home Loans & Insurance* benefited from the low interest rate environment and lower home prices, driving higher mortgage production income; however, higher unemployment and falling home values drove increases in the provision for credit losses. In addition, the factors mentioned above negatively impacted growth in the consumer loan portfolio including credit card and real estate.

Global Banking felt the impact of the above economic factors as businesses paid down debt reducing loan balances. In addition, the commercial portfolio within *Global Banking* declined due to further reductions in spending by businesses as they sought to increase liquidity, and the resurgence of capital markets which allowed corporate clients to issue bonds and equity to replace loans as a source of funding. The commercial real estate and commercial domestic portfolios experienced higher net charge-offs reflecting deterioration across a broad range of industries, property types and borrowers. In addition to increased net charge-offs, nonperforming loans, leases and foreclosed properties and commercial criticized utilized exposures were higher which contributed to increased reserves across most portfolios during the year.

Capital markets conditions showed some signs of improvement during 2009 and *Global Markets* took advantage of the favorable trading environment. Market dislocations that occurred throughout 2008 continued to impact our results in 2009, although to a lesser extent, as we experienced reduced write-downs on legacy assets compared to the prior year. During 2009, our credit spreads improved driving negative credit valuation adjustments on the Corporation s derivative liabilities recorded in *Global Markets* and on Merrill Lynch structured notes recorded in *All Other.*

GWIM also benefited from the improvement in capital markets driving growth in client assets resulting in increased fees and brokerage commissions. In addition, we continued to provide support to certain cash funds during 2009 although to a lesser extent than in the prior year. As of December 31, 2009, all capital commitments to these cash funds had been terminated and the funds no longer hold investments in structured investment vehicles (SIVs).

On a going forward basis, the continued weakness in the global economy and recent and proposed regulatory changes will continue to affect many of the markets in which we do business and may adversely impact our results for 2010. The impact of these conditions is dependent upon the timing, degree and sustainability of the economic recovery.

Regulatory Overview

In November 2009, the Federal Reserve issued amendments to Regulation E, which implement the Electronic Fund Transfer Act (Regulation E). The new rules have a compliance date of July 1, 2010. These amendments change, among other things, the way we and other banks may charge overdraft fees; by limiting our ability to charge an overdraft fee for ATM and one-time debit card transactions that overdraw a consumer s account, unless the consumer affirmatively consents to the bank s payment of overdrafts for those transactions. Changes to our overdraft practices will negatively impact future service charge revenue primarily in *Deposits.*

On May 22, 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) was signed into law. The majority of the CARD Act provisions became effective in February 2010. The CARD Act legislation contains comprehensive credit card reform related to credit card industry practices including significantly restricting banks ability to change interest rates and assess fees to reflect individual consumer risk, changing the way payments are applied and requiring changes to consumer credit card disclosures. Under the CARD Act, banks must give customers 45 days notice prior to a change in terms on their account and the grace period for credit card payments changes from 14 days to 21 days. The CARD Act also requires banks to review any accounts that were repriced since January 1, 2009 for a possible rate reduction. As announced in October 2009, we did not increase interest rates on consumer card accounts in response to provisions in the CARD Act prior to its effective date unless the customer s account fell past due or was based on a variable interest rate. Within *Global Card Services,* the provisions in the CARD Act are expected to negatively impact net interest income, due to the restrictions on our ability to reprice credit cards based on risk, and card income due to restrictions imposed on certain fees.

In July 2009, the Basel Committee on Banking Supervision released a consultative document entitled Revisions to the Basel II Market Risk Framework that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies are currently evaluating the proposed rulemaking and related impacts before establishing final rules. As a result, we cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled Strengthening the Resilience of the Banking Sector. If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold by disqualifying certain instruments that previously have qualified as Tier 1 capital. In addition, it would increase the level of risk-weighted assets. The proposal could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. Regulatory agencies have not opined on the proposal for implementation. We continue to assess the potential impact of the proposal.

As a result of the financial crisis, the financial services industry is facing the possibility of legislative and regulatory changes that would impose significant, adverse changes on its ability to serve both retail and wholesale customers. A proposal is currently being considered to levy a tax or fee on financial institutions with assets in excess of $50 billion to repay the costs of TARP, although the proposed tax would continue even after those costs are repaid. If enacted as proposed, the tax could significantly affect our earnings, either by increasing the costs of our liabilities or causing us to reduce our assets. It remains uncertain whether the tax will be enacted, to whom it would apply, or the amount of the tax we would be required to pay. It is also unclear the extent to which the costs of such a tax could be recouped through higher pricing.

In addition, various proposals for broad-based reform of the financial regulatory system are pending. A majority of these proposals would not disrupt our core businesses, but a proposal could ultimately be adopted that adversely affects certain of our businesses. The proposals would require divestment of certain proprietary trading activities, or limit private equity investments. Other proposals, which include limiting the scope of an institution s derivatives activities, or forcing certain derivatives activities to be traded on exchanges, would diminish the demand for, and profitability of, certain businesses. Several other proposals would require issuers to retain unhedged interests in any asset that is securitized, potentially severely restricting the secondary market as a source of funding for consumer or commercial lending. There are also numerous proposals pending on how to resolve a failed systemically important institution. In light of the current regulatory environment, one ratings agency has placed Bank of America and certain other banks on negative outlook, and therefore adoption of such provisions may adversely affect our access to credit markets. It remains unclear whether any of these proposals will ultimately be enacted, and what form they may take.

For additional information on these items, refer to Item 1A., Risk Factors.

Performance Overview

Net income was $6.3 billion in 2009, compared with $4.0 billion in 2008. Including preferred stock dividends and the impact from the repayment of the U.S. government s $45.0 billion preferred stock investment in the Corporation under the Troubled Asset Relief Program (TARP), income applicable to common shareholders was a net loss of $2.2 billion, or $(0.29) per diluted share. Those results compared with 2008 net income applicable to common shareholders of $2.6 billion, or $0.54 per diluted share.

Revenue, net of interest expense on a fully taxable-equivalent (FTE) basis, rose to $120.9 billion representing a 63 percent increase from $74.0 billion in 2008 reflecting in part the addition of Merrill Lynch and the full-year impact of Countrywide.

Net interest income on a FTE basis increased to $48.4 billion compared with $46.6 billion in 2008. The increase was the result of a favorable rate environment, improved hedge results and the acquisitions of Countrywide and Merrill Lynch, offset in part by lower asset and liability management (ALM) portfolio levels, lower consumer loan balances and an increase in nonperforming loans. The net interest yield narrowed 33 basis points (bps) to 2.65 percent.

Noninterest income rose to $72.5 billion compared with $27.4 billion in 2008. Higher trading account profits, equity investment income, investment and brokerage services fees and investment banking income reflected the addition of Merrill Lynch while higher mortgage banking and insurance income reflected the full-year impact of Countrywide. Gains on sales of debt securities increased driven by sales of agency MBS and collateralized mortgage obligations (CMOs). Equity investment income benefited from pre-tax gains of $7.3 billion related to the sale of portions of our investment in China Construction Bank (CCB) and a pre-tax gain of $1.1 billion on our investment in BlackRock, Inc. (BlackRock). In addition, trading account profits benefited from decreased write-downs on legacy assets of $6.5 billion compared to the prior year. The other income (loss) category included a $3.8 billion gain from the contribution of our merchant processing business to a joint venture. This was partially offset by a decline in card income of $5.0 billion mainly due to higher credit losses on securitized credit card loans and lower fee income. In addition, noninterest income was negatively impacted by $4.9 billion in net losses mostly related to credit valuation adjustments on the Merrill Lynch structured notes.

The provision for credit losses was $48.6 billion, an increase of $21.7 billion compared to 2008, reflecting deterioration in the economy and housing markets which drove higher credit costs in both the

consumer and commercial portfolios. Higher reserve additions resulted from further deterioration in the purchased impaired consumer portfolios obtained through acquisitions, broad-based deterioration in the core commercial portfolio and the impact of deterioration in the housing markets on the residential mortgage portfolio.

Noninterest expense increased to $66.7 billion compared with $41.5 billion in 2008. Personnel costs and other general operating expenses rose due to the addition of Merrill Lynch and the full-year impact of Countrywide. Pre-tax merger and restructuring charges rose to $2.7 billion from $935 million a year earlier due to the acquisition of Merrill Lynch.

For the year, we recognized a tax benefit of $1.9 billion compared with tax expense of $420 million in 2008. The decrease in tax expense was due to certain tax benefits, as well as a shift in the geographic mix of the Corporation s earnings driven by the addition of Merrill Lynch.

TARP Repayment

In efforts to help stabilize financial institutions, in October 2008, the U.S. Department of the Treasury (U.S. Treasury) created the TARP to invest in certain eligible financial institutions in the form of non-voting, senior preferred stock. We participated in the TARP by issuing to the U.S. Treasury non-voting perpetual preferred stock (TARP Preferred Stock) and warrants for a total of $45.0 billion. On December 2, 2009, the Corporation received approval from the U.S. Treasury and the Federal Reserve to repay the $45.0 billion investment. In accordance with the approval, on December 9, 2009, we repurchased all shares of the TARP Preferred Stock by using $25.7 billion from excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion units of Common Equivalent Securities (CES) valued at $15.00 per unit. In addition, the Corporation agreed to increase equity by $3.0 billion through asset sales in 2010 and approximately $1.7 billion through the issuance in 2010 of restricted stock in lieu of a portion of incentive cash compensation to certain of the Corporation s associates as part of their 2009 year-end performance award. As a result of repurchasing the TARP Preferred Stock, the Corporation accelerated the remaining accretion of the issuance discount on the TARP Preferred Stock of $4.0 billion and recorded a corresponding charge to retained earnings and income (loss) applicable to common shareholders in the calculation of diluted earnings per common share. While participating in the TARP, we recorded $7.4 billion in dividends and accretion, including $2.7 billion in cash dividends and $4.7 billion of accretion on the TARP Preferred Stock (the remaining accretion of $4.0 billion was included as part of the $45.0 billion cash payment). Repayment will save us approximately $3.6 billion in annual dividends, including $2.9 billion in cash and $720 million of discount accretion. At the time we repurchased the TARP Preferred Stock, we did not repurchase the related warrants. The U.S. Treasury recently announced its intention to auction, during March 2010, these warrants.

We issued the CES, which qualify as Tier 1 common capital, because we did not have a sufficient number of authorized common shares available for issuance at the time we repaid the TARP Preferred Stock. Each CES consisted of one depositary share representing a 1/1000th interest in a share of our Common Equivalent Junior Preferred Stock, Series S (Common Equivalent Stock) and a contingent warrant to purchase 0.0467 of a share of our common stock for a purchase price of $0.01 per share. The Corporation held a special meeting of shareholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of authorized shares of our common stock, and following the effective date of the amendment, on February 24, 2010, the Common Equivalent Stock converted in full into our common stock and the contingent warrants expired without having become exercisable and the CES ceased to exist.

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Recent Accounting Developments

On January 1, 2010, the Corporation adopted new Financial Accounting Standards Board (FASB) guidance that results in the consolidation of entities that were off-balance sheet as of December 31, 2009. The adoption of this new accounting guidance resulted in a net incremental increase in assets on January 1, 2010, on a preliminary basis, of $100 billion, including $70 billion resulting from consolidation of credit card trusts and $30 billion from consolidation of other special purpose entities including multi-

seller conduits. These preliminary amounts are net of retained interests in securitizations held on our balance sheet and an $11 billion increase in the allowance for loan losses, the majority of which relates to credit card receivables. This increase in the allowance for loan losses was recorded on January 1, 2010 as a charge net-of-tax to retained earnings for the cumulative effect of the adoption of this new accounting guidance. Initial recording of these assets and related allowance and liabilities on the Corporation s balance sheet had no impact on results of operations.

Segment Results

Table 2 Business Segment Results

	Total Revenue [1]		**Net Income (Loss)**	
(Dollars in millions)	**2009**	2008	**2009**	2008
Deposits	**$ 14,008**	$ 17,840	**$ 2,506**	$ 5,512
Global Card Services [2]	**29,342**	31,220	**(5,555)**	1,234
Home Loans & Insurance	**16,902**	9,310	**(3,838)**	(2,482)
Global Banking	**23,035**	16,796	**2,969**	4,472
Global Markets	**20,626**	(3,831)	**7,177**	(4,916)
Global Wealth & Investment Management	**18,123**	7,809	**2,539**	1,428
All Other [2]	**(1,092)**	(5,168)	**478**	(1,240)
Total FTE basis	**120,944**	73,976	**6,276**	4,008
FTE adjustment	**(1,301)**	(1,194)		
Total Consolidated	**$ 119,643**	$ 72,782	**$ 6,276**	$ 4,008

[1] Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*.

[2] *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.

Deposits net income narrowed due to declines in net revenue and increased noninterest expense. Net revenue declined mainly due to a lower net interest income allocation from ALM activities and spread compression as interest rates declined. This decrease was partially offset by growth in average deposits on strong organic growth and the migration of certain client deposits from *GWIM* partially offset by an expected decline in higher-yielding Countrywide deposits. Noninterest expense increased as a result of higher Federal Deposit Insurance Corporation (FDIC) insurance and special assessment costs.

Global Card Services reported a net loss as credit costs continued to rise reflecting weak economies in the U.S., Europe and Canada. Managed net revenue declined mainly due to lower fee income driven by changes in consumer retail purchase and payment behavior in the current economic environment and the absence of one-time gains that positively impacted 2008 results. The decline was partially offset by higher net interest income as lower funding costs outpaced the decline in average managed loans. Provision for credit losses increased as economic conditions led to higher losses.

Home Loans & Insurance net loss widened as higher credit costs continued to negatively impact results. Net revenue and noninterest expense increased primarily driven by the full-year impact of Countrywide and higher loan production from increased refinance activity. Provision for credit losses increased driven by continued economic and housing market weakness combined with further deterioration in the purchased impaired portfolio.

Global Banking net income declined as increases in revenue driven by strong deposit growth, the impact of the Merrill Lynch acquisition and favorable market conditions for debt and equity issuances were more than offset by increased credit costs. Provision for credit losses increased driven by higher net charge-offs and reserve additions in the

commercial real estate and commercial domestic portfolios. These increases reflect deterioration across a broad range of property types, industries and borrowers. Noninterest expense increased as a result of the Merrill Lynch acquisition, and higher FDIC insurance and special assessment costs.

Global Markets net income increased driven by the addition of Merrill Lynch and a more favorable trading environment. Net revenue increased due to improved market conditions and new issuance capabilities due to the addition of Merrill Lynch driving increased fixed income, currency and commodity, and equity revenues. In addition, improved market conditions led to significantly lower write-downs on legacy assets compared with the prior year.

GWIM net income increased driven by the addition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities, the migration of client balances to *Deposits* and *Home Loans & Insurance,* lower average equity market levels and higher credit costs. Net revenue more than doubled as a result of higher investment and brokerage services income due to the addition of Merrill Lynch, the gain on our investment in BlackRock and the lower level of support we provided for certain cash funds. Provision for credit losses increased driven by higher net charge-offs in the consumer real estate and commercial portfolios.

All Other net income increased driven by higher equity investment income and increased gains on the sale of debt securities partially offset by negative credit valuation adjustments on certain Merrill Lynch structured notes as credit spreads improved. Results were also impacted by lower other-than-temporary impairment charges primarily related to non-agency CMOs. Excluding the securitization impact to show *Global Card Services* on a managed basis, the provision for credit losses increased due to higher credit costs related to our ALM residential mortgage portfolio.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $1.9 billion to $48.4 billion for 2009 compared to 2008. The increase was driven by the improved interest rate environment, improved hedge results, the acquisitions of Countrywide and Merrill Lynch, the impact of new draws on previously securitized accounts and the contribution from market-based net interest income related to our *Global Markets* business which benefited from the Merrill Lynch acquisition. These items were partially offset by the impact of deleveraging the ALM portfolio earlier in 2009, lower consumer loan levels and the adverse impact of nonperforming loans. The net interest yield on a FTE basis decreased 33 bps to 2.65 percent for 2009 compared to 2008 due to the factors related to the core businesses as described above. For more information on net interest income on a FTE basis, see Tables I and II beginning on page 95.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	**2009**	2008
Card income	**$ 8,353**	$ 13,314
Service charges	**11,038**	10,316
Investment and brokerage services	**11,919**	4,972
Investment banking income	**5,551**	2,263
Equity investment income	**10,014**	539
Trading account profits (losses)	**12,235**	(5,911)
Mortgage banking income	**8,791**	4,087
Insurance income	**2,760**	1,833
Gains on sales of debt securities	**4,723**	1,124
Other income (loss)	**(14)**	(1,654)
Net impairment losses recognized in earnings on available-for-sale debt securities	**(2,836)**	(3,461)
Total noninterest income	**$ 72,534**	$ 27,422

Noninterest income increased $45.1 billion to $72.5 billion in 2009 compared to 2008.

Card income on a held basis decreased $5.0 billion primarily due to higher credit losses on securitized credit card loans and lower fee income which was driven by changes in consumer retail purchase and payment behavior in the current economic environment.

Service charges grew $722 million due to the acquisition of Merrill Lynch.

Investment and brokerage services increased $6.9 billion primarily due to the acquisition of Merrill Lynch partially offset by the impact of lower valuations in the equity markets driven by the market downturn in the fourth quarter of 2008, which improved modestly in 2009, and net outflows in the cash funds.

Investment banking income increased $3.3 billion due to higher debt, equity and advisory fees reflecting the increased size of the investment banking platform from the acquisition of Merrill Lynch.

Equity investment income increased $9.5 billion driven by $7.3 billion in gains on sales of portions of our CCB investment and a $1.1 billion gain related to our BlackRock investment. The results were partially offset by the absence of the Visa-related gain recorded during the prior year.

Trading account profits (losses) increased $18.1 billion primarily driven by favorable core trading results and reduced write-downs on legacy assets partially offset by negative credit valuation adjustments on derivative liabilities of $801 million due to improvement in the Corporation s credit spreads.

Mortgage banking income increased $4.7 billion driven by higher production and servicing income of $3.2 billion and $1.5 billion. These increases were primarily due to increased volume as a result of the full-year impact of Countrywide and higher refinance activity partially offset by lower MSR results, net of hedges.

Insurance income increased $927 million due to the full-year impact of Countrywide s property and casualty businesses.

Gains on sales of debt securities increased $3.6 billion due to the favorable interest rate environment and improved credit spreads. Gains were primarily driven by sales of agency MBS and CMOs.

The net loss in other decreased $1.6 billion primarily due to the $3.8 billion gain from the contribution of our merchant processing business to a joint venture, reduced support provided to cash funds and lower write-downs on legacy assets offset by negative credit valuation adjustments recorded on Merrill Lynch structured notes of $4.9 billion.

Net impairment losses recognized in earnings on available-for-sale (AFS) debt securities decreased $625 million driven by lower collateralized debt obligation (CDO) related impairment losses partially offset by higher impairment losses on non-agency CMOs.

Provision for Credit Losses

The provision for credit losses increased $21.7 billion to $48.6 billion for 2009 compared to 2008.

The consumer portion of the provision for credit losses increased $15.1 billion to $36.9 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs in our consumer real estate, consumer credit card and consumer lending portfolios reflecting deterioration in the economy and housing markets. In addition to higher net charge-offs, the provision increase was also driven by higher reserve additions for deterioration in the purchased impaired and residential mortgage portfolios, new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These increases were partially offset by lower reserve additions in our unsecured domestic consumer lending portfolios resulting from improved delinquencies and in the home equity portfolio due to the slowdown in the pace of deterioration. In the Countrywide and Merrill Lynch consumer purchased impaired portfolios, the additions to reserves to reflect further reductions in expected principal cash flows were $3.5 billion in 2009 compared to $750 million in 2008. The increase was primarily related to the home equity purchased impaired portfolio.

The commercial portion of the provision for credit losses including the provision for unfunded lending commitments increased $6.7 billion to $11.7 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs and higher additions to the reserves in the commercial real estate and commercial domestic portfolios reflecting deterioration across a broad range of property types, industries and borrowers. These increases were partially offset by lower reserve additions in the small business portfolio due to improved delinquencies.

Net charge-offs totaled $33.7 billion, or 3.58 percent of average loans and leases for 2009 compared with $16.2 billion, or 1.79 percent for 2008. The increased level of net charge-offs is a result of the same factors noted above.

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Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	**2009**	2008
Personnel	**$ 31,528**	$ 18,371
Occupancy	**4,906**	3,626
Equipment	**2,455**	1,655
Marketing	**1,933**	2,368
Professional fees	**2,281**	1,592
Amortization of intangibles	**1,978**	1,834
Data processing	**2,500**	2,546
Telecommunications	**1,420**	1,106
Other general operating	**14,991**	7,496
Merger and restructuring charges	**2,721**	935
Total noninterest expense	**$ 66,713**	$ 41,529

Noninterest expense increased $25.2 billion to $66.7 billion for 2009 compared to 2008. Personnel costs and other general operating expenses rose due to the addition of Merrill Lynch and the full-year impact of Countrywide. Personnel expense rose due to increased revenue and the impacts of Merrill Lynch and Countrywide partially offset by a change in compensation that delivers a greater portion of incentive pay over time. Additionally, noninterest expense increased due to higher litigation costs compared to the prior year, a $425 million pre-tax charge to pay the U.S. government to terminate its asset guarantee term sheet and higher FDIC insurance costs including a $724 million special assessment in 2009.

Income Tax Expense

Income tax benefit was $1.9 billion for 2009 compared to expense of $420 million for 2008 and resulted in an effective tax rate of (44.0) percent compared to 9.5 percent in the prior year. The change in the effective tax rate from the prior year was due to increased permanent tax preference items as well as a shift in the geographic mix of our earnings driven by the addition of Merrill Lynch. Significant permanent tax preference items for 2009 included the reversal of part of a valuation allowance provided for acquired capital loss carryforward tax benefits, annually recurring tax-exempt income and tax credits, a loss on certain foreign subsidiary stock and the effect of audit settlements.

We acquired with Merrill Lynch a deferred tax asset related to a federal capital loss carryforward against which a valuation allowance was recorded at the date of acquisition. In 2009, we recognized substantial capital gains, against which a portion of the capital loss carryforward was utilized.

The income of certain foreign subsidiaries has not been subject to U.S. income tax as a result of long-standing deferral provisions applicable to active finance income. These provisions expired for taxable years beginning on or after January 1, 2010. On December 9, 2009, the U.S. House of Representatives passed a bill that would have extended these provisions as well as certain other expiring tax provisions through December 31, 2010. Absent an extension of these provisions, this active financing income earned by foreign subsidiaries after January 1, 2010 will generally be subject to a tax provision that considers the incremental U.S. income tax. The impact of the expiration of these provisions would depend upon the amount, composition and geographic mix of our future earnings and could increase our annual income tax expense by up to $1.0 billion. For more information on income tax expense, see *Note 19 Income Taxes* to the Consolidated Financial Statements.

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Balance Sheet Analysis

Table 5 Selected Balance Sheet Data

	December 31		Average Balance	
(Dollars in millions)	**2009**	2008	**2009**	2008
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 189,933**	$ 82,478	**$ 235,764**	$ 128,053
Trading account assets	**182,206**	134,315	**217,048**	186,579
Debt securities	**311,441**	277,589	**271,048**	250,551
Loans and leases	**900,128**	931,446	**948,805**	910,878
All other assets [(1)]	**639,591**	392,115	**764,852**	367,918
Total assets	**$ 2,223,299**	$ 1,817,943	**$ 2,437,517**	$ 1,843,979
Liabilities				
Deposits	**$ 991,611**	$ 882,997	**$ 980,966**	$ 831,144
Federal funds purchased and securities loaned or sold under agreements to repurchase	**255,185**	206,598	**369,863**	272,981
Trading account liabilities	**65,432**	51,723	**72,207**	72,915
Commercial paper and other short-term borrowings	**69,524**	158,056	**118,781**	182,729
Long-term debt	**438,521**	268,292	**446,634**	231,235
All other liabilities	**171,582**	73,225	**204,421**	88,144
Total liabilities	**1,991,855**	1,640,891	**2,192,872**	1,679,148
Shareholders equity	**231,444**	177,052	**244,645**	164,831
Total liabilities and shareholders equity	**$ 2,223,299**	$ 1,817,943	**$ 2,437,517**	$ 1,843,979

(1) All other assets are presented net of allowance for loan and lease losses for the year-end and average balances.

At December 31, 2009, total assets were $2.2 trillion, an increase of $405.4 billion, or 22 percent, from December 31, 2008. Average total assets in 2009 increased $593.5 billion, or 32 percent, from 2008. The increases in year-end and average total assets were primarily attributable to the acquisition of Merrill Lynch, which impacted virtually all categories, but particularly federal funds sold and securities borrowed or purchased under agreements to resell, trading account assets, and debt securities. Cash and cash equivalents, which are included in all other assets in the table above, increased due to our strengthened liquidity and capital position. Partially offsetting these increases was a decrease in year-end loans and leases primarily attributable to customer payments, reduced demand and charge-offs.

At December 31, 2009, total liabilities were $2.0 trillion, an increase of $351.0 billion, or 21 percent, from December 31, 2008. Average total liabilities for 2009 increased $513.7 billion, or 31 percent, from 2008. The increases in year-end and average total liabilities were attributable to the acquisition of Merrill Lynch which impacted virtually all categories, but particularly federal funds purchased and securities loaned or sold under agreements to repurchase, long-term debt and other liabilities. In addition to the impact of Merrill Lynch, deposits increased as we benefited from higher savings and movement into more liquid products due to the low rate environment. Partially offsetting these increases was a decrease in commercial paper and other short-term borrowings due in part to lower Federal Home Loan Bank (FHLB) borrowings.

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed and securities purchased under agreements to resell are utilized to accommodate customer transactions, earn interest rate spreads and obtain securities for settlement. Year-end and average federal funds sold and securities borrowed or purchased under agreements to resell increased $107.5 billion and $107.7 billion in 2009, attributable primarily to the acquisition of Merrill Lynch.

Trading Account Assets

Trading account assets consist primarily of fixed income securities (including government and corporate debt), equity and convertible instruments. Year-end and average trading account assets increased $47.9 billion and $30.5 billion in 2009, attributable primarily to the acquisition of Merrill Lynch.

Debt Securities

Debt securities include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. The year-end and average balances of debt securities increased $33.9 billion and $20.5 billion from 2008 due to net purchases of securities and the impact of the acquisition of Merrill Lynch. For additional information on our AFS debt securities, see Market Risk Management Securities beginning on page 84 and *Note 5 Securities* to the Consolidated Financial Statements.

Loans and Leases

Year-end loans and leases decreased $31.3 billion to $900.1 billion in 2009 compared to 2008 primarily due to lower commercial loans as the result of customer payments and reduced demand, lower customer merger and acquisition activity, and net charge-offs, partially offset by the addition of Merrill Lynch. Average loans and leases increased $37.9 billion to $948.8 billion in 2009 compared to 2008 primarily due to the addition of Merrill Lynch, and the full-year impact of Countrywide. The average consumer loan portfolio increased $24.4 billion due to the addition of Merrill Lynch domestic and foreign securities-based lending margin loans, Merrill Lynch consumer real estate balances, and the full-year impact of Countrywide, partially offset by lower balance sheet retention, sales and conversions of residential mortgages into retained MBS and net charge-offs. The average commercial loan and lease portfolio increased $13.5 billion primarily due to the acquisition of Merrill Lynch. For a more detailed discussion of the loan portfolio, see Credit Risk Management beginning on page 54, and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

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All Other Assets

Year-end and average all other assets increased $247.5 billion and $396.9 billion at December 31, 2009 driven primarily by the acquisition of Merrill Lynch, which impacted various line items, including derivative assets. In addition, the increase was driven by higher cash and cash equivalents due to our strengthened liquidity and capital position.

Deposits

Year-end and average deposits increased $108.6 billion to $991.6 billion and $149.8 billion to $981.0 billion in 2009 compared to 2008. The increases were in domestic interest-bearing deposits and noninterest-bearing deposits. Partially offsetting these increases was a decrease in foreign interest-bearing deposits. We categorize our deposits as core and market-based deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Average core deposits increased $164.4 billion, or 24 percent, to $861.3 billion in 2009 compared to 2008. The increase was attributable to growth in our average NOW and money market accounts and IRAs and noninterest-bearing deposits due to higher savings, the consumer flight-to-safety and movement into more liquid products due to the low rate environment. Average market-based deposit funding decreased $14.6 billion to $119.7 billion in 2009 compared to 2008 due primarily to a decrease in deposits in banks located in foreign countries.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned and securities sold under agreements to repurchase are collateralized financing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance inventory positions. Year-end and average federal funds purchased and securities loaned or sold under agreements to repurchase increased $48.6 billion and $96.9 billion primarily due to the Merrill Lynch acquisition.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in fixed income securities (including government and corporate debt), equity and

convertible instruments. Year-end trading account liabilities increased $13.7 billion in 2009, attributable primarily to increases in equity securities and foreign sovereign debt.

Commercial Paper and Other Short-term Borrowings

Commercial paper and other short-term borrowings provide a funding source to supplement deposits in our ALM strategy. Year-end and average commercial paper and other short-term borrowings decreased $88.5 billion to $69.5 billion and $63.9 billion to $118.8 billion in 2009 compared to 2008 due, in part, to lower FHLB balances as a result of our strong liquidity position.

Long-term Debt

Year-end and average long-term debt increased $170.2 billion to $438.5 billion and $215.4 billion to $446.6 billion in 2009 compared to 2008. The increases were attributable to issuances and the addition of long-term debt associated with the Merrill Lynch acquisition. For additional information on long-term debt, see *Note 13 Long-term Debt* to the Consolidated Financial Statements.

All Other Liabilities

Year-end and average all other liabilities increased $98.4 billion and $116.3 billion at December 31, 2009 driven primarily by the acquisition of Merrill Lynch, which impacted various line items, including derivative liabilities.

Shareholders Equity

Year-end and average shareholders equity increased $54.4 billion and $79.8 billion due to a common stock offering of $13.5 billion, $29.1 billion of common and preferred stock issued in connection with the Merrill Lynch acquisition, the issuance of CES of $19.2 billion, an increase in accumulated other comprehensive income (OCI) and net income. These increases were partially offset by repayment of TARP Preferred Stock of $45.0 billion, $30.0 billion of which was issued in early 2009, and higher preferred stock dividend payments. The increase in accumulated OCI was due to unrealized gains on AFS debt and marketable equity securities. Average shareholders equity was also impacted by the issuance of preferred stock and common stock warrants of $30.0 billion in early 2009. This preferred stock was part of the TARP repayment in December 2009.

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Table 6 Five Year Summary of Selected Financial Data

(Dollars in millions, except per share information)	2009	2008	2007	2006	2005
Income statement					
Net interest income	**$ 47,109**	$ 45,360	$ 34,441	$ 34,594	$ 30,737
Noninterest income	**72,534**	27,422	32,392	38,182	26,438
Total revenue, net of interest expense	**119,643**	72,782	66,833	72,776	57,175
Provision for credit losses	**48,570**	26,825	8,385	5,010	4,014
Noninterest expense, before merger and restructuring charges	**63,992**	40,594	37,114	34,988	28,269
Merger and restructuring charges	**2,721**	935	410	805	412
Income before income taxes	**4,360**	4,428	20,924	31,973	24,480
Income tax expense (benefit)	**(1,916)**	420	5,942	10,840	8,015
Net income	**6,276**	4,008	14,982	21,133	16,465
Net income (loss) applicable to common shareholders	**(2,204)**	2,556	14,800	21,111	16,447
Average common shares issued and outstanding (in thousands)	**7,728,570**	4,592,085	4,423,579	4,526,637	4,008,688
Average diluted common shares issued and outstanding (in thousands)	**7,728,570**	4,596,428	4,463,213	4,580,558	4,060,358
Performance ratios					
Return on average assets	**0.26%**	0.22%	0.94%	1.44%	1.30%
Return on average common shareholders equity	**n/m**	1.80	11.08	16.27	16.51
Return on average tangible common shareholders equity [1]	**n/m**	4.72	26.19	38.23	31.80
Return on average tangible shareholders equity [1]	**4.18**	5.19	25.13	37.80	31.67
Total ending equity to total ending assets	**10.41**	9.74	8.56	9.27	7.86
Total average equity to total average assets	**10.04**	8.94	8.53	8.90	7.86
Dividend payout	**n/m**	n/m	72.26	45.66	46.61
Per common share data					
Earnings (loss)	**$ (0.29)**	$ 0.54	$ 3.32	$ 4.63	$ 4.08
Diluted earnings (loss)	**(0.29)**	0.54	3.29	4.58	4.02
Dividends paid	**0.04**	2.24	2.40	2.12	1.90
Book value	**21.48**	27.77	32.09	29.70	25.32
Tangible book value [1]	**11.94**	10.11	12.71	13.26	13.51
Market price per share of common stock					
Closing	**$ 15.06**	$ 14.08	$ 41.26	$ 53.39	$ 46.15
High closing	**18.59**	45.03	54.05	54.90	47.08
Low closing	**3.14**	11.25	41.10	43.09	41.57
Market capitalization	**$ 130,273**	$ 70,645	$ 183,107	$ 238,021	$ 184,586
Average balance sheet					
Total loans and leases	**$ 948,805**	$ 910,878	$ 776,154	$ 652,417	$ 537,218
Total assets	**2,437,517**	1,843,979	1,602,073	1,466,681	1,269,892
Total deposits	**980,966**	831,144	717,182	672,995	632,432
Long-term debt	**446,634**	231,235	169,855	130,124	97,709
Common shareholders equity	**182,288**	141,638	133,555	129,773	99,590
Total shareholders equity	**244,645**	164,831	136,662	130,463	99,861
Asset quality [2]					
Allowance for credit losses [3]	**$ 38,687**	$ 23,492	$ 12,106	$ 9,413	$ 8,440
Nonperforming loans, leases and foreclosed properties [4]	**35,747**	18,212	5,948	1,856	1,603
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [4]	**4.16%**	2.49%	1.33%	1.28%	1.40%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [4]	**111**	141	207	505	532
Net charge-offs	**$ 33,688**	$ 16,231	$ 6,480	$ 4,539	$ 4,562
Net charge-offs as a percentage of average loans and leases outstanding [4]	**3.58%**	1.79%	0.84%	0.70%	0.85%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [4]	**3.75**	1.77	0.64	0.25	0.26
	3.98	1.96	0.68	0.26	0.28

Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [4]					
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.10**	1.42	1.79	1.99	1.76
Capital ratios (year end)					
Risk-based capital:					
Tier 1 common	**7.81%**	4.80%	4.93%	6.82%	6.80%
Tier 1	**10.40**	9.15	6.87	8.64	8.25
Total	**14.66**	13.00	11.02	11.88	11.08
Tier 1 leverage	**6.91**	6.44	5.04	6.36	5.91
Tangible equity [1]	**6.42**	5.11	3.73	4.47	4.36
Tangible common equity [1]	**5.57**	2.93	3.46	4.27	4.34

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 25.

(2) For more information on the impact of the purchased impaired loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 54 and Commercial Portfolio Credit Risk Management beginning on page 64.

(3) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(4) Balances and ratios do not include loans accounted for under the fair value option.

n/m = not meaningful

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Supplemental Financial Data

Table 7 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by generally accepted accounting principles in the United States of America (GAAP). Other companies may define or calculate supplemental financial data differently.

We view net interest income and related ratios and analyses (i.e., efficiency ratio and net interest yield) on a FTE basis. Although this is a non-GAAP measure, we believe managing the business with net interest income on a FTE basis provides a more accurate picture of the interest margin for comparative purposes. To derive the FTE basis, net interest income is adjusted to reflect tax-exempt income on an equivalent before-tax basis with a corresponding increase in income tax expense. For purposes of this calculation, we use the federal statutory tax rate of 35 percent. This measure ensures comparability of net interest income arising from taxable and tax-exempt sources.

As mentioned above, certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield evaluates how many bps we are earning over the cost of funds. During our annual planning process, we set efficiency targets for the Corporation and each line of business. We believe the use of this non-GAAP measure provides additional clarity in assessing our results. Targets vary by year and by business, and are based on a variety of factors including maturity of the business, competitive environment, market factors, and other items (e.g., risk appetite).

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

The aforementioned performance measures and ratios are presented in Table 6.

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Table 7 Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, shares in thousands)	**2009**	2008	2007	2006	2005
FTE basis data					
Net interest income	**$ 48,410**	$ 46,554	$ 36,190	$ 35,818	$ 31,569
Total revenue, net of interest expense	**120,944**	73,976	68,582	74,000	58,007
Net interest yield	**2.65%**	2.98%	2.60%	2.82%	2.84%
Efficiency ratio	**55.16**	56.14	54.71	48.37	49.44
Reconciliation of average common shareholders equity to average tangible common shareholders equity					
Common shareholders equity	**$ 182,288**	$ 141,638	$ 133,555	$ 129,773	$ 99,590
Common Equivalent Securities	**1,213**				
Goodwill	**(86,034)**	(79,827)	(69,333)	(66,040)	(45,331)
Intangible assets (excluding MSRs)	**(12,220)**	(9,502)	(9,566)	(10,324)	(3,548)
Related deferred tax liabilities	**3,831**	1,782	1,845	1,809	1,014
Tangible common shareholders equity	**$ 89,078**	$ 54,091	$ 56,501	$ 55,218	$ 51,725
Reconciliation of average shareholders equity to average tangible shareholders equity					
Shareholders equity	**$ 244,645**	$ 164,831	$ 136,662	$ 130,463	$ 99,861
Goodwill	**(86,034)**	(79,827)	(69,333)	(66,040)	(45,331)
Intangible assets (excluding MSRs)	**(12,220)**	(9,502)	(9,566)	(10,324)	(3,548)
Related deferred tax liabilities	**3,831**	1,782	1,845	1,809	1,014
Tangible shareholders equity	**$ 150,222**	$ 77,284	$ 59,608	$ 55,908	$ 51,996
Reconciliation of year end common shareholders equity to year end tangible common shareholders equity					
Common shareholders equity	**$ 194,236**	$ 139,351	$ 142,394	$ 132,421	$ 101,262
Common Equivalent Securities	**19,244**				
Goodwill	**(86,314)**	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	**(12,026)**	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	**3,498**	1,854	1,855	1,799	1,336
Tangible common shareholders equity	**$ 118,638**	$ 50,736	$ 56,423	$ 59,136	$ 54,050
Reconciliation of year end shareholders equity to year end tangible shareholders equity					
Shareholders equity	**$ 231,444**	$ 177,052	$ 146,803	$ 135,272	$ 101,533
Goodwill	**(86,314)**	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	**(12,026)**	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	**3,498**	1,854	1,855	1,799	1,336
Tangible shareholders equity	**$ 136,602**	$ 88,437	$ 60,832	$ 61,987	$ 54,321
Reconciliation of year end assets to year end tangible assets					
Assets	**$ 2,223,299**	$ 1,817,943	$ 1,715,746	$ 1,459,737	$ 1,291,803
Goodwill	**(86,314)**	(81,934)	(77,530)	(65,662)	(45,354)
Intangible assets (excluding MSRs)	**(12,026)**	(8,535)	(10,296)	(9,422)	(3,194)
Related deferred tax liabilities	**3,498**	1,854	1,855	1,799	1,336
Tangible assets	**$ 2,128,457**	$ 1,729,328	$ 1,629,775	$ 1,386,452	$ 1,244,591
Reconciliation of year end common shares outstanding to year end tangible common shares outstanding					
Common shares outstanding	**8,650,244**	5,017,436	4,437,885	4,458,151	3,999,688
Assumed conversion of common equivalent shares	**1,286,000**				
Tangible common shares outstanding	**9,936,244**	5,017,436	4,437,885	4,458,151	3,999,688

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Core Net Interest Income Managed Basis

We manage core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *Global Markets* business segment section beginning on page 35, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *Global Markets*. We also adjust for loans that we originated and subsequently sold into credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjust for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Core net interest income on a managed basis increased $2.3 billion to $52.8 billion for 2009 compared to 2008. The increase was driven by the favorable interest rate environment and the acquisitions of Merrill Lynch and Countrywide. These items were partially offset by the impact of deleveraging the ALM portfolio earlier in 2009, lower consumer loan levels and the adverse impact of our nonperforming loans. For more information on our nonperforming loans, see Credit Risk Management on page 54.

On a managed basis, core average earning assets increased $130.1 billion to $1.4 trillion for 2009 compared to 2008 primarily due to the acquisitions of Merrill Lynch and Countrywide partially offset by lower loan levels and earlier deleveraging of the AFS debt securities portfolio.

Core net interest yield on a managed basis decreased 19 bps to 3.69 percent for 2009 compared to 2008, primarily due to the addition of lower yielding assets from the Merrill Lynch and Countrywide acquisitions, reduced consumer loan levels and the impact of deleveraging the ALM portfolio earlier in 2009 partially offset by the favorable interest rate environment.

Table 8 Core Net Interest Income Managed Basis

(Dollars in millions)	**2009**	2008
Net interest income [1]		
As reported	**$ 48,410**	$ 46,554
Impact of market-based net interest income [2]	**(6,119)**	(4,939)
Core net interest income	**42,291**	41,615
Impact of securitizations [3]	**10,524**	8,910
Core net interest income managed basis	**$ 52,815**	$ 50,525
Average earning assets		
As reported	**$ 1,830,193**	$ 1,562,729
Impact of market-based earning assets [2]	**(481,542)**	(360,667)
Core average earning assets	**1,348,651**	1,202,062
Impact of securitizations [4]	**83,640**	100,145
Core average earning assets managed basis	**$ 1,432,291**	$ 1,302,207
Net interest yield contribution [1]		
As reported	**2.65%**	2.98%
Impact of market-based activities [2]	**0.49**	0.48
Core net interest yield on earning assets	**3.14**	3.46
Impact of securitizations	**0.55**	0.42
Core net interest yield on earning assets managed basis	**3.69%**	3.88%

(1) FTE basis

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

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

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

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *GWIM*, with the remaining operations recorded in *All Other*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment. Prior period amounts have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 25. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine

net income. The net interest income of the business segments includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment s stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 44. The Corporation benefits from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. Average equity is allocated to the business segments and is affected by the portion of goodwill that is specifically assigned to them.

For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue, net income and year-end total assets, see *Note 23 Business Segment Information* to the Consolidated Financial Statements.

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Deposits

(Dollars in millions)	2009	2008
Net interest income (1)	**$ 7,160**	$ 10,970
Noninterest income:		
Service charges	**6,802**	6,801
All other income	**46**	69
Total noninterest income	**6,848**	6,870
Total revenue, net of interest expense	**14,008**	17,840
Provision for credit losses	**380**	399
Noninterest expense	**9,693**	8,783
Income before income taxes	**3,935**	8,658
Income tax expense (1)	**1,429**	3,146
Net income	**$ 2,506**	$ 5,512
Net interest yield (1)	**1.77%**	3.13%
Return on average equity	**10.55**	22.55
Efficiency ratio (1)	**69.19**	49.23
Balance Sheet		
Average		
Total earning assets (2)	**$ 405,563**	$ 349,930
Total assets (2)	**432,268**	379,067
Total deposits	**406,833**	357,608
Allocated equity	**23,756**	24,445
Year end		
Total earning assets (2)	**$ 418,156**	$ 363,334
Total assets (2)	**445,363**	390,487
Total deposits	**419,583**	375,763

(1) FTE basis

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

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes our student lending results and an allocation of ALM activities. In the U.S., we serve approximately 59 million consumer and small business relationships through a franchise that stretches coast to coast through 32 states and the District of Columbia utilizing our network of 6,011 banking centers, 18,262 domestic-branded ATMs, telephone, online and mobile banking channels.

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees.

During the third quarter of 2009, we announced changes in our overdraft fee policies intended to help customers limit overdraft fees. These changes negatively impacted net revenue beginning in the fourth quarter of 2009. In addition, in November 2009, the Federal Reserve issued Regulation E which will negatively impact future service charge revenue in *Deposits*. For more information on Regulation E, see Regulatory Overview beginning on page 17.

During 2009, our active online banking customer base grew to 29.6 million subscribers, a net increase of 1.3 million subscribers from December 31, 2008 reflecting our continued focus on increasing the use of alternative banking channels. In addition, our active bill pay users paid $302.4 billion of bills online during 2009 compared to $301.1 billion during 2008.

Deposits includes the net impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. During 2009, total deposits of $43.4 billion were migrated to *Deposits* from *GWIM*. Conversely, $20.5 billion of deposits were migrated from *Deposits* to *GWIM* during 2008. The directional shift was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition, partially offset by the acceleration in 2008 of movement of clients into *GWIM* as part of our growth initiatives for our more affluent customers. As of the date of migration, the associated net interest income, service charges and noninterest expense are recorded in the segment to which deposits were transferred.

Net income fell $3.0 billion, or 55 percent, to $2.5 billion as net revenue declined and noninterest expense rose. Net interest income decreased $3.8 billion, or 35 percent, to $7.2 billion as a result of a lower net interest income allocation from ALM activities and spread compression as interest rates declined. Average deposits grew $49.2 billion, or 14 percent, due to strong organic growth and the net migration of certain households deposits from *GWIM*. Organic growth was driven by the continuing need of customers to manage their liquidity as illustrated by growth in higher spread deposits from new money as well as movement from certificates of deposits to checking accounts and other products. This increase was partially offset by the expected decline in higher-yielding Countrywide deposits.

Noninterest income was flat at $6.8 billion as service charges remained unchanged for the year. The positive impacts of revenue initiatives were offset by changes in consumer spending behavior attributable to current economic conditions, as well as the negative impact of the implementation in the fourth quarter of 2009 of the new initiatives aimed at assisting customers who are economically stressed by reducing their banking fees.

Noninterest expense increased $910 million, or 10 percent, due to higher FDIC insurance and special assessment costs, partially offset by lower operating costs related to lower transaction volume due to the economy and productivity initiatives.

Global Card Services

(Dollars in millions)	2009	2008
Net interest income [1]	**$ 20,264**	$ 19,589
Noninterest income:		
Card income	**8,555**	10,033
All other income	**523**	1,598
Total noninterest income	**9,078**	11,631
Total revenue, net of interest expense	**29,342**	31,220
Provision for credit losses [2]	**30,081**	20,164
Noninterest expense	**7,961**	9,160
Income (loss) before income taxes	**(8,700)**	1,896
Income tax expense (benefit) [1]	**(3,145)**	662
Net income (loss)	**$ (5,555)**	$ 1,234
Net interest yield [1]	**9.36%**	8.26%
Return on average equity	**n/m**	3.15
Efficiency ratio [1]	**27.13**	29.34
Balance Sheet		
Average		
Total loans and leases	**$ 216,654**	$ 236,714
Total earning assets	**216,410**	237,025
Total assets	**232,643**	258,710
Allocated equity	**41,409**	39,186
Year end		
Total loans and leases	**$ 201,230**	$ 233,040
Total earning assets	**200,988**	233,094
Total assets	**217,139**	252,683

(1) FTE basis

(2) Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

n/m = not meaningful

Global Card Services provides a broad offering of products, including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. We provide credit card products to customers in the U.S., Canada, Ireland, Spain and the United Kingdom. We offer a variety of co-branded and affinity credit and debit card products and are one of the leading issuers of credit cards through endorsed marketing in the U.S. and Europe. On May 22, 2009, the CARD Act which calls for a number of changes to credit card industry practices was signed into law. The provisions in the CARD Act are expected to negatively impact net interest income due to the restrictions on our ability to reprice credit cards based on risk, and card income due to restrictions imposed on certain fees. For more information on the CARD Act, see Regulatory Overview beginning on page 17.

The Corporation reports its *Global Card Services* results on a managed basis which is consistent with the way that management evaluates the results of the business. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are

presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet qualifying special purpose entity (QSPE).

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. Starting late in the third quarter of 2008 and continuing into the first quarter of 2009, liquidity for asset-backed securitizations became disrupted and spreads rose to historic highs which negatively impacted our credit card securitization programs. Beginning in the second quarter of 2009, conditions started to improve with spreads narrowing and liquidity returning to the marketplace, however, we did not return to the credit card securitization market during 2009. For more information, see the Liquidity Risk and Capital Management discussion beginning on page 47.

Global Card Services recorded a net loss of $5.6 billion in 2009 compared to net income of $1.2 billion in 2008 due to higher provision for credit losses as credit costs continued to rise driven by weak economies in the U.S., Europe and Canada. Managed net revenue declined $1.9 billion to $29.3 billion in 2009 driven by lower noninterest income partially offset by growth in net interest income.

Net interest income grew to $20.3 billion in 2009 from $19.6 billion in 2008 driven by increased loan spreads due to the beneficial impact of lower short-term interest rates on our funding costs partially offset by a decrease in average managed loans of $20.1 billion, or eight percent.

Noninterest income decreased $2.6 billion, or 22 percent, to $9.1 billion driven by decreases in card income of $1.5 billion, or 15 percent, and all other income of $1.1 billion, or 67 percent. The decrease in card income resulted from lower cash advances primarily related to balance transfers, and lower credit card interchange and fee income primarily due to changes in consumer retail purchase and payment behavior in the current economic environment. This decrease was partially offset by the absence of a negative valuation adjustment on the interest-only strip recorded in 2008. In addition, all other income in 2008 included the gain associated with the Visa initial public offering (IPO).

Provision for credit losses increased by $9.9 billion to $30.1 billion as economic conditions led to higher losses in the consumer card and consumer lending portfolios including a higher level of bankruptcies. Also contributing to the increase were higher reserve additions related to new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These reserve additions were partially offset by the beneficial impact of reserve reductions from improving delinquency trends in the second half of 2009.

Noninterest expense decreased $1.2 billion, or 13 percent, to $8.0 billion due to lower operating and marketing costs. In addition, noninterest expense in 2008 included benefits associated with the Visa IPO.

The table below and the following discussion present selected key indicators for the *Global Card Services* and credit card portfolios. Credit card includes U.S., Europe and Canada consumer credit card and does not include business card, debit card and consumer lending.

Key Statistics

(Dollars in millions)	**2009**	2008
Global Card Services		
Average total loans:		
Managed	**$ 216,654**	$ 236,714
Held	**118,201**	132,313
Year end total loans:		
Managed	**201,230**	233,040
Held	**111,515**	132,080
Managed net losses [1]:		
Amount	**26,655**	15,723
Percent [2]	**12.30%**	6.64%
Credit Card		
Average total loans:		
Managed	**$ 170,486**	$ 184,246
Held	**72,033**	79,845
Year end total loans:		
Managed	**160,824**	182,234
Held	**71,109**	81,274
Managed net losses [1]:		
Amount	**19,185**	11,382
Percent [2]	**11.25%**	6.18%

(1) Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.
(2) Ratios are calculated as managed net losses divided by average outstanding managed loans during the year.

Global Card Services managed net losses increased $10.9 billion to $26.7 billion, or 12.30 percent of average outstandings, compared to $15.7 billion, or 6.64 percent in 2008. This increase was driven by portfolio deterioration due to economic conditions including a higher level of bankruptcies. Additionally, consumer lending net charge-offs increased $2.1 billion to $4.3 billion, or 17.75 percent of average outstandings compared to $2.2 billion, or 7.98 percent in 2008. Lower loan balances driven by reduced marketing and tightened credit criteria also adversely impacted net charge-off ratios.

Managed consumer credit card net losses increased $7.8 billion to $19.2 billion, or 11.25 percent of average credit card outstandings, compared to $11.4 billion, or 6.18 percent in 2008. The increase was driven by portfolio deterioration due to economic conditions including elevated unemployment, underemployment and a higher level of bankruptcies.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 54.

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Home Loans & Insurance

(Dollars in millions)	2009	2008
Net interest income [1]	$ 4,974	$ 3,311
Noninterest income:		
Mortgage banking income	9,321	4,422
Insurance income	2,346	1,416
All other income	261	161
Total noninterest income	11,928	5,999
Total revenue, net of interest expense	16,902	9,310
Provision for credit losses	11,244	6,287
Noninterest expense	11,683	6,962
Loss before income taxes	(6,025)	(3,939)
Income tax benefit [1]	(2,187)	(1,457)
Net loss	$ (3,838)	$ (2,482)
Net interest yield [1]	2.57%	2.55%
Efficiency ratio [1]	69.12	74.78
Balance Sheet		
Average		
Total loans and leases	$ 130,519	$ 105,724
Total earning assets	193,262	129,674
Total assets	230,234	147,461
Allocated equity	20,533	9,517
Year end		
Total loans and leases	$ 131,302	$ 122,947
Total earning assets	188,466	175,609
Total assets	232,706	205,046

[1] FTE basis

Home Loans & Insurance generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products are available to our customers through a retail network of 6,011 banking centers, mortgage loan officers in approximately 880 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent and wholesale loan acquisition channels. *Home Loans & Insurance* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors while retaining MSRs and the Bank of America customer relationships, or are held on our balance sheet in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

While the results of Countrywide s deposit operations are included in *Deposits,* the majority of its ongoing operations are recorded in *Home Loans & Insurance*. Countrywide s acquired first mortgage and discontinued real estate portfolios are recorded in *All Other* and are managed as part of our overall ALM activities.

Home Loans & Insurance includes the impact of migrating customers and their related loan balances between *GWIM* and *Home Loans & Insurance*. As of the date of migration, the associated net interest income

and noninterest expense are recorded in the segment to which the customers were migrated. Total loans of $11.5 billion were migrated from *GWIM* in 2009 compared to $1.6 billion in 2008. The increase was mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition.

Home Loans & Insurance recorded a net loss of $3.8 billion in 2009 compared to a net loss of $2.5 billion in 2008, as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and higher noninterest expense.

Net interest income grew $1.7 billion, or 50 percent, driven primarily by an increase in average loans held-for-sale (LHFS) and home equity loans. The $19.1 billion increase in average LHFS was the result of higher mortgage loan volume driven by the lower interest rate environment. The growth in average home equity loans of $23.7 billion, or 23 percent, was due primarily to the migration of certain loans from *GWIM* to *Home Loans & Insurance* as well as the full-year impact of Countrywide balances.

Noninterest income increased $5.9 billion to $11.9 billion driven by higher mortgage banking income which benefited from the full-year impact of Countrywide and lower current interest rates which drove higher production income.

Provision for credit losses increased $5.0 billion to $11.2 billion driven by continued economic and housing market weakness particularly in geographic areas experiencing higher unemployment and falling home prices. Additionally, reserve increases in the Countrywide home equity purchased impaired loan portfolio were $2.8 billion higher in 2009 compared to 2008 reflecting further reduction in expected principal cash flows.

Noninterest expense increased $4.7 billion to $11.7 billion largely due to the full-year impact of Countrywide as well as increased compensation costs and other expenses related to higher production volume and delinquencies. Partly contributing to the increase in expenses was the more than doubling of personnel and other costs in the area of our business that is responsible for assisting distressed borrowers with loan modifications or other workout solutions.

Mortgage Banking Income

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

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

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The following table summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	2009	2008
Production income	$ 5,539	$ 2,105
Servicing income:		
Servicing fees and ancillary income	6,200	3,531
Impact of customer payments	(3,709)	(3,314)
Fair value changes of MSRs, net of economic hedge results	712	1,906
Other servicing-related revenue	579	194
Total net servicing income	3,782	2,317
Total Home Loans & Insurance mortgage banking income	9,321	4,422
Other business segments mortgage banking income (loss) [1]	(530)	(335)
Total consolidated mortgage banking income	$ 8,791	$ 4,087

[1] Includes the effect of transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio in *All Other*.

Production income increased $3.4 billion in 2009 compared to 2008. This increase was driven by higher mortgage volumes due in large part to Countrywide and also to higher refinance activity resulting from the lower interest rate environment, partially offset by an increase in representations and warranties expense to $1.9 billion in 2009 from $246 million in 2008. The increase in representations and warranties expense was driven by increased estimates of defaults reflecting deterioration in the economy and housing markets combined with a higher rate of repurchase or similar requests. For further information regarding representations and warranties, see *Note 8 Securitizations* to the Consolidated Financial Statements and the Consumer Portfolio Credit Risk Management Residential Mortgage discussion beginning on page 56.

Net servicing income increased $1.5 billion in 2009 compared to 2008 largely due to the full-year impact of Countrywide which drove an increase of $2.7 billion in servicing fees and ancillary income partially offset by lower MSR performance, net of hedge activities. The fair value changes of MSRs, net of economic hedge results were $712 million and $1.9 billion in 2009 and 2008. The positive 2009 MSRs results were primarily driven by changes in the forward interest rate curve. The positive 2008 MSR results were driven primarily by the expectation that weakness in the housing market would lessen the impact of decreasing market interest rates on expected future prepayments. For further discussion on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 86.

The following table presents select key indicators for *Home Loans & Insurance*.

Home Loans & Insurance Key Statistics

(Dollars in millions, except as noted)	2009	2008
Loan production		
Home Loans & Insurance:		
First mortgage	$ 357,371	$ 128,945
Home equity	10,488	31,998
Total Corporation [1]:		
First mortgage	378,105	140,510
Home equity	13,214	40,489
Year end		
Mortgage servicing portfolio (in billions) [2]	$ 2,151	$ 2,057
Mortgage loans serviced for investors (in billions)	1,716	1,654
Mortgage servicing rights:		
Balance	19,465	12,733
Capitalized mortgage servicing rights (% of loans serviced for investors)	113 bps	77 bps

(1) In addition to loan production in *Home Loans & Insurance*, the remaining first mortgage and home equity loan production is primarily in *GWIM*.
(2) Servicing of residential mortgage loans, home equity lines of credit, home equity loans and discontinued real estate mortgage loans.

First mortgage production in *Home Loans & Insurance* was $357.4 billion in 2009 compared to $128.9 billion in 2008. The increase of $228.4 billion was due in large part to the full-year impact of Countrywide as well as an increase in the mortgage market driven by a decline in interest rates. Home equity production was $10.5 billion in 2009 compared to $32.0 billion in 2008. The decrease of $21.5 billion was primarily due to our more stringent underwriting guidelines for home equity lines of credit and loans as well as lower consumer demand.

At December 31, 2009, the consumer MSR balance was $19.5 billion, which represented 113 bps of the related unpaid principal balance as compared to $12.7 billion, or 77 bps of the related principal balance at December 31, 2008. The increase in the consumer MSR balance was driven by increases in the forward interest rate curve and the additional MSRs recorded in connection with sales of loans. This resulted in the 36 bps increase in the capitalized MSRs as a percentage of loans serviced for investors.

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Global Banking

(Dollars in millions)	2009	2008
Net interest income [1]	**$ 11,250**	$ 10,755
Noninterest income:		
Service charges	**3,954**	3,233
Investment banking income	**3,108**	1,371
All other income	**4,723**	1,437
Total noninterest income	**11,785**	6,041
Total revenue, net of interest expense	**23,035**	16,796
Provision for credit losses	**8,835**	3,130
Noninterest expense	**9,539**	6,684
Income before income taxes	**4,661**	6,982
Income tax expense [1]	**1,692**	2,510
Net income	**$ 2,969**	$ 4,472
Net interest yield [1]	**3.34%**	3.30%
Return on average equity	**4.93**	8.84
Efficiency ratio [1]	**41.41**	39.80
Balance Sheet		
Average		
Total loans and leases	**$ 315,002**	$ 318,325
Total earning assets [2]	**337,315**	325,764
Total assets [2]	**394,140**	382,790
Total deposits	**211,261**	177,528
Allocated equity	**60,273**	50,583
Year end		
Total loans and leases	**$ 291,117**	$ 328,574
Total earning assets [2]	**343,057**	338,915
Total assets [2]	**398,061**	394,541
Total deposits	**227,437**	215,519

[1] FTE basis

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

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide through our network of offices and client relationship teams along with various product partners. Our clients include multinationals, middle-market and business banking companies, correspondent banks, commercial real estate firms and governments. Our lending products and services include commercial loans and commitment facilities, real estate lending, leasing, trade finance, short-term credit facilities, asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Our investment banking services provide our commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related and other advisory services. *Global Banking* also includes the results of our merchant services joint venture, as discussed below, and the economic hedging of our credit risk to certain exposures utilizing various risk mitigation tools. Our clients are supported in offices throughout the world that are divided into four distinct geographic regions: U.S. and Canada; Asia Pacific; Europe, Middle East and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 74.

During the second quarter of 2009, we entered into a joint venture agreement with First Data Corporation (First Data) to form Banc of America Merchant Services, LLC. The joint venture provides payment solutions, including credit, debit and prepaid cards, and check and e-commerce payments to merchants ranging from small businesses to corporate and commercial clients worldwide. We contributed approximately 240,000 merchant relationships, a sales force of approximately 350 associates, and the use of the Bank of America brand name. First Data contributed

approximately 140,000 merchant relationships, 200 sales associates and state of the art technology. The joint venture and clients benefit from both companies comprehensive suite of leading payment solutions capabilities. At December 31, 2009, we owned 46.5 percent of the joint venture and we account for our investment under the equity method of accounting. The third party investor has the right to put their interest to the joint venture which would have the effect of increasing the Corporation s ownership interest to 49 percent. In connection with the formation of the joint venture, we recorded a pre-tax gain of $3.8 billion which represents the excess of fair value over the carrying value of our contributed merchant processing business.

Global Banking net income decreased $1.5 billion, or 34 percent, to $3.0 billion in 2009 compared to 2008 as an increase in revenue was more than offset by higher provision for credit losses and noninterest expense.

Net interest income increased $495 million, or five percent, as average deposits grew $33.7 billion, or 19 percent, driven by deposit growth as our clients remain very liquid. In addition, average deposit growth benefited from a flight-to-safety in late 2008. Net interest income also benefited from improved loan spreads on new, renewed and amended facilities. These increases were partially offset by a $3.3 billion, or one percent, decline in average loan balances due to decreased client demand as clients are deleveraging and capital markets began to open up so that corporate clients could access other funding sources. In addition, net interest income was negatively impacted by a lower net interest income allocation from ALM activities and increased nonperforming loans.

Noninterest income increased $5.7 billion, or 95 percent, to $11.8 billion, mainly driven by the $3.8 billion pre-tax gain related to the contribution of the merchant processing business into a joint venture, higher investment banking income and service charges. Investment banking income increased $1.7 billion due to the acquisition of Merrill Lynch and strong growth in debt and equity capital markets fees. Service charges increased $721 million, or 22 percent, driven by the Merrill Lynch acquisition and the impact of fees charged for services provided to the merchant processing joint venture. All other income increased $3.3 billion compared to the prior year from the gain related to the contribution of the merchant processing business. All other income also includes our proportionate share of the joint venture net income, where prior to formation of the joint venture these activities were reflected in card income. In addition, noninterest income benefited in 2008 from *Global Banking s* share of the Visa IPO gain.

The provision for credit losses increased $5.7 billion to $8.8 billion in 2009 compared to 2008 primarily driven by higher net charge-offs and reserve additions in the commercial real estate and commercial domestic portfolios resulting from deterioration across a broad range of property types, industries and borrowers.

Noninterest expense increased $2.9 billion, or 43 percent, to $9.5 billion, primarily attributable to the Merrill Lynch acquisition and higher FDIC insurance and special assessment costs. These items were partially offset by a reduction in certain merchant-related expenses that are now incurred by the joint venture and a change in compensation that delivers a greater portion of incentive pay over time. In addition, noninterest expense in 2008 also included benefits associated with the Visa IPO.

Global Banking Revenue

Global Banking evaluates its revenue from two primary client views, global commercial banking and global corporate and investment banking. Global commercial banking primarily includes revenue related to our commercial and business banking clients who are generally defined as companies with sales between $2 million and $2 billion including middle-market and multinational clients as well as commercial real estate clients. Global corporate and investment banking primarily includes revenue related to our large corporate clients including multinationals which are generally defined as companies with sales in excess of $2 billion. Additionally, global corporate and investment banking revenue also includes debt and equity underwriting and merger-related advisory services (net of revenue sharing primarily with *Global Markets*). The following table presents further detail regarding *Global Banking* revenue.

(Dollars in millions)	2009	2008
Global Banking revenue		
Global commercial banking	**$ 15,209**	$ 11,362
Global corporate and investment banking	**7,826**	5,434
Total Global Banking revenue	**$ 23,035**	$ 16,796

Global Banking revenue increased $6.2 billion to $23.0 billion in 2009 compared to 2008. *Global Banking* revenue consists of credit-related revenue derived from lending-related products and services, treasury services-related revenue primarily from capital and treasury management, and investment banking income.

Global commercial banking revenue increased $3.8 billion, or 34 percent, primarily driven by the gain from the contribution of the merchant processing business to the joint venture.

Credit-related revenue within global commercial banking increased $960 million to $6.7 billion due to improved loan spreads on new, renewed and amended facilities and the Merrill Lynch acquisition. Average loans and leases decreased $3.7 billion to $219.0 billion as increased balances due to the Merrill Lynch acquisition were more than offset by reduced client demand.

Treasury services-related revenue within global commercial banking increased $2.9 billion to $8.5 billion driven by the $3.8 billion gain related to the contribution of the merchant services business to the joint venture, partially offset by lower net interest income and the absence of the 2008 gain associated with the Visa IPO. Average treasury services deposit balances increased $22.7 billion to $130.9 billion driven by clients managing their balances.

Global corporate and investment banking revenue increased $2.4 billion in 2009 compared to 2008 driven primarily by the Merrill Lynch acquisition which resulted in increased debt and equity capital markets fees, and higher net interest income due mainly to growth in average deposits.

Credit-related revenue within global corporate and investment banking increased $387 million to $2.9 billion in 2009 compared to 2008 driven by improved loan spreads and the Merrill Lynch acquisition, partially offset by the adverse impact of increased nonperforming loans and the higher cost of credit hedging. Average loans and leases remained essentially flat as reduced demand offset the impact of the Merrill Lynch acquisition.

Treasury services-related revenue within global corporate and investment banking decreased $438 million to $2.5 billion in 2009 driven by lower net interest income, service fees and card income. Average deposit balances increased $11.1 billion to $80.4 billion during 2009 primarily due to clients managing their balances.

Investment Banking Income

Product specialists within *Global Markets* work closely with *Global Banking* on underwriting and distribution of debt and equity securities and certain other products. To reflect the efforts of *Global Markets* and *Global Banking* in servicing our clients with the best product capabilities, we allocate revenue to the two segments based on relative contribution. Therefore, to provide a complete discussion of our consolidated investment banking income, we have included the following table that presents total investment banking income for the Corporation.

(Dollars in millions)	2009	2008
Investment banking income		
Advisory [(1)]	**$ 1,167**	$ 546
Debt issuance	**3,124**	1,539

Equity issuance	**1,964**	624
	6,255	2,709
Offset for intercompany fees [2]	**(704)**	(446)
Total investment banking income	**$ 5,551**	$ 2,263

[1] Advisory includes fees on debt and equity advisory, and merger and acquisitions.
[2] The offset to fees paid on the Corporation s transactions.

Investment banking income increased $3.3 billion to $5.6 billion in 2009 compared to 2008. The increase was largely due to the Merrill Lynch acquisition and favorable market conditions for debt and equity issuances. Debt issuance fees increased $1.6 billion due primarily to leveraged finance and investment grade bond issuances. Equity issuance fees increased $1.3 billion as we benefited from the increased size of the investment banking platform. Advisory fees increased $621 million attributable to the larger advisory platform partially offset by decreased merger and acquisitions activity.

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Global Markets

(Dollars in millions)	2009	2008
Net interest income [1]	$ 6,120	$ 5,151
Noninterest income:		
Investment and brokerage services	2,552	752
Investment banking income	2,850	1,337
Trading account profits (losses)	11,675	(5,809)
All other income (loss)	(2,571)	(5,262)
Total noninterest income (loss)	14,506	(8,982)
Total revenue, net of interest expense	20,626	(3,831)
Provision for credit losses	400	(50)
Noninterest expense	10,042	3,906
Income (loss) before income taxes	10,184	(7,687)
Income tax expense (benefit) [1]	3,007	(2,771)
Net income (loss)	$ 7,177	$ (4,916)
Return on average equity	23.33%	n/m
Efficiency ratio [1]	48.68	n/m
Balance Sheet		
Average		
Total trading-related assets [2]	$ 507,648	$ 338,074
Total market-based earning assets	481,542	360,667
Total earning assets	490,406	366,195
Total assets	656,621	427,734
Allocated equity	30,765	12,839
Year end		
Total trading-related assets [2]	$ 411,212	$ 244,174
Total market-based earning assets	404,467	237,452
Total earning assets	409,717	243,275
Total assets	538,456	306,693

[1] FTE basis

[2] Includes assets which are not considered earning assets (i.e., derivative assets).

n/m = not meaningful

Global Markets provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide debt and equity underwriting and distribution capabilities and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS and asset-backed securities (ABS). Underwriting debt and equity, securities research and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. *Global Markets* is a leader in the global distribution of fixed income, currency and energy commodity products and derivatives. *Global Markets* also has one of the largest equity trading operations in the world and is a leader in the origination and distribution of equity and equity-related products.

Net income increased $12.1 billion to $7.2 billion in 2009 compared to a loss of $4.9 billion in 2008 as increased noninterest income driven by trading account profits was partially offset by higher noninterest expense.

Net interest income, almost all of which is market-based, increased $969 million to $6.1 billion due to growth in average market-based earning assets which increased $120.9 billion or 34 percent, driven primarily by the Merrill Lynch acquisition.

Noninterest income increased $23.5 billion due to the Merrill Lynch acquisition, favorable core trading results and decreased write-downs on legacy assets partially offset by negative credit valuation adjustments on derivative liabilities due to improvement in our credit spreads in 2009. Noninterest expense increased $6.1 billion, largely attributable to the Merrill Lynch acquisition. This increase was partially offset by a change in compensation that delivers a greater portion of incentive pay over time.

Sales and Trading Revenue

Global Markets revenue is primarily derived from sales and trading and investment banking activities which are shared between *Global Markets* and *Global Banking*. *Global Banking* originates certain deal-related transactions with our corporate and commercial clients that are executed and distributed by *Global Markets*. In order to reflect the relative contribution of each business segment, a revenue-sharing agreement has been implemented which attributes revenue accordingly (see page 34 for a discussion of investment banking fees on a consolidated basis). In addition, certain gains and losses related to write-downs on legacy assets and select trading results are also allocated or shared between *Global Markets* and *Global Banking*. Therefore, in order to provide a complete discussion of our sales and trading revenue, the following table and related discussion present total sales and trading revenue for the consolidated Corporation. Sales and trading revenue is segregated into fixed income (investment and noninvestment grade corporate debt obligations, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and CDOs), currencies (interest rate and foreign exchange contracts), commodities (primarily futures, forwards, swaps and options) and equity income from equity-linked derivatives and cash equity activity.

(Dollars in millions)	**2009**	2008
Sales and trading revenue [1, 2]		
Fixed income, currencies and commodities (FICC)	**$ 12,727**	$ (7,625)
Equity income	**4,901**	743
Total sales and trading revenue	**$ 17,628**	$ (6,882)

(1) Includes $356 million and $257 million of net interest income on a FTE basis for 2009 and 2008.

(2) Includes $1.1 billion and $1.2 billion of write-downs on legacy assets that were allocated to *Global Banking* for 2009 and 2008.

Sales and trading revenue increased $24.5 billion to $17.6 billion in 2009 compared to a loss of $6.9 billion in 2008 due to the addition of Merrill Lynch and the improving economy. Write-downs on legacy assets in 2009 were $3.8 billion with $2.7 billion included in *Global Markets* as compared to $10.5 billion in 2008 with $9.3 billion recorded in *Global Markets*. Further, we recorded negative net credit valuation adjustments on derivative liabilities of $801 million resulting from improvements in our credit spreads in 2009 compared to a gain of $354 million in 2008.

FICC revenue increased $20.4 billion to $12.7 billion in 2009 compared to 2008 primarily driven by credit and structured products which continued to benefit from improved market liquidity and tighter credit spreads as well as new issuance capabilities.

During 2009, we incurred $2.2 billion of losses resulting from our CDO exposure which includes our super senior, warehouse, sales and trading positions, hedging activities and counterparty credit risk valuations. This compares to $4.8 billion in CDO-related losses for 2008. Included in the above losses were $910 million and $1.1 billion of losses in 2009 and 2008 related to counterparty risk on our CDO-related exposure. Also included in the above losses were other-than-temporary impairment charges of $1.2 billion in 2009 compared to $3.3 billion in 2008 related to CDOs and retained positions classified as AFS debt securities. See the following detailed CDO exposure discussion.

During 2009 we recorded $1.6 billion of losses, net of hedges, on CMBS funded debt and forward finance commitments compared to losses of $944 million in 2008. These losses were concentrated in the more difficult to hedge floating-rate debt. In addition, we recorded $670 million in losses associated with equity investments we made in acquisition-related financing transactions compared to $545 million in losses in the prior year. At December 31, 2009 and 2008, we held $5.3 billion and $6.9 billion of funded and unfunded CMBS exposure of which $4.4 billion and $6.0 billion were primarily floating-rate

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acquisition-related financings to major, well-known operating companies. CMBS exposure decreased as $4.1 billion of funded CMBS debt acquired in the Merrill Lynch acquisition was partially offset by a transfer of $3.8 billion of CMBS funded debt to commercial loans held for investment as we plan to hold these positions and, to a lesser extent, by loan sales and paydowns.

We incurred losses in 2009 on our leveraged loan exposures of $286 million compared to $1.1 billion in 2008. At December 31, 2009, the carrying value of our leveraged funded positions held for distribution was $2.4 billion, which included $1.2 billion from the Merrill Lynch acquisition, compared to $2.8 billion at December 31, 2008, which did not include Merrill Lynch. At December 31, 2009, 99 percent of the carrying value of the leveraged funded positions was senior secured.

We recorded a loss of $100 million on auction rate securities (ARS) in 2009 compared to losses of $898 million in 2008 which reflects stabilizing valuations on ARS during the year. We have agreed to purchase ARS at par from certain customers in connection with an agreement with federal and state securities regulators. During 2009, we purchased a net $3.8 billion of ARS from our customers and at December 31, 2009, our outstanding buyback commitment was $291 million.

Equity products sales and trading revenue increased $4.2 billion to $4.9 billion in 2009 compared to 2008 driven by the addition of Merrill Lynch s trading and financing platforms.

Collateralized Debt Obligation Exposure

CDO vehicles hold diversified pools of fixed income securities and issue multiple tranches of debt securities including commercial paper, mezzanine and equity securities. Our CDO exposure can be divided into funded and unfunded super senior liquidity commitment exposure, other super senior exposure (i.e., cash positions and derivative contracts), warehouse, and sales and trading positions. For more information on our CDO liquidity commitments, see *Note 9 Variable Interest Entities* to the Consolidated Financial Statements. Super senior exposure represents the most senior class of commercial paper or notes that are issued by the CDO vehicles. These financial instruments benefit from the subordination of all other securities issued by the CDO vehicles.

As presented in the following table, at December 31, 2009, our hedged and unhedged super senior CDO exposure before consideration of insurance, net of write-downs was $3.6 billion.

Super Senior Collateralized Debt Obligation Exposure

December 31, 2009

(Dollars in millions)	Subprime [1]	Retained Positions	Total Subprime	Non-Subprime [2]	Total
Unhedged	$ 938	$ 528	$ 1,466	$ 839	**$ 2,305**
Hedged [3]	661		661	652	**1,313**
Total	$ 1,599	$ 528	$ 2,127	$ 1,491	**$ 3,618**

(1) Classified as subprime when subprime consumer real estate loans make up at least 35 percent of the original net exposure value of the underlying collateral.
(2) Includes highly rated collateralized loan obligations and CMBS super senior exposure.
(3) Hedged amounts are presented at carrying value before consideration of the insurance.

We value our CDO structures using the average of all prices obtained from either external pricing services or offsetting trades for approximately 89 percent and 77 percent of the CDO exposure and related retained positions. The majority of the remaining positions where no pricing quotes were available were valued using matrix pricing and projected cash flows. Unrealized losses recorded in accumulated OCI on super senior cash positions and retained positions from liquidated CDOs in aggregate increased $88 million during 2009 to $104 million at December 31, 2009.

At December 31, 2009, total subprime super senior unhedged exposure of $1.466 billion was carried at 15 percent and the $839 million of non-subprime unhedged exposure was carried at 51 percent of their original net exposure amounts. Net hedged subprime super senior exposure of $661 million was carried at 13 percent and the $652 million of hedged non-subprime super senior exposure was carried at 64 percent of its original net exposure.

The following table presents the carrying values of our subprime net exposures including subprime collateral content and percentages of certain vintages.

Unhedged Subprime Super Senior Collateralized Debt Obligation Carrying Values

December 31, 2009

(Dollars in millions)	Subprime Net Exposure	Carrying Value as a Percent of Original Net Exposure	Subprime Content of Collateral [1]	Vintage of Subprime Collateral: Percent in 2006/2007 Vintages	Percent in 2005/Prior Vintages
Mezzanine super senior liquidity commitments	$ 88	7%	100%	85%	15%
Other super senior exposure					
High grade	577	20	43	23	77
Mezzanine	272	16	34	79	21
CDO-squared	1	1	100	100	
Total other super senior	850				
Total super senior	**938**	**15**			
Retained positions from liquidated CDOs	**528**	**15**	28	22	78
Total	**$ 1,466**	**15**			

[1] Based on current net exposure value.

At December 31, 2009, we held purchased insurance on our subprime and non-subprime super senior CDO exposure with a notional value of $5.2 billion and $1.0 billion from monolines and other financial guarantors. Monolines provided $3.8 billion of the purchased insurance in the form of CDS, total return swaps or financial guarantees. In addition, we held collateral in the form of cash and marketable securities of

$1.1 billion related to our non-monoline purchased insurance. In the case of default, we look to the underlying securities and then to recovery on purchased insurance. The table below provides notional, receivable, counterparty credit valuation adjustment and gains (write-downs) on insurance purchased from monolines.

Credit Default Swaps with Monoline Financial Guarantors

December 31, 2009

(Dollars in millions)	Super Senior CDOs	Other Guaranteed Positions	Total
Notional	$ 3,757	$ 38,834	**$ 42,591**
Mark-to-market or guarantor receivable	$ 2,833	$ 8,256	**$ 11,089**
Credit valuation adjustment	(1,873)	(4,132)	**(6,005)**
Total	$ 960	$ 4,124	**$ 5,084**
Credit valuation adjustment %	66%	50%	**54%**
(Write-downs) gains during 2009	$ (961)	$ 98	**$ (863)**

Monoline wrap protection on our super senior CDOs had a notional value of $3.8 billion at December 31, 2009, with a receivable of $2.8 billion and a counterparty credit valuation adjustment of $1.9 billion, or 66 percent. During 2009, we recorded $961 million of counterparty credit risk-related write-downs on these positions. At December 31, 2008, the monoline wrap on our super senior CDOs had a notional value of $2.8 billion, with a receivable of $1.5 billion and a counterparty credit valuation adjustment of $1.1 billion, or 72 percent.

In addition to the monoline financial guarantor exposure related to super senior CDOs, we had $38.8 billion of notional exposure to monolines that predominantly hedge corporate collateralized loan obligation and CDO exposure as well as CMBS, RMBS and other ABS cash and synthetic exposures that were acquired from Merrill Lynch. At December 31, 2008, the monoline wrap on our other guaranteed positions was $5.9 billion of notional exposure. Mark-to-market monoline derivative credit exposure was $8.3 billion at December 31, 2009 compared to $694 million at December 31, 2008. This increase was driven

by the addition of Merrill Lynch exposures as well as credit deterioration related to underlying counterparties, partially offset by positive valuation adjustments on legacy assets and terminated monoline contracts.

At December 31, 2009, the counterparty credit valuation adjustment related to non-super senior CDO monoline derivative exposure was $4.1 billion which reduced our net mark-to-market exposure to $4.1 billion. We do not hold collateral against these derivative exposures. Also, during 2009 we recognized gains of $113 million for counterparty credit risk related to these positions.

With the Merrill Lynch acquisition, we acquired a loan with a carrying value of $4.4 billion as of December 31, 2009 that is collateralized by U.S. super senior ABS CDOs. Merrill Lynch originally provided financing to the borrower for an amount equal to approximately 75 percent of the fair value of the collateral. The loan has full recourse to the borrower and all scheduled payments on the loan have been received. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity. Collateral for the loan is excluded from our CDO exposure discussions and the applicable tables.

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Global Wealth & Investment Management

		2009			
(Dollars in millions)	**Total**	**Merrill Lynch Global Wealth Management [1]**	**U.S. Trust**	**Columbia Management**	**Other**
Net interest income [2]	**$ 5,564**	**$ 4,567**	**$ 1,361**	**$ 32**	**$ (396)**
Noninterest income:					
Investment and brokerage services	**9,273**	**6,130**	**1,254**	**1,090**	**799**
All other income (loss)	**3,286**	**1,684**	**48**	**(201)**	**1,755**
Total noninterest income	**12,559**	**7,814**	**1,302**	**889**	**2,554**
Total revenue, net of interest expense	**18,123**	**12,381**	**2,663**	**921**	**2,158**
Provision for credit losses	**1,061**	**619**	**442**		
Noninterest expense	**13,077**	**9,411**	**1,945**	**932**	**789**
Income (loss) before income taxes	**3,985**	**2,351**	**276**	**(11)**	**1,369**
Income tax expense (benefit) [2]	**1,446**	**870**	**102**	**(4)**	**478**
Net income (loss)	**$ 2,539**	**$ 1,481**	**$ 174**	**$ (7)**	**$ 891**
Net interest yield [2]	**2.53%**	**2.49%**	**2.58%**	**n/m**	**n/m**
Return on average equity [3]	**13.44**	**18.50**	**3.39**	**n/m**	**n/m**
Efficiency ratio [2]	**72.16**	**76.01**	**73.03**	**n/m**	**n/m**
Year end total assets [4]	**$ 254,192**	**$ 195,175**	**$ 55,371**	**$ 2,717**	**n/m**

		2008			
(Dollars in millions)	Total	Merrill Lynch Global Wealth Management [1]	U.S. Trust	Columbia Management	Other
Net interest income [2]	$ 4,797	$ 3,211	$ 1,570	$ 6	$ 10
Noninterest income:					
Investment and brokerage services	4,059	1,001	1,400	1,496	162
All other income (loss)	(1,047)	58	18	(1,120)	(3)
Total noninterest income	3,012	1,059	1,418	376	159
Total revenue, net of interest expense	7,809	4,270	2,988	382	169
Provision for credit losses	664	561	103		
Noninterest expense	4,910	1,788	1,831	1,126	165
Income (loss) before income taxes	2,235	1,921	1,054	(744)	4
Income tax expense (benefit) [2]	807	711	390	(275)	(19)
Net income (loss)	$ 1,428	$ 1,210	$ 664	$ (469)	$ 23
Net interest yield [2]	2.97%	2.60%	3.05%	n/m	n/m
Return on average equity [3]	12.20	36.66	14.20	n/m	n/m
Efficiency ratio [2]	62.87	41.88	61.26	n/m	n/m
Year end total assets [4]	$ 189,073	$ 137,282	$ 57,167	$ 2,923	n/m

(1) Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we combined Merrill Lynch s wealth management business and our former *Premier Banking & Investments* business to form *Merrill Lynch Global Wealth Management (MLGWM).*

(2) FTE basis

(3) Average allocated equity for *GWIM* was $18.9 billion and $11.7 billion at December 31, 2009 and 2008.

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

n/m = not meaningful

(Dollars in millions)	December 31 2009	December 31 2008	Average Balance 2009	Average Balance 2008
Balance Sheet				
Total loans and leases	**$ 99,596**	$ 89,401	**$ 103,398**	$ 87,593
Total earning assets [(1)]	**219,866**	179,319	**219,612**	161,685
Total assets [(1)]	**254,192**	189,073	**251,969**	170,973
Total deposits	**224,840**	176,186	**225,980**	160,702

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

GWIM provides a wide offering of customized banking, investment and brokerage services tailored to meet the changing wealth management needs of our individual and institutional customer base. Our clients have access to a range of services offered through three primary businesses: *MLGWM; U.S. Trust, Bank of America Private Wealth Management (U.S. Trust);* and *Columbia*. The results of the Retirement & Philanthropic Services business, the Corporation s approximate 34 percent economic ownership interest in BlackRock and other miscellaneous items are included in *Other* within *GWIM*.

As part of the Merrill Lynch acquisition, we added its financial advisors and an economic ownership interest of approximately 50 percent in BlackRock, a publicly traded investment management company. During 2009, BlackRock completed its purchase of Barclays Global Investors, an asset management business, from Barclays PLC which had the effect of diluting our ownership interest in BlackRock and, for accounting purposes, was treated as a sale of a portion of our ownership interest. As a result, upon the closing of this transaction, the Corporation s economic ownership interest in BlackRock was reduced to approximately 34 percent and we recorded a pre-tax gain of $1.1 billion.

Net income increased $1.1 billion, or 78 percent, to $2.5 billion as higher total revenue was partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased $767 million, or 16 percent, to $5.6 billion primarily due to the acquisition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities and the impact of the migration of client balances during 2009 to *Deposits* and *Home Loans & Insurance*. *GWIM s* average loan and deposit growth benefited from the acquisition of Merrill Lynch and the shift of client assets from off-balance sheet (e.g., money market funds) to on-balance sheet products (e.g., deposits) partially offset by the net migration of customer relationships. A more detailed discussion regarding migrated customer relationships and related balances is provided in the following *MLGWM* discussion.

Noninterest income increased $9.5 billion to $12.6 billion primarily due to higher investment and brokerage services income driven by the Merrill Lynch acquisition, the $1.1 billion gain on our investment in BlackRock and the lower level of support provided to certain cash funds partially offset by the impact of lower average equity market levels and net outflows primarily in the cash complex.

Provision for credit losses increased $397 million, or 60 percent, to $1.1 billion, reflecting the weak economy during 2009 which drove higher net charge-offs in the consumer real estate and commercial portfolios including a single large commercial charge-off.

Noninterest expense increased $8.2 billion to $13.1 billion driven by the addition of Merrill Lynch and higher FDIC insurance and special assessment costs partially offset by lower revenue-related expenses.

Client Assets

The following table presents client assets which consist of AUM, client brokerage assets, assets in custody and client deposits.

Client Assets

	December 31	
(Dollars in millions)	**2009**	2008
Assets under management	**$ 749,852**	$ 523,159
Client brokerage assets [1]	**1,270,461**	172,106
Assets in custody	**274,472**	133,726
Client deposits	**224,840**	176,186
Less: Client brokerage assets and assets in custody included in assets under management	**(346,682)**	(87,519)
Total net client assets	**$ 2,172,943**	$ 917,658

[1] Client brokerage assets include non-discretionary brokerage and fee-based assets.

The increase in net client assets was driven by the acquisition of Merrill Lynch and higher equity market values at December 31, 2009 compared to 2008 partially offset by outflows that primarily occurred in cash and money market assets due to increasing interest rate pressure.

Merrill Lynch Global Wealth Management

Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we combined the Merrill Lynch wealth management business and our former *Premier Banking & Investments* business to form *MLGWM*. *MLGWM* provides a high-touch client experience through a network of approximately 15,000 client-facing financial advisors to our affluent customers with a personal wealth profile of at least $250,000 of investable assets. The addition of Merrill Lynch created one of the largest financial advisor networks in the world. Merrill Lynch added $10.3 billion in revenue and $1.6 billion in net income during 2009. Total client balances in *MLGWM*, which include deposits, AUM, client brokerage assets and other assets in custody, were $1.4 trillion at December 31, 2009.

MLGWM includes the impact of migrating customers and their related deposit and loan balances to or from *Deposits* and *Home Loans & Insurance*. As of the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the segment to which the customers migrated. During 2009, total deposits of $43.4 billion were migrated to *Deposits* from *MLGWM.* Conversely, during 2008, total deposits of $20.5 billion were migrated from *Deposits* to *MLGWM.* During 2009 and 2008, total loans of $16.6 billion and $1.7 billion were migrated from *MLGWM,* of which $11.5 billion and $1.6 billion were migrated to *Home Loans & Insurance.* These changes in 2009 were mainly due to client segmentation threshold changes resulting from the Merrill Lynch acquisition.

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Net income increased $271 million, or 22 percent, to $1.5 billion as increases in noninterest income and net interest income were partially offset by higher noninterest expense. Net interest income increased $1.4 billion, or 42 percent, to $4.6 billion driven by higher average deposit and loan balances due to the acquisition of Merrill Lynch partially offset by a lower net interest income allocation from ALM activities, the impact of migration to *Deposits* and *Home Loans & Insurance*, and spread compression on deposits. Noninterest income rose $6.8 billion to $7.8 billion due to an increase in investment and brokerage services income of $5.1 billion driven by the acquisition of Merrill Lynch. Provision for credit losses increased $58 million, or 10 percent, to $619 million primarily driven by increased credit costs related to the consumer real estate portfolio reflecting the weak housing market. Noninterest expense increased $7.6 billion to $9.4 billion driven by the acquisition of Merrill Lynch. In addition, noninterest expense was adversely impacted by higher FDIC insurance and special assessment costs.

U.S. Trust, Bank of America Private Wealth Management

U.S. Trust provides comprehensive wealth management solutions to wealthy and ultra-wealthy clients with investable assets of more than $3 million. In addition, *U.S. Trust* provides resources and customized solutions to meet clients wealth structuring, investment management, trust and banking needs as well as specialty asset management services (oil and gas, real estate, farm and ranch, timberland, private businesses and tax advisory). Clients also benefit from access to resources available through the Corporation including capital markets products, large and complex financing solutions, and our extensive banking platform.

Net income decreased $490 million, or 74 percent, to $174 million driven by higher provision for credit losses and lower net interest income. Net interest income decreased $209 million, or 13 percent, to $1.4 billion due to a lower net interest income allocation from ALM activities partially offset by the shift of client assets from off-balance sheet (e.g., money market funds) to on-balance sheet products (e.g., deposits). Noninterest income decreased $116 million, or eight percent, to $1.3 billion driven by lower investment and brokerage services income due to lower valuations in the equity markets and a decline in transactional revenues offset by the addition of the Merrill Lynch trust business and lower losses related to ARS. Provision for credit losses increased $339 million to $442 million driven by higher net charge-offs, including a single large commercial charge-off, and higher reserve additions in the commercial and consumer real estate portfolios. Noninterest expense increased $114 million, or six percent, to $1.9 billion due to higher FDIC insurance and special assessment costs and the addition of the Merrill Lynch trust business which were partially offset by cost containment strategies and lower revenue-related expenses.

Columbia Management

Columbia is an asset management business serving the needs of both institutional clients and individual customers. *Columbia* provides asset management products and services including mutual funds and separate accounts. *Columbia* mutual fund offerings provide a broad array of investment strategies and products including equity, fixed income (taxable and nontaxable) and money market (taxable and nontaxable) funds. *Columbia* distributes its products and services to institutional clients and individuals directly through *MLGWM, U.S. Trust, Global Banking* and nonproprietary channels including other brokerage firms.

During 2009, the Corporation reached an agreement to sell the long-term asset management business of *Columbia* to Ameriprise Financial, Inc., for consideration of approximately $900 million to $1.2 billion subject to certain adjustments including, among other factors, AUM net flows. This includes the management of *Columbia s* equity and fixed

income mutual funds and separate accounts. The transaction is expected to close in the second quarter of 2010, and is subject to regulatory approvals and customary closing conditions, including fund board, fund shareholder and other required client approvals.

Columbia recorded a net loss of $7 million compared to a net loss of $469 million in 2008. Net revenue increased $539 million due to a reduction in losses of $917 million related to support provided to certain cash funds offset by lower investment and brokerage services income of $406 million. The decrease in investment and brokerage services income was driven by the impact of lower average equity market levels and net outflows primarily in the cash complex. Noninterest expense decreased $194 million driven by lower revenue-related expenses, such as lower sub-advisory, distribution and dealer support expenses, and reduced personnel-related expenses.

Cash Funds Support

Beginning in the second half of 2007, we provided support to certain cash funds managed within *Columbia.* The funds for which we provided support typically invested in high quality, short-term securities with a portfolio weighted-average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial services companies. Due to market disruptions, certain investments in SIVs and senior debt securities were downgraded by the ratings agencies and experienced a decline in fair value. We entered into capital commitments under which the Corporation provided cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. All capital commitments to these cash funds have been terminated. In 2009 and 2008, we recorded losses of $195 million and $1.1 billion related to these capital commitments.

Additionally, during 2009 and 2008, we purchased $1.8 billion and $1.7 billion of certain investments from the funds. As a result of these purchases, certain cash funds, including the Money Market Funds, managed within *Columbia* no longer have exposure to SIVs or other troubled assets. At December 31, 2009 and 2008, we held AFS debt securities with a fair value of $902 million and $698 million of which $423 million and $279 million were classified as nonperforming AFS debt securities and had $171 million and $272 million of related unrealized losses recorded in accumulated OCI. The decline in value of these securities was driven by the lack of market liquidity and the overall deterioration of the financial markets. These unrealized losses are recorded in accumulated OCI as we expect to recover the full principal amount of such investments and it is more-likely-than-not that we will not be required to sell the investments prior to recovery.

Other

Other includes the results of the Retirement & Philanthropic Services business, the Corporation s approximately 34 percent economic ownership interest in BlackRock and other miscellaneous items. Our investment in BlackRock is accounted for under the equity method of accounting with our proportionate share of income or loss recorded in equity investment income.

Net income increased $868 million to $891 million compared to 2008. The increase was driven by higher noninterest income offset by higher noninterest expense and lower net interest income. Net interest income decreased $406 million due to the funding cost on a management accounting basis for carrying the BlackRock investment. Noninterest income increased $2.4 billion to $2.6 billion due to the addition of the Retirement & Philanthropic Services business from Merrill Lynch and earnings from BlackRock which contributed $1.3 billion during 2009, including the $1.1 billion gain previously mentioned. Noninterest expense increased $624 million to $789 million primarily driven by the addition of the Retirement & Philanthropic Services business from Merrill Lynch.

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All Other

(Dollars in millions)	2009 Reported Basis (1)	2009 Securitization Offset (2)	2009 As Adjusted	2008 Reported Basis (1)	2008 Securitization Offset (2)	2008 As Adjusted
Net interest income (3)	**$ (6,922)**	**$ 9,250**	**$ 2,328**	$ (8,019)	$ 8,701	$ 682
Noninterest income:						
Card income (loss)	**(895)**	**2,034**	**1,139**	2,164	(2,250)	(86)
Equity investment income	**9,020**		**9,020**	265		265
Gains on sales of debt securities	**4,440**		**4,440**	1,133		1,133
All other income (loss)	**(6,735)**	**115**	**(6,620)**	(711)	219	(492)
Total noninterest income	**5,830**	**2,149**	**7,979**	2,851	(2,031)	820
Total revenue, net of interest expense	**(1,092)**	**11,399**	**10,307**	(5,168)	6,670	1,502
Provision for credit losses	**(3,431)**	**11,399**	**7,968**	(3,769)	6,670	2,901
Merger and restructuring charges (4)	**2,721**		**2,721**	935		935
All other noninterest expense	**1,997**		**1,997**	189		189
Income (loss) before income taxes	**(2,379)**		**(2,379)**	(2,523)		(2,523)
Income tax benefit (3)	**(2,857)**		**(2,857)**	(1,283)		(1,283)
Net income (loss)	**$ 478**	**$**	**$ 478**	$ (1,240)	$	$ (1,240)

(1) Provision for credit losses represents the provision for credit losses in *All Other* combined with the *Global Card Services* securitization offset.
(2) The securitization offset 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
(4) For more information on merger and restructuring charges, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

(Dollars in millions)	2009	2008
Balance Sheet		
Average		
Total loans and leases (1)	**$ 155,561**	$ 135,789
Total assets (1, 2)	**239,642**	77,244
Total deposits	**103,122**	105,725
Allocated equity (3)	**49,015**	16,563
Year end		
Total loans and leases (1)	**$ 152,944**	$ 136,163
Total assets (1, 2)	**137,382**	79,420
Total deposits	**78,618**	86,888

(1) Loan amounts are net of the securitization offset of $98.5 billion and $104.4 billion for 2009 and 2008 and $89.7 billion and $101.0 billion at December 31, 2009 and 2008.
(2) Includes elimination of segments excess asset allocations to match liabilities (i.e., deposits) of $511.0 billion and $413.1 billion for 2009 and 2008 and $561.6 billion and $439.2 billion at December 31, 2009 and 2008.
(3) Increase in allocated equity was due to capital raises during 2009.

Global Card Services is reported on a managed basis which includes a securitization impact adjustment which has the effect of assuming that loans that have been securitized were not sold and presents these 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 on a GAAP basis (i.e., held basis). See the *Global Card Services* section beginning on page 29 for information on the *Global Card Services* managed results. The following *All Other* discussion focuses on the results on an as adjusted basis excluding the securitization offset. In addition to the securitization offset discussed above, *All Other* includes our *Equity Investments* businesses and *Other*.

Equity Investments includes Global Principal Investments, Corporate Investments and Strategic Investments. On January 1, 2009, Global

Principal Investments added Merrill Lynch s principal investments. The combined business is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. Global Principal Investments has unfunded equity commitments amounting to $2.5 billion at December 31, 2009 related to certain of these investments. For more information on these commitments, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Corporate Investments primarily includes investments in publicly traded debt and equity securities and funds which are accounted for as AFS marketable equity securities. Strategic Investments includes investments of $9.2 billion in CCB, $5.4 billion in Itaú Unibanco Holding S.A. (Itaú Unibanco), $2.5 billion in Grupo Financiero Santander, S.A. (Santander) and other investments. Our shares of Itaú Unibanco are accounted for as AFS marketable equity securities. Our investment in Santander is accounted for under the equity method of accounting.

In 2009, we sold 19.1 billion common shares representing our entire initial investment in CCB for $10.1 billion, resulting in a pre-tax gain of $7.3 billion. During 2008, under the terms of the CCB purchase option, we increased our ownership by purchasing approximately 25.6 billion common shares for $9.2 billion. We continue to hold the shares purchased in 2008.

These shares are accounted for at cost, are recorded in other assets and are non-transferable until August 2011. We remain a significant shareholder in CCB with an approximate 11 percent ownership interest and intend to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, we expect to continue to provide advice and assistance to CCB.

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The following table presents the components of *All Other s* equity investment income and reconciliation to the total consolidated equity investment income for 2009 and 2008 and also *All Other s* equity investments at December 31, 2009 and 2008.

Equity Investment Income

(Dollars in millions)	**2009**	2008
Global Principal Investments	**$ 1,222**	$ (84)
Corporate Investments	**(88)**	(520)
Strategic and other investments	**7,886**	869
Total equity investment income included in *All Other*	**9,020**	265
Total equity investment income included in the business segments	**994**	274
Total consolidated equity investment income	**$ 10,014**	$ 539

Equity Investments

	December 31	
	2009	2008
Global Principal Investments	**$ 14,071**	$ 3,812
Corporate Investments	**2,731**	2,583
Strategic and other investments	**17,860**	25,027
Total equity investments included in All Other	**$ 34,662**	$ 31,422

Other includes the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, intersegment eliminations and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations, impact of foreign exchange rate fluctuations related to revaluation of foreign currency-denominated debt, fair value adjustments on certain structured notes, certain gains (losses) on sales of whole mortgage loans and gains (losses) on sales of debt securities. In addition, *Other* includes adjustments to net interest income and income tax expense to remove the FTE effect of items (primarily low-income housing tax credits) that are reported on a FTE basis in the business segments. *Other* also includes a trust services business which is a client-focused business providing trustee services and fund administration to various financial services companies.

First Republic results are also included in *Other*. First Republic, acquired as part of the Merrill Lynch acquisition, provides personalized, relationship-based banking services including private banking, private business banking, real estate lending, trust, brokerage and investment management. First Republic is a stand-alone bank that operates primarily on the west coast and in the northeast and caters to high-end customers. On October 21, 2009, we reached an agreement to sell First Republic to a number of investors, led by First Republic s existing management, Colony Capital, LLC and General Atlantic, LLC. The transaction is expected to close in the second quarter of 2010 subject to regulatory approval.

All Other recorded net income of $478 million in 2009 compared to a net loss of $1.2 billion in 2008 as higher total revenue driven by increases in noninterest income, net interest income and an income tax benefit were partially offset by increased provision for credit losses, merger and restructuring charges and all other noninterest expense.

Net interest income increased $1.6 billion to $2.3 billion primarily due to unallocated net interest income related to increased liquidity driven in

part by capital raises during 2009 and the addition of First Republic in 2009.

Noninterest income increased $7.2 billion to $8.0 billion driven by higher equity investment income of $8.8 billion, increased gains on sales of debt securities of $3.3 billion and increased card income of $1.2 billion. These items were partially offset by a decrease in all other income of $6.1 billion. The increase in equity investment income was driven by a $7.3 billion gain on the sale of a portion of our CCB investment and positive valuation adjustments on public and private investments within Global Principal Investments. The decrease in all other income was driven by the $4.9 billion negative credit valuation adjustments on certain Merrill Lynch structured notes due to an improvement in credit spreads during 2009. In addition, we recorded other-than-temporary impairments of $1.6 billion related to non-agency CMOs included in the ALM debt securities portfolio during the year.

Provision for credit losses increased $5.1 billion to $8.0 billion. This increase was primarily due to higher credit costs related to our ALM residential mortgage portfolio reflecting deterioration in the housing markets and the impacts of a weak economy.

Merger and restructuring charges increased $1.8 billion to $2.7 billion due to the Merrill Lynch and Countrywide acquisitions. The Merrill Lynch acquisition was accounted for in accordance with new accounting guidance for business combinations effective on January 1, 2009 requiring that acquisition-related transaction and restructuring costs be charged to expense. Previously these costs were recorded as an adjustment to goodwill. This change in accounting drove a portion of the increase. We recorded $1.8 billion of merger and restructuring charges during 2009 related to the Merrill Lynch acquisition, the majority of which related to severance and employee-related charges. The remaining merger and restructuring charges related to Countrywide and ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle). For additional information on merger and restructuring charges and systems integrations, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements. All other noninterest expense increased $1.8 billion to $2.0 billion due to higher personnel costs and a $425 million charge to pay the U.S. government to terminate its asset guarantee term sheet.

Income tax benefit in 2009 increased $1.6 billion primarily as a result of the release of a portion of a valuation allowance that was provided for an acquired capital loss carryforward.

Obligations and Commitments

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations are commitments to purchase loans of $9.5 billion and vendor contracts of $9.1 billion. The most significant vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Nonqualified Pension Plans and Postretirement Health and Life Plans (the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans assets and any participant contributions, if applicable. During 2009 and 2008, we contributed $414 million and $1.6 billion to the Plans, and we expect to make at least $346 million of contributions during 2010.

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Table 9 presents total long-term debt and other obligations at December 31, 2009.

Table 9 Long-term Debt and Other Obligations

	December 31, 2009				
(Dollars in millions)	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years	Total
Long-term debt and capital leases	$ 99,144	$ 124,054	$ 72,103	$ 143,220	**$ 438,521**
Operating lease obligations	3,143	5,072	3,355	8,143	**19,713**
Purchase obligations	11,957	3,667	1,627	2,119	**19,370**
Other long-term liabilities	610	1,097	848	1,464	**4,019**
Total long-term debt and other obligations	**$ 114,854**	**$ 133,890**	**$ 77,933**	**$ 154,946**	**$ 481,623**

Debt, lease, equity and other obligations are more fully discussed in *Note 13 Long-term Debt* and *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements. The Plans are more fully discussed in *Note 17 Employee Benefit Plans* to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see the table in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Regulatory Initiatives

On November 12, 2009, the Federal Reserve issued the final rule related to changes to Regulation E and on May 22, 2009, the CARD Act was signed into law. For more information on the impact of these new regulations, see Regulatory Overview on page 17.

In December 2009, the Basel Committee on Banking Supervision released consultative documents on both capital and liquidity. In addition, we will begin Basel II parallel implementation during the second quarter of 2010. For more information, see Basel Regulatory Capital Requirements on page 52.

On January 21, 2010, the Federal Reserve, Office of the Comptroller of the Currency, FDIC and Office of Thrift Supervision (collectively, joint agencies) issued a final rule regarding risk-based capital and the impact of adoption of new consolidation rules issued by the FASB. The final rule eliminates the exclusion of certain asset-backed commercial paper (ABCP) program assets from risk-weighted assets and provides a reservation of authority to permit the joint agencies to require banks to treat structures that are not consolidated under the accounting standards as if they were consolidated for risk-based capital purposes commensurate with the risk relationship of the bank to the structure. In addition, the final rule allows for an optional delay and phase-in for a maximum of one year for the effect on risk-weighted assets and the regulatory limit on the inclusion of the allowance for loan and lease losses in Tier 2 capital related to the assets that must be consolidated as a result of the accounting change. The transitional relief does not apply to the leverage ratio or to assets in VIEs to which a bank provides implicit support. We have elected to forgo the phase-in period, and accordingly, we consolidated the amounts for regulatory capital purposes as of January 1, 2010. For more information on the impact of this guidance, see Impact of Adopting New Accounting Guidance on Consolidation on page 52.

On December 14, 2009, we announced our intention to increase lending to small- and medium-sized businesses to approximately $21 billion in 2010 compared to approximately $16 billion in 2009. This announcement is consistent with the U.S. Treasury s initiative, announced as part of the Financial Stability Plan on February 2, 2009, to help increase small

business owners access to credit. As part of the initiative, the U.S. Treasury began making direct purchases of up to $15 billion of certain securities backed by Small Business Administration (SBA) loans to improve liquidity in the credit markets and purchasing new securities to ensure that financial institutions feel confident in extending new loans to small businesses. The program also temporarily raises guarantees to up to 90 percent in the SBA s loan program and temporarily eliminates certain SBA loan fees. We continue to lend to creditworthy small business customers through small business credit cards, loans and lines of credit products.

In response to the economic downturn, the FDIC implemented the Temporary Liquidity Guarantee Program (TLGP) to strengthen confidence and encourage liquidity in the banking system by allowing the FDIC to guarantee senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits, issued by participating entities beginning on October 14, 2008, and continuing through October 31, 2009. We participated in this program; however, as announced in September 2009, due to improved market liquidity and our ability to issue debt without the FDIC guarantee, we, with the FDIC s agreement, exited the program and have stopped issuing FDIC-guaranteed debt. At December 31, 2009, we still had FDIC-guaranteed debt outstanding issued under the TLGP of $44.3 billion. The TLGP also offered the Transaction Account Guarantee Program (TAGP) that guaranteed noninterest-bearing deposit accounts held at participating FDIC-insured institutions on balances in excess of $250,000. We elected to opt out of the six-month extension of the TAGP which extends the program to June 30, 2010. We exited the TAGP effective December 31, 2009.

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

In addition to exiting the TARP as discussed on page 18, terminating the U.S. Government s asset guarantee term sheet and exiting the TLGP, including the TAGP, we have exited or ceased participation in market disruption liquidity programs created by the U.S. government in response to the economic downturn of 2008. We have exited or repaid borrowings under the Term Auction Facility, U.S. Treasury Temporary Liquidity Guarantee Program for Money Market Funds, ABCP Money Market Fund Liquidity Facility, Commercial Paper Federal Funding Facility, Money Market Investor Funding Facility, Term Securities Lending Facility and Primary Dealer Credit Facility.

On November 17, 2009, the FDIC issued a final rule that required insured institutions to prepay on December 30, 2009 their estimated

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quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. For the fourth quarter of 2009 and for all of 2010, the prepaid assessment rate was based on each institution s total base assessment rate for the third quarter of 2009, modified to assume that the assessment rate in effect on September 30, 2009 had been in effect for the entire third quarter of 2009. The prepaid assessment rates for 2011 and 2012 are equal to the modified third quarter 2009 total base assessment rate plus three bps adjusted quarterly for an estimated five percent annual growth rate in the assessment base through the end of 2012. As the prepayment related to future periods, it was recorded in prepaid assets for financial reporting purposes and will be recognized as expense over the coverage period.

On May 22, 2009, the FDIC adopted a rule designed to replenish the deposit insurance fund. This rule established a special assessment of five bps on each FDIC-insured depository institution s assets minus its Tier 1 capital with a maximum assessment not to exceed 10 bps of an institution s domestic deposits. This special assessment was calculated based on asset levels at June 30, 2009, and was collected on September 30, 2009. The Corporation recorded a net charge of $724 million in 2009 in connection with this assessment. Additionally, beginning April 1, 2009, the FDIC increased fees on deposits based on a revised risk-weighted methodology which increased the base assessment rates.

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

On March 4, 2009, the U.S. Treasury provided details related to the $75 billion Making Home Affordable program (MHA). The MHA is focused on reducing the number of foreclosures and making it easier for customers to refinance loans. The MHA consists of the Home Affordable Modification Program (HAMP) which provides guidelines on first lien loan modifications, and the Home Affordable Refinance Program (HARP) which provides guidelines for loan refinancing. The HAMP is designed to help at-risk homeowners avoid foreclosure by reducing payments. This program

provides incentives to lenders to modify all eligible loans that fall under the guidelines of this program. The HARP is available to approximately four to five million homeowners who have a proven payment history on an existing mortgage owned by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC). The HARP is designed to help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance adjustable-rate mortgages (ARM) into more stable fixed-rate mortgages.

As part of the MHA program, on April 28, 2009, the U.S. government announced intentions to create the second lien modification program (2MP) that will be designed to reduce the monthly payments on qualifying home equity loans and lines of credit under certain conditions, including completion of a HAMP modification on the first mortgage on the property. This program will provide incentives to lenders to modify all eligible loans that fall under the guidelines of this program. On January 26, 2010, we formally announced that we will participate in the 2MP once program details are finalized. We will modify eligible second liens regardless of whether the MHA modified first lien is serviced by Bank of America or another participating servicer.

Another addition to the HAMP is the recently announced Home Affordable Foreclosure Alternatives (HAFA) program to assist borrowers with non-retention options instead of foreclosure. The HAFA program provides incentives to lenders to assist all eligible borrowers that fall under the guidelines of this program. Our first goal is to work with the borrower to determine if a loan modification or other homeownership retention solution is available before pursuing non-retention options such as short sales. Short sales are an important option for homeowners who are facing financial difficulty and do not have a viable option to remain in the home. HAFA s short sale guidelines are designed to streamline and standardize the process and will be compatible with Bank of America s new cooperative short sale program.

As of January 2010, approximately 220,000 Bank of America customers were already in a trial-period modification under the MHA program. We will continue to help our customers address financial challenges through these government programs and our own home retention programs.

Managing Risk

Overview

The Corporation s risk management infrastructure is evolving to meet the challenges posed by the increased complexity of the financial services industry and markets, by our increased size and global footprint, and by the rapid and significant financial crisis of the past two years. We have redefined our risk framework, articulated a risk appetite approved by the Board of Directors (the Board), and begun the roll out and implementation of our risk plan. While many of these processes, and roles and responsibilities continue to evolve and mature, we will ensure that we continue to enhance our risk management process with a focus on clarity of roles and accountabilities, escalation of issues, aggregation of risk and data across the enterprise, and effective governance characterized by clarity and transparency.

Given our wide range of business activities as well as the competitive dynamics, the regulatory environment and the geographic span of such activities, risk taking is an inherent activity for the Corporation. Consequently, we take a comprehensive approach to risk management. Risk management planning is fully integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole and managing risk across the enterprise and within individual business units, products, services and transactions. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and the oversight of those activities, by executive management and the Board.

Economic capital is assigned to each business segment using a risk-adjusted methodology incorporating each segment s stand-alone credit, market, interest rate and operational risk components, and is used to measure risk-adjusted returns. Executive management assesses, and the Board oversees, the risk-adjusted returns of each business through review and approval of strategic and financial operating plans. By allocating economic capital to and establishing a risk appetite for a line of business, we effectively manage the ability to take on risk. Businesses operate within their credit, market, compliance, and operational risk standards and limits in order to adhere to the risk appetite. These limits are based on analyses of risk and reward in each line of business, and executive management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board monitors financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls through its committees.

Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risk. Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact our ability to meet our objectives. Credit risk is the risk of loss arising from a borrower s or counterparty s inability to meet its obligations. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as interest rate movements. Liquidity risk is the inability to accommodate liability maturities and deposit withdrawals, fund asset growth and meet contractual obligations through unconstrained access to funding at reasonable market rates. Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to our reputation or image. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Reputational risk, the risk that negative publicity will adversely affect the Corporation, is managed as a natural part of managing the other six types of risk. The following sections, Strategic Risk Management on page 47, Liquidity Risk and Capital Management beginning on page 47, Credit Risk Management beginning on page 54, Market Risk Management beginning on page 79, Compliance Risk Management on page 86, and Operational Risk Management beginning on page 86, address in more detail the specific procedures, measures and analyses of the major categories of risk that the Corporation manages.

On October 28, 2009, the Board approved the Risk Framework and Risk Appetite Statement for the Corporation. The Risk Framework is designed to be used by our associates to understand risk management activities, including their individual roles and accountabilities. The Risk Framework defines how risk management is integrated into our core business processes, and it defines the risk management governance structure, including management s involvement. The risk management responsibilities of the lines of business, Governance and Control functions, and Corporate Audit are also clearly defined. The Risk Framework reflects how the Board-approved risk appetite influences business and risk strategy. The management process (i.e., identify and measure risk, mitigate and control risk, monitor and test risk, and report and review risk) was enhanced for execution across all business activities. The Risk Framework supports the accountability of the Corporation and its associates to ensure the integrity of assets and the quality of earnings. The Risk Appetite Statement defines the parameters under which we will take

risk to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings. Our intent is for our risk appetite to reflect a through the cycle view which will be reviewed and assessed annually.

Risk Management Processes and Methods

To ensure that our corporate goals and objectives, risk appetite, and business and risk strategies are achieved, we utilize a risk management process that is applied in executing all business activities. All functions and roles fall into one of three categories where risk must be managed. These are lines of business, Governance and Control (Global Risk Management or other support groups) and Corporate Audit.

The lines of business are responsible for identifying and managing all existing, reputational and emerging risks in their business units, since this is where most of our risk-taking occurs. Line of business management makes and executes the business plan and is closest to the changing nature of risks and, therefore, we believe is best able to implement procedures and controls that align to policies and limits. Risk self-assessments conducted by the business are used to identify risks and calibrate the severity of potential risk issues. These assessments are reviewed by the lines of business and executive management, including senior Risk executives. To the extent appropriate, the assessments are reviewed by the Board or its committees to ensure appropriate risk management and oversight, and to identify enterprise-wide issues. Our management processes, structures and policies aid us in complying with laws and regulations and provide clear lines for decision-making and accountability. Wherever practical, we attempt to house decision-making authority as close to the transaction as possible while retaining supervisory control functions from both inside and outside of the lines of business.

The Governance and Control functions include our Risk Management, Finance, Treasury, Technology and Operations, Human Resources, and Legal functions. These groups are independent of the lines of business and are organized with both line of business-aligned and enterprise-wide functions. The Governance and Control functions are accountable for setting policies, standards and limits according to the Risk Appetite Statement, providing risk reporting and monitoring, and ensuring compliance. For example, in Global Risk Management, a senior risk executive is assigned to each of the lines of business and is responsible for the oversight of all the risks associated with that line of business and ensuring compliance with policies, standards and limits. Enterprise-level risk executives have responsibility to develop and implement the framework for policies and practices to assess and manage enterprise-wide credit, market, compliance and operational risks.

Corporate Audit provides an independent assessment of our management and internal control systems through testing of key processes and controls across the organization. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is materially complete, accurate and reliable; and employees actions are in compliance with the Corporation s policies, standards, procedures, and applicable laws and regulations.

We use a risk management process, applied across the execution of all business activities, that is designed to identify and measure, mitigate and control, monitor and test, and report and review risks. This process enables us to review risks in an integrated and comprehensive manner and make strategic and business decisions based on that comprehensive view. Corporate goals and objectives and risk appetite are established by executive management, approved by the Board, and are inputs to setting business and risk strategy which guide the execution of business activities. Governance, continuous feedback, and independent testing and validation provide structured controls, reporting and audit of the execution

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of risk processes and business activities. Examples of tools, methods and processes used include: self-assessments conducted by the lines of business in concert with independent risk assessments by Governance and Control (part of identify and measure); a system of controls and supervision which provides assurance that associates act in accordance with laws, regulations, policies and procedures (part of mitigate and control); independent testing of control and mitigation plans by Credit Review and Corporate Audit (part of monitor and test); and a summary risk report which includes key risk metrics that measure the performance of the Corporation against risk limits and the Risk Appetite Statement (part of report and review).

The formal processes used to manage risk represent only one portion of our overall risk management process. Corporate culture and the actions of our associates are also critical to effective risk management. Through our Code of Ethics, we set a high standard for our associates. The Code of Ethics provides a framework for all of our associates to conduct themselves with the highest integrity in the delivery of our products or services to our customers. We instill a risk-conscious culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the linkage between the associate performance management process and individual compensation to encourage associates to work toward enterprise-wide risk goals.

Board Oversight

The Board oversees management of the Corporation s businesses and affairs. In its oversight of the Corporation, the Board s goal is to set the tone for the highest ethical standards and performance of our management, associates and the Corporation as a whole. The Board strongly believes that good corporate governance practices are important for successful business performance. Our corporate governance practices are designed to align the interests of the Board and management with those of our stockholders and to promote honesty and integrity throughout the Corporation. Over the past year, we have enhanced our corporate governance practices in many important ways, and we continue to monitor best practices to promote a high level of performance from the Board, management and our associates. The Board has adopted Corporate Governance Guidelines that embody long-standing practices of the Corporation as well as current corporate governance best practices.

In 2009, the Board established a special Board committee with five non-management members (the Special Governance Committee) to review and recommend changes in all aspects of the Board s activities. In recognition of the increased complexity of our company following the major acquisitions of Merrill Lynch and Countrywide, and the challenges of the current business environment, the Board has strengthened its membership by appointing new directors who are independent of management and demonstrate significant banking, financial and investment banking expertise. In addition, the Board has assessed and further developed its structures and processes through which it fulfills its oversight role by the following: modifying committee membership and leadership to best leverage the abilities and backgrounds of the Board members; recasting the Asset Quality Committee as a more targeted and focused Credit Committee and establishing the Enterprise Risk Committee such that these two committees, together with the Audit Committee, work in complement to ensure that key aspects of risk, capital and liquidity management are specifically overseen by committees with clear and affirmative oversight responsibilities set forth in their committee charters; working with management and outside regulatory experts to redesign

management reports to the Board and committees; periodically reviewing the composition of the Board in light of the Corporation s business and structure to identify and nominate director candidates who possess relevant experience, qualifications, attributes and skills to the Board; and enhancing the director orientation process to include, among other changes, increased interaction with executive management and increased focus on key risks.

At the Corporation, the Audit, Credit and Enterprise Risk Committees are charged with a majority of the risk oversight responsibilities on behalf of the Board. In 2009, as noted above, the Board recast the Asset Quality Committee as a more targeted and focused Credit Committee and established a new Enterprise Risk Committee. The Credit Committee oversees, among other things, the management of our credit exposures on an enterprise-wide basis, our response to trends affecting those exposures, the adequacy of the allowance for credit losses and our credit related policies. The Enterprise Risk Committee, among other things, oversees our management of and policies and procedures with respect to material risks on an enterprise-wide basis, including market risk, interest rate risk, liquidity risk and reputational risk. It also oversees our capital management and liquidity planning. The Audit Committee retains oversight responsibility for operational risk, the integrity of our consolidated financial statements, compliance, legal risk and overall policies and practices relating to risk management. In addition to the three risk oversight committees, the Compensation and Benefits Committee oversees the Corporation s compensation practices in order that they do not encourage unnecessary and excessive risk taking by our associates.

The Audit, Credit and Enterprise Risk Committees work in tandem to provide enterprise-wide oversight of the Corporation s management and handling of risk. Each of these three committees reports regularly to the Board on risk-related matters within its responsibilities and together this provides the Board with integrated insight about our management of strategic, credit, market, liquidity, compliance, operational and reputational risks.

Starting in 2009, the Board formalized its process of approving the Corporation s articulation of its risk appetite, which is used internally to help the directors and management understand more clearly the Corporation s tolerance for risk in each of the major risk categories, the way those risks are measured and the key controls available that influence the Corporation s level of risk-taking. The Board intends to undertake this process annually going forward. The Board also approves, at a high level, following proposal by management, the Corporation s framework for managing risk.

At meetings of the Board and the Audit, Credit and Enterprise Risk Committees, directors receive updates from management regarding enterprise risk management, including our performance against the identified risk appetite. The Chief Risk Officer, who is responsible for instituting risk management practices that are consistent with our overall business strategy and risk appetite, and the General Counsel, who manages legal risk, both report directly to the Chief Executive Officer and lead management s risk and legal risk discussions at Board and committee meetings. In addition, the Corporate General Auditor, who is responsible for assessing the company s control environment over significant financial, managerial, and operating information, is independent of management and reports directly to the Audit Committee. The Corporate General Auditor also administratively reports to our Chief Executive Officer. Outside of formal meetings, Board members have regular access to senior executives, including the Chief Risk Officer and the General Counsel.

Strategic Risk Management

Strategic risk is embedded in every line of business and is part of the other major risk categories (credit, market, liquidity, compliance and operational). It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk. In the financial services industry, strategic risk is high due to changing customer and regulatory environments. The Corporation s appetite for strategic risk is continually assessed within the context of the strategic plan, with strategic risks selectively and carefully taken to maintain relevance in the evolving marketplace. Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Chief Executive Officer and executive management team. Significant strategic actions, such as material acquisitions or capital actions, are reviewed and approved by the Board.

Using a plan developed by management, executive management and the Board approve a strategic plan every two to three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. Executive management, with Board oversight, ensures that the plans are consistent with the Corporation s strategic plan, core operating tenets and risk appetite. The following are assessed in their reviews: forecasted earnings and returns on capital; the current risk profile and changes required to support the plan; current capital and liquidity requirements and changes required to support the plan; stress testing results; and other qualitative factors such as market growth rates and peer analysis. Executive management, with Board oversight, performs similar analyses throughout the year, and will define changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use proprietary models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate client profitability.

Liquidity Risk and Capital Management

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to ensure adequate funding for our businesses throughout market cycles, including during periods of financial stress. To achieve that objective we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality liquid unencumbered securities, that we can use to meet our funding requirements as those obligations arise.

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

The Board approves the Corporation s liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The Asset and Liability Market Risk Committee (ALMRC), in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. ALMRC is responsible for managing liquidity risks and ensuring exposures remain within the established tolerance levels. ALMRC delegates additional oversight responsibilities to the Risk Oversight Committee (ROC), which reports to ALMRC. ROC reviews and monitors our liquidity position, cash flow forecasts, stress testing scenarios and results, and implements our liquidity limits and guidelines. For more information, refer to Board Oversight on page 46.

Under this governance framework, we have developed the following funding and liquidity risk management practices:

- Maintain excess liquidity at the parent company and selected subsidiaries, including our bank and broker/dealer subsidiaries
- Determine what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions
- Diversify funding sources, considering our asset profile and legal entity structure
- Perform contingency planning

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to the parent company and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities that together serve as our primary means of liquidity risk mitigation. We call these assets our Global Excess Liquidity Sources, and we limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government securities. We believe we can quickly obtain cash for these securities, even in stressed market conditions, through repurchase agreements or outright sales. We hold these assets in entities that allow us to meet the liquidity requirements of our global businesses and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities.

Our Global Excess Liquidity Sources totaled $214 billion at December 31, 2009 and were maintained as presented in the table below.

Table 10 Global Excess Liquidity Sources

(Dollars in billions)	December 31, 2009
Parent company	$ 99
Bank subsidiaries	89
Broker/dealers	26
Total global excess liquidity sources	**$ 214**

As noted above, the excess liquidity available to the parent company is held in cash and high-quality, liquid, unencumbered securities and totaled $99 billion at December 31, 2009. Typically, parent company cash is deposited overnight with Bank of America, N.A.

Our bank subsidiaries excess liquidity sources at December 31, 2009 consisted of $89 billion in cash on deposit at the Federal Reserve and high-quality, liquid, unencumbered securities. These amounts are distinct from the cash deposited by the parent company, as previously described. In addition to their excess liquidity sources, our bank sub -

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sidiaries hold significant amounts of other unencumbered securities that we believe they could also use to generate liquidity, such as investment grade ABS and municipal bonds. Another way our bank subsidiaries can generate incremental liquidity is by pledging a range of other unencumbered loans and securities to certain FHLBs and the Federal Reserve Discount Window. The cash we could have obtained at December 31, 2009 by borrowing against this pool of specifically identified eligible assets was approximately $187 billion. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loan and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries may only be used to fund obligations within the bank subsidiaries and may not be transferred to the parent company or other nonbank subsidiaries.

Our broker/dealer subsidiaries excess liquidity sources at December 31, 2009 consisted of $26 billion in cash and high-quality, liquid, unencumbered securities. Our broker/dealers also held significant amounts of other unencumbered securities we believe they could utilize to generate additional liquidity, including investment grade corporate bonds, ABS and equities. Liquidity held in a broker/dealer subsidiary may only be available to meet the liquidity requirements of that entity and may not be transferred to the parent company or other subsidiaries.

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. The primary metric we use to evaluate the appropriate level of excess liquidity at the parent company is Time to Required Funding. This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as senior or subordinated debt maturities issued or guaranteed by Bank of America Corporation or Merrill Lynch & Co., Inc., including certain unsecured debt instruments, primarily structured notes, which we may be required to settle for cash prior to maturity. ALMRC has established a minimum target for Time to Required Funding of 21 months. Time to Required Funding was 25 months at December 31, 2009.

We also utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. We use these models to analyze our potential contractual and contingent cash outflows and liquidity requirements under a range of scenarios with varying levels of severity and time horizons. These scenarios incorporate market-wide and Corporation-specific events, including potential credit rating downgrades for the parent company and our subsidiaries. We consider and utilize scenarios based on historical experience, regulatory guidance, and both expected and unexpected future events.

We consider all sources of funds that we could access during each stress scenario and focus particularly on matching available sources with corresponding liquidity requirements by legal entity. We also use the stress modeling results to manage our asset-liability profile and establish limits and guidelines on certain funding sources and businesses.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a globally coordinated funding strategy. We

diversify our funding globally across products, programs, markets, currencies and investor bases.

We fund a substantial portion of our lending activities through our deposit base which was $992 billion at December 31, 2009. Deposits are primarily generated by our *Deposits, Global Banking* and *GWIM* segments. These deposits are diversified by clients, product types and geography. Domestic deposits may be insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources.

Certain consumer lending activities, primarily in our banking subsidiaries, may be funded through securitizations. Included in these consumer lending activities are the extension of mortgage, credit card, auto loans, home equity loans and lines of credit. If securitization markets are not available to us on favorable terms, we typically finance these loans with deposits or with wholesale borrowings. For additional information on securitizations see *Note 8 Securitizations* to the Consolidated Financial Statements.

Our trading activities are primarily funded on a secured basis through repurchase and securities lending agreements. Due to the underlying collateral, we believe this financing is more cost-efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often occur overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations when we finance lower-quality assets.

Unsecured debt, both short- and long-term, is also an important source of funding. We may issue unsecured debt through syndicated U.S. registered offerings, U.S. registered and unregistered medium-term note programs, non-U.S. medium-term note programs, non-U.S. private placements, U.S. and non-U.S. commercial paper and through other methods. We distribute a significant portion of our debt offerings through our retail and institutional sales forces to a large, diversified global investor base. Maintaining relationships with our investors is an important aspect of our funding strategy. We may also make markets in our debt instruments to provide liquidity for investors.

We issue the majority of our unsecured debt at the parent company and Bank of America, N.A. During 2009, we issued $30.2 billion and $10.5 billion of long-term senior unsecured debt at the parent company and Bank of America N.A. The primary benefits of this centralized financing strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences, or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

We issue unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or Bank of America, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

At December 31, 2009, our long-term debt was issued in the currencies presented in the following table.

Table 11 Long-term Debt By Major Currency

December 31, 2009

(Dollars in millions)	
U.S. Dollar	$ 281,692
Euros	99,917
Japanese Yen	19,903
British Pound	16,460
Australian Dollar	7,973
Canadian Dollar	4,894
Swiss Franc	2,666
Other	5,016
Total long-term debt	**$ 438,521**

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, refer to Interest Rate Risk Management for Nontrading Activities beginning on page 83.

We also diversify our funding sources by issuing various types of debt instruments including structured notes. Structured notes are debt obligations that pay investors with returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these notes with derivative positions and/or in the underlying instruments so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to immediately settle certain structured note obligations for cash or other securities under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. At December 31, 2009, we had outstanding structured notes of $57 billion.

Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity, or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

The U.S. government and joint agencies have introduced various programs to stabilize and provide liquidity to the U.S. financial markets since 2007. We have participated in certain of these initiatives and we repaid our borrowings under U.S. government secured financing programs during 2009. We also participated in the FDIC s TLGP which allowed us to issue senior unsecured debt that it guaranteed in return for a fee based on the amount and maturity of the debt. We issued $21.8 billion and $19.9 billion of FDIC-guaranteed long-term debt in 2009 and 2008. We have also issued short-term notes under the program. At December 31, 2009, we had $41.7 billion outstanding under the program. We no longer issue debt under this program and all of our debt issued under TLGP will mature by June 30, 2012. Under this program, our debt received the highest long-term ratings from the major credit ratings agencies which resulted in a lower total cost of issuance than if we had issued non-FDIC guaranteed long-term debt. The associated FDIC fee for the 2009 issuances was $554 million and is being amortized into expense over the stated term of

the debt. For additional information on debt funding see *Note 13 Long-term Debt* to the Consolidated Financial Statements.

Contingency Planning

The Corporation maintains contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies, communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

Our U.S. bank subsidiaries can access contingency funding through the Federal Reserve Discount Window. Certain non-U.S. subsidiaries have access to central bank facilities in the jurisdictions in which they operate. While we do not rely on these sources in our liquidity modeling, we maintain the policies, procedures and governance processes that would enable us to access these sources if necessary.

Credit Ratings

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions including over-the-counter derivatives. It is our objective to maintain high quality credit ratings.

Credit ratings and outlooks are opinions subject to ongoing review by the ratings agencies and may change from time to time based on our financial performance, industry dynamics and other factors. During 2009, the ratings agencies took numerous actions to adjust our credit ratings and outlooks, many of which were negative. The ratings agencies have indicated that our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. In February 2010, Standard & Poor s affirmed our current credit ratings but revised the outlook to negative from stable based on their belief that it is less certain whether the U.S. government would be willing to provide extraordinary support. Other factors that influence our credit ratings include the ratings agencies assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices.

The credit ratings of Merrill Lynch & Co., Inc. from the three major credit ratings agencies are the same as those of Bank of America Corporation. The major credit ratings agencies have indicated that the primary drivers of Merrill Lynch s credit ratings are Bank of America s credit ratings.

A reduction in our credit ratings or the ratings of certain asset-backed securitizations could potentially have an adverse effect on our access to credit markets, the related cost of funds and our businesses. If Bank of America Corporation or Bank of America, N.A. commercial paper or short-term credit ratings were downgraded by one level, our incremental cost of funds and potential lost funding could be material.

The credit ratings of Bank of America Corporation and Bank of America, N.A. as of February 26, 2010 are reflected in the table below.

Table 12 Credit Ratings

		Bank of America Corporation					Bank of America, N.A.		
	Outlook	Long-term Senior Debt	Subordinated Debt	Trust Preferred	Preferred Stock	Short-term Debt	Long-term Senior Debt	Long-term Deposits	Short-term Debt
Moody s Investors Service	Stable	A2	A3	Baa3	Ba3	P-1	Aa3	Aa3	P-1
Standard & Poor s	Negative	A	A-	BB	BB	A-1	A+	A+	A-1
Fitch Ratings	Stable	A+	A	BB	BB-	F1+	A+	AA-	F1+

Regulatory Capital

At December 31, 2009, the Corporation operated its banking activities primarily under two charters: Bank of America, N.A. and FIA Card Services, N.A. With the acquisition of Merrill Lynch on January 1, 2009, we acquired Merrill Lynch Bank USA and Merrill Lynch Bank & Trust Co., FSB. Effective July 1, 2009, Merrill Lynch Bank USA merged into Bank of America, N.A, with Bank of America, N.A. as the surviving entity. Effective November 2, 2009, Merrill Lynch Bank & Trust Co., FSB merged into Bank of America, N.A., with Bank of America, N.A. as the surviving entity. Further, with the acquisition of Countrywide on July 1, 2008, we acquired Countrywide Bank, FSB, and effective April 27, 2009, Countrywide Bank, FSB converted to a national bank with the name Countrywide Bank, N.A. and immediately thereafter merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

Certain corporate sponsored trust companies which issue trust preferred securities (Trust Securities) are not consolidated under applicable

accounting guidance. In accordance with Federal Reserve guidance, Trust Securities qualify as Tier 1 capital with revised quantitative limits that will be effective on March 31, 2011. Such limits restrict certain types of capital to 15 percent of total core capital elements for internationally active bank holding companies. In addition, the Federal Reserve revised the qualitative standards for capital instruments included in regulatory capital. Internationally active bank holding companies are those with consolidated assets greater than $250 billion or on-balance sheet exposure greater than $10 billion. At December 31, 2009, our restricted core capital elements comprised 11.8 percent of total core capital elements.

Table 13 provides a reconciliation of the Corporation s total shareholders equity at December 31, 2009 and 2008 to Tier 1 common capital, Tier 1 capital and total capital as defined by the regulations issued by the joint agencies. See *Note 16 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements for more information on our regulatory capital.

Table 13 Reconciliation of Tier 1 Common Capital, Tier 1 Capital and Total Capital

	December 31	
(Dollars in millions)	**2009**	2008
Total common shareholders equity	**$ 194,236**	$ 139,351
Goodwill	**(86,314)**	(81,934)
Nonqualifying intangible assets [1]	**(8,299)**	(4,195)
Net unrealized losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	**1,034**	5,479
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	**4,092**	4,642
Exclusion of fair value adjustment related to the Merrill Lynch structured notes [2]	**3,010**	
Common Equivalent Securities	**19,290**	
Disallowed deferred tax asset	**(7,080)**	
Other	**425**	(4)
Total Tier 1 common capital	**120,394**	63,339
Preferred stock	**17,964**	37,701
Trust preferred securities	**21,448**	18,105
Noncontrolling interest	**582**	1,669
Total Tier 1 capital	**160,388**	120,814
Long-term debt qualifying as Tier 2 capital	**43,284**	31,312
Allowance for loan and lease losses	**37,200**	23,071
Reserve for unfunded lending commitments	**1,487**	421
Other [3]	**(16,282)**	(3,957)
Total capital	**$ 226,077**	$ 171,661

(1) Nonqualifying intangible assets include core deposit intangibles, affinity relationships, customer relationships and other intangibles.

(2) Represents loss on Merrill Lynch structured notes, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and total capital for regulatory purposes.

(3) Balance includes a reduction of $18.7 billion and $6.7 billion related to allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets in 2009 and 2008. Balance also includes 45 percent of the pre-tax unrealized fair value adjustments on AFS marketable equity securities.

At December 31, 2009, the Corporation s Tier 1 common capital, Tier 1 capital, total capital and Tier 1 leverage ratios were 7.81 percent, 10.40 percent, 14.66 percent and 6.91 percent, respectively.

The Corporation calculates Tier 1 common capital as Tier 1 capital including CES less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest. CES is included in Tier 1 common capital based upon applicable regulatory guidance and our expectation that the underlying Common Equivalent Stock would convert into common stock following shareholder approval of additional authorized shares. Shareholders approved the increase in the number of authorized shares of common stock at the special meeting of shareholders held on February 23, 2010 and the Common Equivalent Stock converted to common stock on February 24, 2010. Tier 1 common capital increased to $120.4 billion at December 31, 2009 compared to $63.3 billion at December 31, 2008. The Tier 1 common capital ratio increased 301 bps to 7.81 percent. This increase was driven primarily by the second quarter at-the-market common stock issuance and the preferred to common stock exchanges which together represented a benefit of 185 bps and the issuance of CES which together provided a benefit of 138 bps to the Tier 1 common capital ratio. In addition, Tier 1 common capital benefited from the common stock that was issued in connection with the

Merrill Lynch acquisition partially offset by an increase in risk-weighted assets due to the acquisition.

Enterprise-wide Stress Testing

As a part of our core risk management practices, the Corporation conducts enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic scenarios, including economic conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts to our risk profile, capital and liquidity. Scenario(s) are selected by a group comprised of senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then analyzed and determined, primarily leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken in each scenario. Analysis from such stress scenarios is compiled for and reviewed through our ROC, ALMRC, and the Enterprise Risk Committee of the Board and serves to inform and be incorporated, along with other core business processes, into decision making by management and the Board. The Corporation continues to invest in and improve stress testing capabilities as a core business process.

Off-Balance Sheet Liquidity Arrangements with Special Purpose Entities

In the ordinary course of business, we support our customers financing needs by facilitating their access to the commercial paper market. In addition, we utilize certain financing arrangements to meet our balance sheet management, funding and liquidity needs. These activities utilize special purpose entities (SPEs), typically in the form of corporations, limited liability companies, or trusts, which raise funds by issuing short-term commercial paper or other debt or equity instruments to third party investors. These SPEs typically hold various types of financial assets whose cash flows are the primary source of repayment for the liabilities of the SPEs. Investors have recourse to the assets in the SPE and often benefit from other credit enhancements, such as overcollateralization in the form of excess assets in the SPE, liquidity facilities and other arrangements. As a result, the SPEs can typically obtain a favorable credit rating from the ratings agencies, resulting in lower financing costs for us and our customers.

We have liquidity agreements, SBLCs and other arrangements with SPEs, as described below, under which we are obligated to provide funding in the event of a market disruption or other specified event or otherwise provide credit support to the entities. We also fund selected assets via derivative contracts with third party SPEs under which we may be

required to purchase the assets at par value or the third party SPE s cost to acquire the assets. We manage our credit risk and any market risk on these liquidity arrangements by subjecting them to our normal underwriting and risk management processes. Our credit ratings and changes thereto may affect the borrowing cost and liquidity of these SPEs. In addition, significant changes in counterparty asset valuation and credit standing may also affect the ability of the SPEs to issue commercial paper. The contractual or notional amount of these commitments as presented in Table 14 represents our maximum possible funding obligation and is not, in management s view, representative of expected losses or funding requirements.

The table below presents our liquidity exposure to unconsolidated SPEs, which include VIEs and QSPEs. VIEs are SPEs that lack sufficient equity at risk or whose equity investors do not have a controlling financial interest. QSPEs are SPEs whose activities are strictly limited to holding and servicing financial assets. As a result of our adoption of new accounting guidance on consolidation on January 1, 2010 as discussed in the following section, we consolidated all multi-seller conduits, asset acquisition conduits and credit card securitization trusts. In addition, we consolidated certain home equity securitization trusts, municipal bond trusts and credit-linked note and other vehicles.

Table 14 Off-Balance Sheet Special Purpose Entities Liquidity Exposure

	December 31, 2009		
(Dollars in millions)	**VIEs**	**QSPEs**	**Total**
Commercial paper conduits:			
Multi-seller conduits	**$ 25,135**	**$**	**$ 25,135**
Asset acquisition conduits	**1,232**		**1,232**
Home equity securitizations		**14,125**	**14,125**
Municipal bond trusts	**3,292**	**6,492**	**9,784**
Collateralized debt obligation vehicles	**3,283**		**3,283**
Credit-linked note and other vehicles	**1,995**		**1,995**
Customer-sponsored conduits	**368**		**368**
Credit card securitizations		**2,288**	**2,288**
Total liquidity exposure	**$ 35,305**	**$ 22,905**	**$ 58,210**

	December 31, 2008		
	VIEs	QSPEs	Total
Commercial paper conduits:			
Multi-seller conduits	$ 41,635	$	$ 41,635
Asset acquisition conduits	2,622		2,622
Other corporate conduits		1,578	1,578
Home equity securitizations		13,064	13,064
Municipal bond trusts	3,872	2,921	6,793
Collateralized debt obligation vehicles	542		542
Customer-sponsored conduits	980		980
Credit card securitizations		946	946

Total liquidity exposure	$ 49,651	$ 18,509	$ 68,160

At December 31, 2009, our total liquidity exposure to SPEs was $58.2 billion, a decrease of $10.0 billion from December 31, 2008. The decrease was attributable to decreases in commercial paper conduits due to maturities and liquidations partially offset by the acquisition of Merrill Lynch. Legacy Merrill Lynch related exposures as of December 31, 2009 were $4.9 billion in municipal bond trusts, $3.3 billion in CDO vehicles and $2.0 billion in credit-linked note and other vehicles.

For more information on commercial paper conduits, municipal bond trusts, CDO vehicles, credit-linked note and other vehicles, see *Note 9 Variable Interest Entities* to the Consolidated Financial Statements. For more information on home equity and credit card securitizations, see *Note 8 Securitizations* to the Consolidated Financial Statements.

Customer-sponsored conduits are established by our customers to provide them with direct access to the commercial paper market. We are typically one of several liquidity providers for a customer s conduit. We do not provide SBLCs or other forms of credit enhancement to these conduits. Assets of these conduits consist primarily of auto loans and student loans. The liquidity commitments benefit from structural protections which vary depending upon the program, but given these protections, we view the exposures as investment grade quality. These commitments are included in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements. As we typically provide less than 20 percent of the total liquidity commitments to these conduits and do not provide other forms of support, we have concluded that we do not hold a significant variable interest in the conduits and they are not included in our discussion of VIEs in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Impact of Adopting New Accounting Guidance on Consolidation

On June 12, 2009, the FASB issued new guidance on sale accounting criteria for transfers of financial assets, including transfers to QSPEs and consolidation of VIEs. As described more fully in *Note 8 Securitizations* to the Consolidated Financial Statements, the Corporation routinely transfers mortgage loans, credit card receivables and other financial instruments to SPEs that meet the definition of a QSPE which are not currently subject to consolidation by the transferor. Among other things, this new guidance eliminates the concept of a QSPE and as a result, existing QSPEs generally will be subject to consolidation under the new guidance.

This new guidance also significantly changes the criteria by which an enterprise determines whether it must consolidate a VIE, as described more fully in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements. A VIE is an entity, typically an SPE, which has insufficient equity at risk or which is not controlled through voting rights held by

equity investors. Currently, a VIE is consolidated by the enterprise that will absorb a majority of the expected losses or expected residual returns created by the assets of the VIE. This new guidance requires that a VIE be consolidated by the enterprise that has both the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. This new guidance also requires that an enterprise continually reassesses, based on current facts and circumstances, whether it should consolidate the VIEs with which it is involved.

The table below shows the impact on a preliminary basis of this new accounting guidance in terms of incremental GAAP assets and risk-weighted assets for those VIEs and QSPEs that we consolidated on January 1, 2010. The assets and liabilities of the newly consolidated credit card securitization trusts, multi-seller commercial paper conduits, home equity lines of credit and certain other VIEs are recorded at their respective carrying values. The Corporation has elected to account for the assets and liabilities of the newly consolidated asset acquisition commercial paper conduits, municipal bond trusts and certain other VIEs under the fair value option.

Table 15 Preliminary Incremental GAAP and Risk-Weighted Assets Impact

(Dollars in billions)	Preliminary Incremental GAAP Assets	Estimated Incremental Risk-Weighted Assets
Type of VIE/QSPE		
Credit card securitization trusts [(1)]	$ 70	$ 8
Asset-backed commercial paper conduits [(2)]	15	11
Municipal bond trusts	5	1
Home equity lines of credit	5	5
Other	5	
Total	**$ 100**	**$ 25**

(1) The Corporation undertook certain actions during 2009 related to its off-balance sheet credit card securitization trusts. As a result of these actions, we included approximately $63.6 billion of incremental risk-weighted assets in its risk-based capital ratios as of December 31, 2009.

(2) Regulatory capital requirements changed effective January 1, 2010 for all ABCP conduits. The increase in risk-weighted assets in this table reflects the impact of these changes on all ABCP conduits, including those that were consolidated prior to January 1, 2010.

In addition to recording the incremental assets and liabilities on the Corporation s Consolidated Balance Sheet, we recorded an after-tax charge of approximately $6 billion to retained earnings on January 1, 2010 as the cumulative effect of adoption of these new accounting standards. The charge relates primarily to the addition of $11 billion of allowance for loan losses for the newly consolidated assets, principally credit card related.

On January 21, 2010, the joint agencies issued a final rule regarding risk-based capital and the impact of adoption of the new consolidation guidance issued by the FASB. The final rule allows for a phase-in period for a maximum of one year for the effect on risk-weighted assets and the regulatory limit on the inclusion of the allowance for loan and lease losses in Tier 2 capital related to the assets that are consolidated. Our current estimate of the incremental impact is a decrease in our Tier 1 and Tier 1 common capital ratios of 65 to 75 bps. However, the final capital impact will be affected by certain factors, including, the final determination of the cumulative effect of adoption of this new accounting guidance on retained earnings, and limitations of deferred tax assets for risk-based capital purposes. The Corporation has elected to forgo the phase-in period and consolidate the amounts for regulatory capital purposes as of January 1, 2010. For more information, refer to the Regulatory Initiatives section on page 43.

Basel Regulatory Capital Requirements

In June 2004, the Basel II Accord was published with the intent of more closely aligning regulatory capital requirements with underlying risks, similar to economic capital. While economic capital is measured to cover unexpected losses, the Corporation also manages regulatory capital to adhere to regulatory standards of capital adequacy.

The Basel II Final Rule (Basel II Rules), which was published on December 7, 2007, establishes requirements for the U.S. implementation and provided detailed capital requirements for credit and operational risk under Pillar 1, supervisory requirements under Pillar 2 and disclosure requirements under Pillar 3. The Corporation will begin Basel II parallel implementation during the second quarter of 2010.

Financial institutions are required to successfully complete a minimum parallel qualification period before receiving regulatory approval to report regulatory capital using the Basel II methodology. During the parallel period, the resulting capital calculations under both the current (Basel I) rules and the Basel II Rules will be reported to the financial institutions regulatory supervisors for at least four consecutive quarterly periods. Once the parallel period is successfully completed, the financial institution will utilize Basel II as their methodology for calculating regulatory capital. A three-year transitional floor period will follow after which use of Basel I will be discontinued.

In July 2009, the Basel Committee on Banking Supervision released a consultative document entitled Revisions to the Basel II Market Risk

Framework that would significantly increase the capital requirements for trading book activities if adopted as proposed. The proposal recommended implementation by December 31, 2010, but regulatory agencies are currently evaluating the proposed rulemaking and related impacts before establishing final rules. As a result, we cannot determine the implementation date or the final capital impact.

In December 2009, the Basel Committee on Banking Supervision issued a consultative document entitled Strengthening the Resilience of the Banking Sector. If adopted as proposed, this could increase significantly the aggregate equity that bank holding companies are required to hold by disqualifying certain instruments that previously have qualified as Tier 1 capital. In addition, it would increase the level of risk-weighted assets. The proposal could also increase the capital charges imposed on certain assets potentially making certain businesses more expensive to conduct. Regulatory agencies have not opined on the proposal for implementation. We continue to assess the potential impact of the proposal.

Common Share Issuances and Repurchases

In January 2009, the Corporation issued 1.4 billion shares of common stock in connection with its acquisition of Merrill Lynch. For additional information regarding the Merrill Lynch acquisition, see *Note 2 Merger*

and Restructuring Activity to the Consolidated Financial Statements. In addition, during the first quarter of 2009, we issued warrants to purchase approximately 199.1 million shares of common stock in connection with preferred stock issuances to the U.S. government. For more information, see the following preferred stock discussion. During the second quarter of 2009, we issued 1.25 billion shares of common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion. In addition, we issued approximately 7.4 million shares under employee stock plans.

In connection with the TARP repayment approval, the Corporation agreed to increase equity by $3.0 billion through asset sales to be approved by the Federal Reserve and contracted for by June 30, 2010. To the extent those asset sales are not completed by the end of 2010, the Corporation must raise a commensurate amount of common equity. We also agreed to raise up to approximately $1.7 billion through the issuance in 2010 of restricted stock in lieu of a portion of incentive cash compensation to certain of the Corporation s associates as part of their 2009 year-end incentive payments.

For more information regarding our common share issuances, see *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

Common Stock Dividends

The following table provides a summary of our declared quarterly cash dividends on common stock during 2009 and through February 26, 2010.

Table 16 Common Stock Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
January 27, 2010	March 5, 2010	March 26, 2010	$ 0.01
October 28, 2009	December 4, 2009	December 24, 2009	0.01
July 21, 2009	September 4, 2009	September 25, 2009	0.01
April 29, 2009	June 5, 2009	June 26, 2009	0.01
January 16, 2009	March 6, 2009	March 27, 2009	0.01

Preferred Stock Issuances and Exchanges

During the second quarter of 2009, we completed an offer to exchange up to approximately 200 million shares of common stock at an average price of $12.70 for outstanding depositary shares of portions of certain series of preferred stock. In addition, we also entered into agreements with certain holders of other non-government perpetual preferred shares to exchange their holdings of approximately $10.9 billion aggregate liquidation preference of perpetual preferred stock into approximately 800 million shares of common stock. In total, the exchange offer and these privately negotiated exchanges covered the exchange of approximately $14.8 billion aggregate liquidation preference of perpetual preferred stock into approximately 1.0 billion shares of common stock. During the second quarter of 2009, we recorded an increase to retained earnings and net income applicable to common shareholders of approximately $580 million related to these exchanges. This represents the net of a $2.6 billion benefit due to the excess of the carrying value of our non-convertible preferred stock over the fair value of the common stock exchanged. This was partially offset by a $2.0 billion inducement to convertible preferred shareholders. The inducement represented the excess of the fair value of the common stock exchanged, which was accounted for as an induced conversion of convertible preferred stock, over the fair value of the common stock that would have been issued under the original conversion terms.

On December 2, 2009, we received approval from the U.S. Treasury and Federal Reserve to repay the U.S. government s $45.0 billion preferred stock investment provided under TARP. In accordance with the approval, on December 9, 2009, we repurchased all outstanding shares of Cumulative Perpetual Preferred Stock Series N, Series Q and Series R

issued to the U.S. Treasury as part of the TARP. While participating in the TARP we recorded $7.4 billion in dividends and accretion on the TARP Preferred Stock and repayment will save us approximately $3.6 billion in annual dividends and accretion. We did not repurchase the related common stock warrants issued to the U.S. Treasury in connection with its TARP investment. The U.S. Treasury recently announced its intention to auction these warrants during March 2010. For more detail on the TARP Preferred Stock, refer to *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

The Corporation repurchased the TARP Preferred Stock through the use of $25.7 billion in excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion units of CES valued at $15.00 per unit. The CES consisted of depositary shares representing interests in shares of Common Equivalent Junior Preferred Stock Series S (Common Equivalent Stock) and warrants (Contingent Warrants) to purchase an aggregate 60 million shares of the Corporation s common stock. Each depositary share represented a 1/1000th interest in a share of Common Equivalent Stock and each Contingent Warrant granted the holder the right to purchase 0.0467 of a share of a common stock for $.01 per share. Each depositary share entitled the holder, through the depository, to a proportional fractional interest in all rights and preferences of the Common Equivalent Stock, including conversion, dividend, liquidation and voting rights.

The Corporation held a special meeting of stockholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of authorized shares of our common stock, and following effectiveness of the amendment, on February 24, 2010, the Common Equivalent Stock converted in full into our common stock and the Contingent Warrants automatically expired without becoming exercisable, and the CES ceased to exist.

Credit Risk Management

The economic recession accelerated in late 2008 and continued to deepen into the first half of 2009 but has shown some signs of stabilization and possible improvement over the second half of the year. Consumers continued to be under financial stress as unemployment and underemployment remained at elevated levels and individuals spent longer periods without work. These factors combined with further reductions in spending by consumers and businesses, continued home price declines and turmoil in sectors of the financial markets continued to negatively impact both the consumer and commercial loan portfolios. During 2009, these conditions drove increases in net charge-offs and nonperforming loans and foreclosed properties as well as higher commercial criticized utilized exposure and reserve increases across most portfolios. The depth, breadth and duration of the economic downturn, as well as the resulting impact on the credit quality of the loan portfolios remain unclear into 2010.

We continue to refine our credit standards to meet the changing economic environment. In our consumer businesses, we have implemented a number of initiatives to mitigate losses. These include increased use of judgmental lending and adjustment of underwriting, and account and line management standards and strategies, including reducing unfunded lines where appropriate. Additionally, we have increased collections, loan modification and customer assistance infrastructures to enhance customer support. In 2009, we provided home ownership retention opportunities to approximately 460,000 customers. This included completion of 260,000 customer loan modifications with total unpaid balances of approximately $55 billion and approximately 200,000 customers who were in trial-period modifications under the government s Making Home Affordable program. As of January 2010, approximately 220,000 customers were in trial period modifications and more than 12,700 were in permanent modifications. Of the 260,000 modifications done during 2009, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans most are in the portfolio serviced for investors and is not on our balance sheet. During 2008, Bank of America and Countrywide completed 230,000 loan modifications. The most common types of modifications include rate reductions, capitalization of past due amounts or a combination of rate reduction and capitalization of past due amounts, which are 17 percent, 21 percent and 40 percent, respectively, of modifications completed in 2009. We also provide rate and payment extensions, principal forbearance or forgiveness, and other actions. These modification types are generally considered TDRs except for certain short-term modifications where we expect to collect the full contractual principal and interest.

A number of initiatives have also been implemented in our small business commercial domestic portfolio including changes to underwriting thresholds augmented by a judgmental decision-making process by experienced underwriters including increasing minimum FICO scores and lowering initial line assignments. We have also increased the intensity of our existing customer line management strategies.

To mitigate losses in the commercial businesses, we have increased the frequency and intensity of portfolio monitoring, hedging activity and our efforts in managing an exposure when we begin to see signs of deterioration. Our lines of business and risk management personnel use a variety of tools to continually monitor the ability of a borrower or counterparty to perform under its obligations. It is our practice to transfer the management of deteriorating commercial exposures to independent Special Asset officers as a credit approaches criticized levels. Our experi -

ence has shown that this discipline generates an objective assessment of the borrower s financial health and the value of our exposure, and maximizes our recovery upon resolution. As part of our underwriting process we have increased scrutiny around stress analysis and required pricing and structure to reflect current market dynamics. Given the volatility of the financial markets, we increased the frequency of various tests designed to understand what the volatility could mean to our underlying credit risk. Given the potential for single name risk associated with any disruption in the financial markets, we use a real-time counterparty event management process to monitor key counterparties.

Additionally, we account for certain large corporate loans and loan commitments (including issued but unfunded letters of credit which are considered utilized for credit risk management purposes) that exceed our single name credit risk concentration guidelines under the fair value option. These loans and loan commitments are then actively managed and hedged, principally by purchasing credit default protection. By including the credit risk of the borrower in the fair value adjustments, any credit spread deterioration or improvement is recorded in other income immediately as part of the fair value adjustment. As a result, the allowance for loan and lease losses and the reserve for unfunded lending commitments are not used to capture credit losses inherent in any nonperforming or impaired loans and unfunded commitments carried at fair value. See the Commercial Loans Carried at Fair Value section on page 69 for more information on the performance of these loans and loan commitments and see *Note 20 Fair Value Measurements* to the Consolidated Financial Statements for additional information on our fair value option elections.

The acquisition of Merrill Lynch contributed to both our consumer and commercial loans and commitments. Acquired consumer loans consisted of residential mortgages, home equity loans and lines of credit and direct/indirect loans (principally securities-based lending margin loans). Commercial exposures were comprised of both investment and non-investment grade loans and included exposures to CMBS, monolines and leveraged finance. Consistent with other acquisitions, we incorporated the acquired assets into our overall credit risk management processes.

Consumer Portfolio Credit Risk Management

Credit risk management for the consumer portfolio begins with initial underwriting and continues throughout a borrower s credit cycle. Statistical techniques in conjunction with experiential judgment are used in all aspects of portfolio management including underwriting, product pricing, risk appetite, setting credit limits, operating processes and metrics to quantify and balance risks and returns. Statistical models are built using detailed behavioral information from external sources such as credit bureaus and/or internal historical experience. These models are a component of our consumer credit risk management process and are used, in part, to help determine both new and existing credit decisions, portfolio management strategies including authorizations and line management, collection practices and strategies, determination of the allowance for loan and lease losses, and economic capital allocations for credit risk.

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the consumer portfolio, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Consumer Credit Portfolio

Weakness in the economy and housing markets, elevated unemployment and underemployment and tighter credit conditions resulted in deterioration across most of our consumer portfolios during 2009. However, during the last half of the year, the unsecured consumer portfolios within *Global Card Services* experienced lower levels of delinquency and by the fourth quarter consumer credit began to stabilize and in some cases improve. As part of our ongoing risk mitigation and consumer client support initiatives, we have been working with borrowers to modify their loans to terms that better align with their current ability to pay. Under certain circumstances, we identify these as TDRs which are modifications where an economic concession is granted to a borrower experiencing financial difficulty. For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity beginning on page 62 and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 17 presents our consumer loans and leases and our managed credit card portfolio, and related credit quality information. Nonperforming loans do not include consumer credit card, consumer loans secured by personal property or unsecured consumer loans that are past due as these loans are generally charged off no later than the end of the month in which the account becomes 180 days past due. Real estate-secured past due loans, repurchased pursuant to our servicing agreement with Government National Mortgage Association (GNMA) are not reported as nonperforming as repayments are insured by the Federal Housing Administration (FHA). Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide purchased impaired loans even though the customer may be contractually past due. Loans that were acquired from Countrywide that were considered impaired were written down to fair value upon acquisition. In addition to being included in the Outstandings column in the following table, these

loans are also shown separately, net of purchase accounting adjustments, for increased transparency in the Countrywide Purchased Impaired Loan Portfolio column. For additional information, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified and are now included in the residential mortgage portfolio shown below. The impact of the Countrywide portfolio on certain credit statistics is reported where appropriate. Refer to the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 59 for more information.

Loans that were acquired from Merrill Lynch were recorded at fair value including those that were considered impaired upon acquisition. The Merrill Lynch consumer purchased impaired loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios and is, therefore, excluded from the Countrywide Purchased Impaired Loan Portfolio column and discussion that follows. In addition, the nonperforming loans and delinquency statistics presented below include the Merrill Lynch purchased impaired loan portfolio based on the customer s performance under the contractual terms of the loan. At December 31, 2009, consumer loans included $47.2 billion from Merrill Lynch of which $2.0 billion of residential mortgage and $146 million of home equity loans were included in the Merrill Lynch purchased impaired loan portfolio. There were no reported net charge-offs on these loans during 2009 as the initial fair value at acquisition date already considered the estimated credit losses.

Table 17 Consumer Loans and Leases

	December 31							
	Outstandings		Nonperforming (1)		Accruing Past Due 90 Days or More (2)		Countrywide Purchased Impaired Loan Portfolio	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Held basis								
Residential mortgage (3)	**$ 242,129**	$ 248,063	**$ 16,596**	$ 7,057	**$ 11,680**	$ 372	**$ 11,077**	$ 10,013
Home equity	**149,126**	152,483	**3,804**	2,637			**13,214**	14,099
Discontinued real estate (4)	**14,854**	19,981	**249**	77			**13,250**	18,097
Credit card domestic	**49,453**	64,128	**n/a**	n/a	**2,158**	2,197	**n/a**	n/a
Credit card foreign	**21,656**	17,146	**n/a**	n/a	**500**	368	**n/a**	n/a
Direct/Indirect consumer (5)	**97,236**	83,436	**86**	26	**1,488**	1,370	**n/a**	n/a
Other consumer (6)	**3,110**	3,442	**104**	91	**3**	4	**n/a**	n/a
Total held	**$ 577,564**	$ 588,679	**$ 20,839**	$ 9,888	**$ 15,829**	$ 4,311	**$ 37,541**	$ 42,209
Supplemental managed basis data								
Credit card domestic	**$ 129,642**	$ 154,151	**n/a**	n/a	**$ 5,408**	$ 5,033	**n/a**	n/a
Credit card foreign	**31,182**	28,083	**n/a**	n/a	**799**	717	**n/a**	n/a
Total credit card managed	**$ 160,824**	$ 182,234	**n/a**	n/a	**$ 6,207**	$ 5,750	**n/a**	n/a

(1) Nonperforming held consumer loans and leases as a percentage of outstanding consumer loans and leases were 3.61 percent (3.86 percent excluding the Countrywide purchased impaired loan portfolio) and 1.68 percent (1.81 percent excluding the Countrywide purchased impaired loan portfolio) at December 31,

2009 and 2008.

(2) Accruing held consumer loans and leases past due 90 days or more as a percentage of outstanding consumer loans and leases were 2.74 percent (2.93 percent excluding Countrywide purchased impaired loan portfolio) and 0.73 percent (0.79 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009 and 2008. Residential mortgages accruing past due 90 days or more represent repurchases of insured or guaranteed loans. See Residential Mortgage discussion for more detail.

(3) Outstandings include foreign residential mortgages of $552 million at December 31, 2009 mainly from the Merrill Lynch acquisition. We did not have any foreign residential mortgage loans at December 31, 2008.

(4) Outstandings include $13.4 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at December 31, 2009 and 2008. We no longer originate these products.

(5) Outstandings include dealer financial services loans of $41.6 billion and $40.1 billion, consumer lending loans of $19.7 billion and $28.2 billion, securities-based lending margin loans of $12.9 billion and $0, and foreign consumer loans of $8.0 billion and $1.8 billion at December 31, 2009 and 2008, respectively.

(6) Outstandings include consumer finance loans of $2.3 billion and $2.6 billion, and other foreign consumer loans of $709 million and $618 million at December 31, 2009 and 2008.

n/a = not applicable

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Table 18 presents net charge-offs and related ratios for our consumer loans and leases and net losses and related ratios for our managed credit card portfolio for 2009 and 2008. The reported net charge-off ratios for residential mortgage, home equity and discontinued real estate

benefit from the addition of the Countrywide purchased impaired loan portfolio as the initial fair value adjustments recorded on those loans upon acquisition already included the estimated credit losses.

Table 18 Consumer Net Charge-offs/Net Losses and Related Ratios

	Net Charge-offs/Losses		Net Charge-off/Loss Ratios (1, 2)	
(Dollars in millions)	**2009**	2008	**2009**	2008
Held basis				
Residential mortgage	**$ 4,350**	$ 925	**1.74%**	0.36%
Home equity	**7,050**	3,496	**4.56**	2.59
Discontinued real estate	**101**	16	**0.58**	0.15
Credit card domestic	**6,547**	4,161	**12.50**	6.57
Credit card foreign	**1,239**	551	**6.30**	3.34
Direct/Indirect consumer	**5,463**	3,114	**5.46**	3.77
Other consumer	**428**	399	**12.94**	10.46
Total held	**$ 25,178**	$ 12,662	**4.22**	2.21
Supplemental managed basis data				
Credit card domestic	**$ 16,962**	$ 10,054	**12.07**	6.60
Credit card foreign	**2,223**	1,328	**7.43**	4.17
Total credit card managed	**$ 19,185**	$ 11,382	**11.25**	6.18

(1) Net charge-off/loss ratios are calculated as held net charge-offs or managed net losses divided by average outstanding held or managed loans and leases.

(2) Net charge-off ratios excluding the Countrywide purchased impaired loan portfolio were 1.82 percent and 0.36 percent for residential mortgage, 5.00 percent and 2.73 percent for home equity, 5.57 percent and 1.33 percent for discontinued real estate, and 4.52 percent and 2.29 percent for the total held portfolio for 2009 and 2008. These are the only product classifications materially impacted by the Countrywide purchased impaired loan portfolio for 2009 and 2008. For all loan and lease categories, the dollar amounts of the net charge-offs were unchanged.

We believe that the presentation of information adjusted to exclude the impacts of the Countrywide purchased impaired loan portfolio is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home equity and discontinued real estate portfolios, we supplement certain reported statistics with information that is adjusted to exclude the impacts of the Countrywide purchased impaired loan portfolio. In addition, beginning on page 59, we separately disclose information on the Countrywide purchased impaired loan portfolio.

Residential Mortgage

The residential mortgage portfolio, which excludes the discontinued real estate portfolio acquired with Countrywide, makes up the largest percentage of our consumer loan portfolio at 42 percent of consumer loans and leases (43 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009. Approximately 15 percent of the residential portfolio is in *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our affluent customers. The remaining portion of the portfolio is mostly in *All Other* and is comprised of both purchased loans as well as residential loans originated for our customers which are used in our overall ALM activities.

Outstanding loans and leases decreased $5.9 billion at December 31, 2009 compared to December 31, 2008 due to lower balance sheet retention of new originations, paydowns and charge-offs as well as sales and conversions of loans into retained MBS. These decreases were offset, in part, by the acquisition of Merrill Lynch and GNMA repurchases. Merrill Lynch added $21.7 billion of residential mortgage outstandings as of December 31, 2009. At December 31, 2009 and 2008, loans past due 90 days or more and still accruing interest of $11.7 billion and $372 million were related to repurchases pursuant to our servicing agreements with GNMA where repayments are insured by the FHA. The increase was driven by the repurchase of delinquent loans from securitizations during the year as we repurchase these loans for economic reasons, with no significant detrimental impact to our risk exposure. Excluding these repurchases, the accruing loans past due 90 days or more as a percentage of consumer loans and leases would have been 0.72 percent (0.77 percent excluding the Countrywide purchased impaired loan portfolio) and 0.67 percent (0.72 percent excluding the Countrywide purchased impaired loan portfolio) at December 31, 2009 and 2008.

Nonperforming residential mortgage loans increased $9.5 billion compared to December 31, 2008 due to the impacts of the weak housing markets and economic conditions and in part due to TDRs. For more information on TDRs, refer to the Nonperforming Consumer Loans and Foreclosed Properties Activity discussion on page 62 and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. At December 31, 2009, $9.6 billion or approximately 58 percent, of the nonperforming residential mortgage loans were greater than 180 days past due and had been written down to their fair values. Net charge-offs increased $3.4 billion to $4.4 billion in 2009, or 1.74 percent (1.82 percent excluding the Countrywide purchased impaired portfolio), of total average residential mortgage loans compared to 0.36 percent (0.36 percent excluding the Countrywide purchased impaired portfolio) for 2008. These increases reflect the impacts of the weak housing markets and the weak economy. See the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 59 for more information.

We mitigate a portion of our credit risk through synthetic securitizations which are cash collateralized and provide mezzanine risk protection of $2.5 billion which will reimburse us in the event that losses exceed 10 bps of the original pool balance. For further information regarding these synthetic securitizations, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. The reported net charge-offs for residential mortgages do not include the benefits of amounts reimbursable under cash collateralized synthetic securitizations. Adjusting for the benefit of this credit protection, the residential mortgage net charge-off ratio in 2009 would have been reduced by 25 bps and four bps in 2008. Synthetic securitizations and the protection provided by GSEs together provided risk mitigation for approximately 32 percent and 48 percent of our residential mortgage portfolio at December 31, 2009 and 2008. Our regulatory risk-weighted assets are reduced as a result of these risk protection transactions because we transferred a portion of our credit risk to unaffiliated parties. At December 31, 2009 and 2008, these transactions had the cumulative effect of reducing our risk-weighted assets by $16.8 billion and $34.0 billion, and strengthened our Tier 1 capital ratio by 11 bps and 24 bps and our Tier 1 common capital ratio by eight bps and 12 bps.

Below is a discussion of certain risk characteristics of the residential mortgage portfolio, excluding the Countrywide purchased impaired loan portfolio, which contributed to higher losses. These characteristics include loans with high refreshed LTVs, loans which were originated at the peak of home prices in 2006 and 2007, loans to borrowers located in the states of California and Florida where we have concentrations and where significant declines in home prices have been experienced, as well as interest-only loans. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. Excluding the Countrywide purchased impaired portfolio, residential mortgage loans with all of these higher risk characteristics comprised seven percent of the total residential mortgage portfolio at December 31, 2009, but have accounted for 31 percent of the residential mortgage net charge-offs in 2009.

Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented 11 percent of the residential mortgage portfolio and loans with a refreshed LTV greater than 100 percent represented 26 percent at December 31, 2009. Of the loans with a refreshed LTV greater than 100 percent, 90 percent were performing at December 31, 2009. Loans with a refreshed LTV greater than 100 per -

cent reflect loans where the outstanding book balance of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent due primarily to home price deterioration from the weakened economy. Loans with refreshed FICO scores below 620 represented 16 percent of the residential mortgage portfolio.

The 2006 and 2007 vintage loans, which represented 42 percent of our residential mortgage portfolio at December 31, 2009, continued to season and have higher refreshed LTVs and accounted for 69 percent of nonperforming residential mortgage loans at December 31, 2009 and approximately 75 percent of residential mortgage net charge-offs during 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. California and Florida combined represented 43 percent of the total residential mortgage portfolio and 47 percent of nonperforming residential mortgage loans at December 31, 2009, but accounted for 58 percent of the residential mortgage net charge-offs for 2009. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent and 13 percent of the total residential mortgage portfolio at December 31, 2009 and 2008. Additionally, 37 percent and 24 percent of loans in California and Florida are in reference pools of synthetic securitizations, as described above, which provide mezzanine risk protection.

Table 19 Residential Mortgage State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 82,329**	$ 84,847	**$ 5,967**	$ 2,028	**$ 1,726**	$ 411
Florida	**16,518**	15,787	**1,912**	1,012	**796**	154
New York	**16,278**	15,539	**632**	255	**66**	5
Texas	**10,737**	10,804	**534**	315	**59**	20
Virginia	**7,812**	9,696	**450**	229	**89**	32
Other U.S./Foreign	**97,378**	101,377	**7,101**	3,218	**1,614**	303
Total residential mortgage loans (excluding the Countrywide purchased impaired residential mortgage loan portfolio)	**$ 231,052**	$ 238,050	**$ 16,596**	$ 7,057	**$ 4,350**	$ 925
Total Countrywide purchased impaired residential mortgage loan portfolio (1)	**11,077**	10,013				
Total residential mortgage loan portfolio	**$ 242,129**	$ 248,063				

(1) Represents acquired loans from Countrywide that were considered impaired and written down to fair value upon acquisition date. See page 59 for the discussion of the characteristics of the purchased impaired loans.

Of the residential mortgage portfolio, $84.2 billion, or 35 percent, at December 31, 2009 are interest-only loans of which 89 percent were performing. Nonperforming balances on interest-only residential mortgage loans were $9.1 billion, or 55 percent, of total nonperforming residential mortgages. Additionally, net charge-offs on the interest-only portion of the portfolio represented 58 percent of the total residential mortgage net charge-offs for 2009.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At December 31, 2009, our CRA portfolio comprised six percent of the total residential mortgage loan balances but comprised 17 percent of nonperforming residential mortgage loans. This portfolio also comprised 20 percent of residential mortgage net charge-offs during 2009. While approximately 32 percent of our residential mortgage portfolio carries risk mitigation protection, only a small portion of our CRA portfolio is covered by this protection.

We have sold and continue to sell mortgage and other loans, including mortgage loans, to third-party buyers and to FNMA and FHLMC under agreements that contain representations and warranties related to, among other things, the process for selecting the loans for inclusion in a sale and compliance with applicable criteria established by the buyer. Such agreements contain provisions under which we may be required to either repurchase the loans or indemnify or provide other recourse to the buyer or insurer if there is a breach of the representations and warranties that materially and adversely affects the interests of the buyer or pursuant to such other standard established by the terms of such agreements. We have experienced and continue to experience increasing repurchase and similar demands from, and disputes with buyers and insurers. We expect to contest such demands that we do not believe are valid. In the event that we are required to repurchase loans that have been the subject of repurchase demands or otherwise provide indemnification or other recourse, this could significantly increase our losses and thereby affect our future earnings. For further information regarding representations and warranties, see *Note 8 Securitizations* to the Consolidated Financial Statements, and Item 1A., Risk Factors.

Home Equity

The home equity portfolio is comprised of home equity lines of credit, home equity loans and reverse mortgages. At December 31, 2009, approximately 87 percent of the home equity portfolio was included in *Home Loans & Insurance*, while the remainder of the portfolio was primarily in *GWIM*. Outstanding balances in the home equity portfolio decreased $3.4 billion at December 31, 2009 compared to December 31, 2008 due to charge-offs and management of credit lines in the legacy portfolio partially offset by the acquisition of Merrill Lynch. Of the loans in the home equity portfolio at December 31, 2009 and 2008, approximately $26.0 billion, or 18 percent, and $23.2 billion, or 15 percent, were in first lien positions (19 percent and 17 percent excluding the Countrywide purchased impaired home equity loan portfolio). For more information on the Countrywide purchased impaired home equity loan portfolio, see the Countrywide Purchased Impaired Loan Portfolio discussion beginning on page 59.

Home equity unused lines of credit totaled $92.7 billion at December 31, 2009 compared to $107.4 billion at December 31, 2008. This decrease was driven primarily by higher customer account net utilization and lower attrition as well as line management initiatives on deteriorating accounts with declining equity positions partially offset by the Merrill Lynch acquisition. The home equity line of credit utilization rate was 56 percent at December 31, 2009 compared to 52 percent at December 31, 2008.

Nonperforming home equity loans increased $1.2 billion compared to December 31, 2008 due to the weak housing market and economic conditions and in part to TDRs. For more information on TDRs, refer to the Nonperforming Consumer Loans and Foreclosed Properties Activity discussion on page 62 and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. At December 31, 2009, $721 million, or approximately 20 percent, of the nonperforming home equity loans were greater than 180 days past due and had been written down to their fair values. Net charge-offs increased $3.6 billion to $7.1 billion for 2009, or 4.56 percent (5.00 percent excluding the Countrywide purchased impaired loan portfolio) of total average home equity loans compared to 2.59 percent (2.73 percent excluding the Countrywide purchased impaired loan portfolio) in 2008. These increases were driven by continued weakness in the housing markets and the economy.

There are certain risk characteristics of the home equity portfolio, excluding the Countrywide purchased impaired loan portfolio, which have contributed to higher losses. These characteristics include loans with high refreshed CLTVs, loans originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity loans are secured by second lien

positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first lien position. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Excluding the Countrywide purchased impaired portfolio, home equity loans with all of these higher risk characteristics comprised 11 percent of the total home equity portfolio at December 31, 2009, but have accounted for 38 percent of the home equity net charge-offs for 2009.

Home equity loans with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 12 percent of the home equity portfolio while loans with refreshed CLTVs greater than 100 percent comprised 31 percent of the home equity portfolio at December 31, 2009. Net charge-offs on loans with a refreshed CLTV greater than 100 percent represented 82 percent of net charge-offs for 2009. Of those loans with a refreshed CLTV greater than 100 percent, 95 percent were performing at December 31, 2009. Home equity loans and lines of credit with a refreshed CLTV greater than 100 percent reflect loans where the balance and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. The majority of these high refreshed CLTV ratios are due to the weakened economy and home price declines. In addition, loans with a refreshed FICO score below 620 represented 13 percent of the home equity loans at December 31, 2009. Of the total home equity portfolio, 68 percent at December 31, 2009 were interest-only loans.

The 2006 and 2007 vintage loans, which represent 49 percent of our home equity portfolio, continued to season and have higher refreshed CLTVs and accounted for 62 percent of nonperforming home equity loans at December 31, 2009 and approximately 72 percent of net charge-offs for 2009. Additionally, legacy Bank of America discontinued the program of purchasing non-franchise originated home equity loans in the second quarter of 2007. These purchased loans represented only two percent of the home equity portfolio but accounted for 10 percent of home equity net charge-offs for 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the home equity portfolio. California and Florida combined represented 41 percent of the total home equity portfolio and 50 percent of nonperforming home equity loans at December 31, 2009, but accounted for 60 percent of the home equity net charge-offs for 2009. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstanding home equity loans at December 31, 2009 but comprised only six percent of net charge-offs for 2009. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent of outstanding home equity loans at December 31, 2009 and 13 percent of net charge-offs for 2009.

Table 20 Home Equity State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 38,573**	$ 38,015	**$ 1,178**	$ 857	**$ 2,669**	$ 1,464
Florida	**16,735**	17,893	**731**	597	**1,583**	788
New York	**8,752**	8,602	**274**	176	**262**	96
New Jersey	**8,732**	8,929	**192**	126	**225**	96
Massachusetts	**6,155**	6,008	**90**	48	**93**	56
Other U.S./Foreign	**56,965**	58,937	**1,339**	833	**2,218**	996
Total home equity loans (excluding the Countrywide purchased impaired home equity portfolio)	**$ 135,912**	$ 138,384	**$ 3,804**	$ 2,637	**$ 7,050**	$ 3,496
Total Countrywide purchased impaired home equity portfolio [(1)]	**13,214**	14,099				
Total home equity portfolio	**$ 149,126**	$ 152,483				

(1) Represents acquired loans from Countrywide that were considered impaired and written down to fair value at the acquisition date. See page 59 for the discussion of the characteristics of the purchased impaired loans.

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Discontinued Real Estate

The discontinued real estate portfolio, totaling $14.9 billion at December 31, 2009, consisted of pay option and subprime loans obtained in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered impaired and written down to fair value. At December 31, 2009, the Countrywide purchased impaired loan portfolio comprised $13.3 billion, or 89 percent, of the $14.9 billion discontinued real estate portfolio. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See the Countrywide Purchased Impaired Loan Portfolio discussion below for more information on the discontinued real estate portfolio.

At December 31, 2009, the purchased non-impaired discontinued real estate portfolio was $1.6 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 25 percent of this portfolio and those with refreshed FICO scores below 620 represented 39 percent of the portfolio. California represented 37 percent of the portfolio and 30 percent of the nonperforming loans while Florida represented nine percent of the portfolio and 16 percent of the nonperforming loans at December 31, 2009. The Los Angeles-Long Beach-Santa Ana MSA within California made up 15 percent of outstanding discontinued real estate loans at December 31, 2009.

Countrywide Purchased Impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for purchased impaired loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the Corporation s initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. Purchased impaired loans are recorded at fair value and the applicable accounting guidance prohibits carrying over or creation of valuation allowances in the initial accounting. The Merrill Lynch purchased impaired consumer loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios. As such, the Merrill Lynch consumer purchased impaired loans are excluded from the following discussion and credit statistics.

Certain acquired loans of Countrywide that were considered impaired were written down to fair value at the acquisition date. As of December 31, 2009, the carrying value was $37.5 billion and the unpaid principal balance of these loans was $47.7 billion. Based on the unpaid

principal balance, $30.6 billion have experienced no charge-offs and of these loans 82 percent, or $25.1 billion are current based on their contractual terms. Of the $5.5 billion that are not current, approximately 51 percent, or $2.8 billion are in early stage delinquency. During 2009, had the acquired portfolios not been accounted for as impaired, we would have recorded additional net charge-offs of $7.4 billion. During 2009, the Countrywide purchased impaired loan portfolio experienced further credit deterioration due to weakness in the housing markets and the impacts of a weak economy. As such, in 2009, we recorded $3.3 billion of provision for credit losses which was comprised of $3.0 billion for home equity loans and $316 million for discontinued real estate loans compared to $750 million in 2008. In addition, we wrote down Countrywide purchased impaired loans by $179 million during 2009 as losses on certain pools of impaired loans exceeded the original purchase accounting adjustment. The remaining purchase accounting credit adjustment of $487 million and the allowance of $3.9 billion results in a total credit adjustment of $4.4 billion remaining on all pools of Countrywide purchased impaired loans at December 31, 2009. For further information on the purchased impaired loan portfolio, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

The following discussion provides additional information on the Countrywide purchased impaired residential mortgage, home equity and discontinued real estate loan portfolios. Since these loans were written down to fair value upon acquisition, we are reporting this information separately. In certain cases, we supplement the reported statistics on these portfolios with information that is presented as if the acquired loans had not been accounted for as impaired upon acquisition.

Residential Mortgage

The Countrywide purchased impaired residential mortgage portfolio outstandings were $11.1 billion at December 31, 2009 and comprised 30 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 33 percent of the Countrywide purchased impaired residential mortgage portfolio at December 31, 2009. Refreshed LTVs greater than 90 percent after consideration of purchase accounting adjustments and refreshed LTVs greater than 90 percent based on the unpaid principal balance represented 65 percent and 80 percent of the purchased impaired residential mortgage portfolio. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition by certain state concentrations.

Table 21 Countrywide Purchased Impaired Loan Portfolio Residential Mortgage State Concentrations

	Outstandings [1] December 31		Purchased Impaired Portfolio Net Charge-offs [1, 2] Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 6,142**	$ 5,633	**$ 496**	$ 177
Florida	**843**	776	**143**	103
Virginia	**617**	556	**30**	14
Maryland	**278**	253	**13**	6
Texas	**166**	148	**5**	5
Other U.S./Foreign	**3,031**	2,647	**237**	133
Total Countrywide purchased impaired residential mortgage loan portfolio	**$ 11,077**	$ 10,013	**$ 924**	$ 438

(1) Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now included in the residential mortgage outstandings shown above. Charge-offs on these loans prior to modification are excluded from the amounts shown above and shown as discontinued real estate charge-offs consistent with the product classification of the loan at the time of charge-off.

(2) Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

Home Equity

The Countrywide purchased impaired home equity outstandings were $13.2 billion at December 31, 2009 and comprised 35 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 21 percent of the Countrywide purchased impaired home equity portfolio at December 31, 2009. Refreshed CLTVs greater than 90 percent represented 90 percent of the

purchased impaired home equity portfolio after consideration of purchase accounting adjustments and 89 percent of the purchased impaired home equity portfolio based on the unpaid principal balance at December 31, 2009. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition, by certain state concentrations.

Table 22 Countrywide Purchased Impaired Portfolio Home Equity State Concentrations

	Outstandings December 31		Purchased Impaired Portfolio Net Charge-offs [1] Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 4,311**	$ 5,110	**$ 1,769**	$ 744
Florida	**765**	910	**320**	186
Virginia	**550**	529	**77**	42
Arizona	**542**	626	**203**	79
Colorado	**416**	402	**48**	22
Other U.S./Foreign	**6,630**	6,522	**1,057**	421
Total Countrywide purchased impaired home equity portfolio	**$ 13,214**	$ 14,099	**$ 3,474**	$ 1,494

(1) Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

Discontinued Real Estate

The Countrywide purchased impaired discontinued real estate outstandings were $13.3 billion at December 31, 2009 and comprised 35 percent of the total Countrywide purchased impaired loan portfolio. Those loans with a refreshed FICO score below 620 represented 51 percent of the Countrywide purchased impaired discontinued real estate portfolio at December 31, 2009. Refreshed LTVs and CLTVs greater than 90 percent represented 52 percent of the purchased impaired discontinued real

estate portfolio after consideration of purchase accounting adjustments. Refreshed LTVs and CLTVs greater than 90 percent based on the unpaid principal balance represented 80 percent of the purchased impaired discontinued real estate portfolio at December 31, 2009. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been accounted for as impaired upon acquisition, by certain state concentrations.

Table 23 Countrywide Purchased Impaired Loan Portfolio Discontinued Real Estate State Concentrations

	Outstandings [1]	Purchased Impaired Portfolio Net Charge-offs [1, 2]

	December 31		Year Ended December 31	
(Dollars in millions)	**2009**	2008	**2009**	2008
California	**$ 7,148**	$ 9,987	**$ 1,845**	$ 1,010
Florida	**1,315**	1,831	**393**	275
Arizona	**430**	666	**151**	61
Washington	**421**	492	**30**	8
Virginia	**399**	580	**76**	48
Other U.S./Foreign	**3,537**	4,541	**517**	297
Total Countrywide purchased impaired discontinued real estate loan portfolio	**$ 13,250**	$ 18,097	**$ 3,012**	$ 1,699

(1) Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from amounts shown above. Charge-offs on these loans prior to modification are included in the amounts shown above consistent with the product classification of the loan at the time of charge-off.

(2) Represents additional net charge-offs had the portfolio not been accounted for as impaired upon acquisition.

Pay option ARMs have interest rates that adjust monthly and minimum required payments that adjust annually (subject to resetting of the loan if minimum payments are made and deferred interest limits are reached). Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully amortizing loan payment amount is re-established after the initial five or 10-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause the loan s principal balance

to reach a certain level within the first 10 years of the loans, the payment is reset to the interest-only payment; then at the 10-year point, the fully amortizing payment is required.

The difference between the frequency of changes in the loans interest rates and payments along with a limitation on changes in the minimum monthly payments to 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest charges are added to the loan balance until the loan balance increases to a specified limit, which is no more than 115 percent of the original loan amount, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

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At December 31, 2009, the unpaid principal balance of pay option loans was $17.0 billion, with a carrying amount of $13.4 billion, including $12.5 billion of loans that were impaired upon acquisition. The total unpaid principal balance of pay option loans with accumulated negative amortization was $15.2 billion and accumulated negative amortization from the original loan balance was $1.0 billion. The percentage of borrowers electing to make only the minimum payment on option ARMs was 65 percent at December 31, 2009. We continue to evaluate our exposure to payment resets on the acquired negatively amortizing loans and have taken into consideration several assumptions regarding this evaluation (e.g., prepayment rates). We also continue to evaluate the potential for resets on the Countrywide purchased impaired pay option portfolio. Based on our expectations, 21 percent, eight percent and two percent of the pay option loan portfolio is expected to reset in 2010, 2011, and 2012, respectively. Approximately three percent are expected to reset thereafter, and approximately 66 percent are expected to repay prior to being reset.

We manage these purchased impaired portfolios, including consideration for the home retention programs to modify troubled mortgages, consistent with our other consumer real estate practices.

Credit Card Domestic

The consumer domestic credit card portfolio is managed in *Global Card Services*. Outstandings in the held domestic credit card loan portfolio decreased $14.7 billion at December 31, 2009 compared to December 31, 2008 due to lower originations and transactional volume, the conversion of certain credit card loans into held-to-maturity debt securities and charge-offs partially offset by lower payment rates and new

draws on previously securitized accounts. For more information on this conversion, see *Note 8 Securitizations* to the Consolidated Financial Statements. Net charge-offs increased $2.4 billion in 2009 to $6.5 billion reflecting the weak economy including elevated unemployment underemployment and higher bankruptcies. However, held domestic loans 30 days or more past due and still accruing interest decreased $668 million from December 31, 2008 driven by improvement in the last three quarters of 2009. Due to the decline in outstandings, the percentage of balances 30 days or more past due and still accruing interest increased to 7.90 percent from 7.13 percent at December 31, 2008.

Managed domestic credit card outstandings decreased $24.5 billion to $129.6 billion at December 31, 2009 compared to December 31, 2008 due to lower originations and transactional volume and credit losses partially offset by lower payment rates. The $6.9 billion increase in managed net losses to $17.0 billion was driven by the same factors as described in the held discussion above. Managed loans that were 30 days or more past due and still accruing interest decreased $856 million to $9.9 billion compared to $10.7 billion at December 31, 2008. Similar to the held discussion above, the percentage of balances 30 days or more past due and still accruing interest increased to 7.61 percent from 6.96 percent at December 31, 2008 due to the decline in outstandings.

Managed consumer credit card unused lines of credit for domestic credit card totaled $438.5 billion at December 31, 2009 compared to $713.0 billion at December 31, 2008. The $274.5 billion decrease was driven primarily by account management initiatives on higher risk customers in higher risk states and inactive accounts.

The table below presents asset quality indicators by certain state concentrations for the managed credit card domestic portfolio.

Table 24 Credit Card Domestic State Concentrations Managed Basis

	December 31				Year Ended December 31	
	Outstandings		Accruing Past Due 90 Days or More		Net Losses	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 20,048**	$ 24,191	**$ 1,097**	$ 997	**$ 3,558**	$ 1,916
Florida	**10,858**	13,210	**676**	642	**2,178**	1,223
Texas	**8,653**	10,262	**345**	293	**960**	634
New York	**7,839**	9,368	**295**	263	**855**	531
New Jersey	**5,168**	6,113	**189**	172	**559**	316
Other U.S.	**77,076**	91,007	**2,806**	2,666	**8,852**	5,434

Total credit card domestic loan portfolio	**$ 129,642**	$ 154,151	**$ 5,408**	$ 5,033	**$ 16,962**	$ 10,054

Credit Card Foreign

The consumer foreign credit card portfolio is managed in *Global Card Services*. Outstandings in the held foreign credit card loan portfolio increased $4.5 billion to $21.7 billion at December 31, 2009 compared to December 31, 2008 primarily due to the strengthening of certain foreign currencies, particularly the British pound against the U.S. dollar. Net charge-offs for the held foreign portfolio increased $688 million to $1.2 billion in 2009, or 6.30 percent of total average held credit card foreign loans compared to 3.34 percent in 2008. The increase was driven primarily by weak economic conditions and higher unemployment also being experienced in Europe and Canada, including a higher level of bankruptcies/insolvencies.

Managed foreign credit card outstandings increased $3.1 billion to $31.2 billion at December 31, 2009 compared to December 31, 2008 primarily due to the strengthening of certain foreign currencies, partic -

ularly the British pound against the U.S. dollar. Managed consumer foreign loans that were accruing past due 90 days or more increased to $799 million, or 2.56 percent, compared to $717 million, or 2.55 percent, at December 31, 2008. The dollar increase was primarily due to the strengthening of foreign currencies, especially the British pound against the U.S. dollar, further exacerbated by continuing weakness in the European and Canadian economies. Net losses for the managed foreign portfolio increased $895 million to $2.2 billion for 2009, or 7.43 percent of total average managed credit card foreign loans compared to 4.17 percent in 2008. The increase in managed net losses was driven by the same factors as described in the held discussion above.

Managed consumer credit card unused lines of credit for foreign credit card totaled $69.0 billion at December 31, 2009 compared to $80.6 billion at December 31, 2008. The $11.6 billion decrease was driven primarily by account management initiatives mainly on inactive accounts.

Direct/Indirect Consumer

At December 31, 2009, approximately 45 percent of the direct/indirect portfolio was included in *Global Banking* (dealer financial services automotive, marine and recreational vehicle loans), 22 percent was included in *Global Card Services* (consumer personal loans and other non-real estate secured), 24 percent in *GWIM* (principally other non-real estate secured and unsecured personal loans and securities-based lending margin loans) and the remainder in *Deposits* (student loans).

Outstanding loans and leases increased $13.8 billion to $97.2 billion at December 31, 2009 compared to December 31, 2008 primarily due to the acquisition of Merrill Lynch which included both domestic and foreign securities-based lending margin loans, partially offset by lower outstandings in the *Global Card Services* consumer lending portfolio. Net charge-offs increased $2.3 billion to $5.5 billion for 2009, or 5.46 per -

cent of total average direct/indirect loans compared to 3.77 percent for 2008. The dollar increase was concentrated in the *Global Card Services* consumer lending portfolio, driven by the effects of a weak economy including higher bankruptcies. Net charge-off ratios in the consumer lending portfolio have also been impacted by a significant slowdown in new loan production due, in part, to a tightening of underwriting criteria. Net charge-off ratios in the consumer lending portfolio were 17.75 percent during 2009, compared to 7.98 percent during 2008. The weak economy resulted in higher charge-offs in the dealer financial services portfolio. Loans that were past due 30 days or more and still accruing interest declined compared to December 31, 2008 driven by the consumer lending portfolio.

The table below presents asset quality indicators by certain state concentrations for the direct/indirect consumer loan portfolio.

Table 25 Direct/Indirect State Concentrations

	December 31				Year Ended December 31	
			Accruing Past Due			
	Outstandings		90 Days or More		Net Charge-offs	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
California	**$ 11,664**	$ 10,555	**$ 228**	$ 247	**$ 1,055**	$ 601
Texas	**8,743**	7,738	**105**	88	**382**	222
Florida	**7,559**	7,376	**130**	145	**597**	334
New York	**5,111**	4,938	**73**	69	**272**	162
Georgia	**3,165**	3,212	**52**	48	**205**	115
Other U.S./Foreign	**60,994**	49,617	**900**	773	**2,952**	1,680
Total direct/indirect loans	**$ 97,236**	$ 83,436	**$ 1,488**	$ 1,370	**$ 5,463**	$ 3,114

Other Consumer

At December 31, 2009, approximately 73 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that we have previously exited and are included in *All Other*. The remainder consisted of the foreign consumer loan portfolio which is mostly included in *Global Card Services* and deposit overdrafts which are recorded in *Deposits*.

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 26 presents nonperforming consumer loans and foreclosed properties activity during 2009 and 2008. Nonperforming loans held for sale are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include consumer credit card, consumer loans secured by personal property or unsecured consumer loans that are past due as these loans are generally charged off no later than the end of the month in which the account becomes 180 days past due. Real estate-secured past due loans repurchased pursuant to our servicing agreements with GNMA are not reported as nonperforming as repayments are insured by the FHA. Additionally, nonperforming loans do not include the Countrywide purchased impaired portfolio. For further information regarding nonperforming loans, see *Note 1 Summary of Significant Accounting Principles to* the Consolidated Financial Statements. Total net additions to nonperforming loans in 2009 were $11.0 billion compared to $6.4 billion in 2008. The net additions to nonperforming loans in 2009 were driven primarily by the residential mortgage and home equity portfolios reflecting weak housing markets and economy, seasoning of vintages originated in periods of higher growth and performing loans that were accelerated into nonperforming loan status upon modification into a TDR. Nonperforming consumer real estate related TDRs as a percentage of total nonperforming consumer loans and foreclosed properties were 21 percent at

December 31, 2009 compared to five percent at December 31, 2008 due primarily to increased modification volume during the year.

The outstanding balance of a real estate secured loan that is in excess of the estimated property value, less costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due unless repayment of the loan is insured by the FHA. Property values are refreshed at least quarterly with additional charge-offs taken as needed. At December 31, 2009, $10.7 billion, or approximately 60 percent, of the nonperforming residential mortgage loans and foreclosed properties, comprised of $9.6 billion of nonperforming loans and $1.1 billion of foreclosed properties, were greater than 180 days past due and had been written down to their fair values and $790 million, or approximately 20 percent, of the nonperforming home equity loans and foreclosed properties, comprised of $721 million of nonperforming loans and $69 million of foreclosed properties, were greater than 180 days past due and had been written down to their fair values.

In 2009, approximately 16 percent and six percent of the net increase in nonperforming loans were from Countrywide purchased non-impaired loans and Merrill Lynch loans that deteriorated subsequent to acquisition. While we witnessed increased levels of nonperforming loans transferred to foreclosed properties due to the lifting of various foreclosure moratoriums during 2009, the net reductions to foreclosed properties of $78 million were driven by sales of foreclosed properties and write-downs.

Restructured Loans

As discussed above, nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Corporation s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months. Nonperforming TDRs, excluding those loans modified in the purchased impaired portfolio, are included in Table 26.

The pace of modifications slowed during the second half of 2009 due to the MHA and other programs where the loan goes through a trial period prior to formal modification. For more information on our modification programs, see Regulatory Initiatives beginning on page 43.

At December 31, 2009, residential mortgage TDRs were $5.3 billion, an increase of $4.7 billion compared to December 31, 2008. Nonperforming TDRs increased $2.7 billion during 2009 to $2.9 billion. Nonperforming residential mortgage TDRs comprised approximately 17 percent and three percent of total residential mortgage nonperforming loans and foreclosed properties at December 31, 2009 and 2008. Residential mortgage TDRs that were performing in accordance with their modified terms and excluded from nonperforming loans in Table 26 were $2.3 billion, an increase of $2.0 billion compared to December 31, 2008.

At December 31, 2009, home equity TDRs were $2.3 billion, an increase of $2.0 billion compared to December 31, 2008. Nonperforming TDRs increased $1.4 billion during 2009 to $1.7 billion. Nonperforming home equity TDRs comprised 44 percent and 11 percent of total home

equity nonperforming loans and foreclosed properties at December 31, 2009 and 2008. Home equity TDRs that were performing in accordance with their modified terms and excluded from nonperforming loans in Table 26 were $639 million compared to $1 million at December 31, 2008.

Discontinued real estate TDRs totaled $78 million at December 31, 2009. This was an increase of $7 million from December 31, 2008. Of these loans, $43 million were nonperforming while the remaining $35 million were classified as performing at December 31, 2009.

We also work with customers that are experiencing financial difficulty by renegotiating consumer credit card and consumer lending loans, while ensuring that we remain within Federal Financial Institutions Examination Council (FFIEC) guidelines. These renegotiated loans are excluded from Table 26 as we do not classify consumer non-real estate unsecured loans as nonperforming. For further information regarding these restructured and renegotiated loans, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

Certain modifications of loans in the purchased impaired loan portfolio result in removal of the loan from the purchased impaired portfolio pool and subsequent classification as a TDR. These modified loans are excluded from Table 26. For more information on TDRs, renegotiated and modified loans, refer to *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

Table 26 Nonperforming Consumer Loans and Foreclosed Properties Activity [1]

(Dollars in millions)	**2009**	2008
Nonperforming loans		
Balance, January 1	**$ 9,888**	$ 3,442
Additions to nonperforming loans:		
New nonaccrual loans and leases [2]	**28,011**	13,421
Reductions in nonperforming loans:		
Paydowns and payoffs	**(1,459)**	(527)
Returns to performing status [3]	**(4,540)**	(1,844)
Charge-offs [4]	**(9,442)**	(3,729)
Transfers to foreclosed properties	**(1,618)**	(875)
Transfers to loans held-for-sale	**(1)**	
Total net additions to nonperforming loans	**10,951**	6,446
Total nonperforming loans, December 31 [5]	**20,839**	9,888
Foreclosed properties		
Balance, January 1	**1,506**	276
Additions to foreclosed properties:		
New foreclosed properties [6, 7]	**1,976**	2,530
Reductions in foreclosed properties:		

Sales	**(1,687)**	(1,077)
Write-downs	**(367)**	(223)
Total net additions (reductions) to foreclosed properties	**(78)**	1,230
Total foreclosed properties, December 31	**1,428**	1,506
Nonperforming consumer loans and foreclosed properties, December 31	**$ 22,267**	$ 11,394
Nonperforming consumer loans as a percentage of outstanding consumer loans and leases	**3.61%**	1.68%
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties	**3.85**	1.93

(1) Balances do not include nonperforming LHFS of $2.9 billion and $3.2 billion in 2009 and 2008.

(2) 2009 includes $465 million of nonperforming loans acquired from Merrill Lynch.

(3) Consumer loans may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months.

(4) Our policy is not to classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.

(5) Approximately half of the 2009 and 2008 nonperforming loans are greater than 180 days past due and have been charged off to approximately 68 percent and 71 percent of original cost.

(6) Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for credit losses during the first 90 days after transfer of a loan into foreclosed properties. Thereafter, all losses in value are recorded as noninterest expense. New foreclosed properties in the table above are net of $818 million and $436 million of charge-offs in 2009 and 2008 taken during the first 90 days after transfer.

(7) 2009 includes $21 million of foreclosed properties acquired from Merrill Lynch. 2008 includes $952 million of foreclosed properties acquired from Countrywide.

Commercial Portfolio Credit Risk Management

Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of its financial position. As part of the overall credit risk assessment, our commercial credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis, and if necessary, adjusted to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship. Our lines of business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations. We use risk rating aggregations to measure and evaluate concentrations within portfolios. In addition, risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses.

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the commercial portfolio, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Management of Commercial Credit Risk Concentrations

Commercial credit risk is evaluated and managed with a goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography and customer relationship. Distribution of loans and leases by loan size is an additional measure of portfolio risk diversification. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate borrowings by region and by country. Tables 31, 34, 38, 39 and 40 summarize our concentrations. Additionally, we utilize syndication of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the loan portfolio.

As part of our ongoing risk mitigation initiatives, we attempt to work with clients to modify their loans to terms that better align with their current ability to pay. In situations where an economic concession has been granted to a borrower experiencing financial difficulty, we identify these loans as TDRs.

We account for certain large corporate loans and loan commitments (including issued but unfunded letters of credit which are considered utilized for credit risk management purposes) that exceed our single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and

monitored, and as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation s credit view and market perspectives determining the size and timing of the hedging activity. In addition, credit protection is purchased to cover the funded portion as well as the unfunded portion of certain other credit exposures. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. These credit derivatives do not meet the requirements for treatment as accounting hedges. They are carried at fair value with changes in fair value recorded in other income.

Commercial Credit Portfolio

During 2009, continued housing value declines and economic stress impacted our commercial portfolios which experienced higher levels of losses. Broad-based economic pressures, including further reductions in spending by consumers and businesses, have also impacted commercial credit quality indicators. Loan balances continued to decline in 2009 as businesses aggressively managed their working capital and production capacity by maintaining low inventories, deferring capital spending and rationalizing staff and physical locations. Additionally, borrowers increasingly accessed the capital markets for financing while reducing their use of bank credit facilities. Risk mitigation strategies further contributed to the decline in loan balances.

Increases in nonperforming loans were largely driven by continued deterioration in the commercial real estate and commercial domestic portfolios. Nonperforming loans and utilized reservable criticized exposures increased from 2008 levels; however, during the second half of 2009 the pace of increase slowed for nonperforming loans while reservable criticized exposure declined in the fourth quarter.

The loans and leases net charge-off ratios increased across all commercial portfolios. The increase in commercial real estate net charge-offs during 2009 compared to 2008 was driven by both the non-homebuilder and homebuilder portfolios, although homebuilder portfolio net charge-offs declined in the second half of 2009 compared to the first half of 2009. The increases in commercial domestic and commercial foreign net charge-offs were diverse in terms of borrowers and industries.

The acquisition of Merrill Lynch increased our concentrations to certain industries and countries. For more detail on the Merrill Lynch impact, see the Industry Concentrations discussion beginning on page 70 and the Foreign Portfolio discussion beginning on page 74. There were also increased concentrations within both investment and non-investment grade exposures including monolines, and certain leveraged finance and CMBS positions.

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Table 27 presents our commercial loans and leases, and related credit quality information at December 31, 2009 and 2008. Loans that were acquired from Merrill Lynch that were considered impaired were written down to fair value upon acquisition. In addition to being included in the Outstandings column below, these loans are also shown separately, net of purchase accounting adjustments, for increased transparency, in the Merrill Lynch Purchased Impaired Loan Portfolio column. Nonperforming loans and accruing balances 90 days or more past due do not include Merrill Lynch purchased impaired loans even though the customer may be contractually past due. The portion of the Merrill Lynch port -

folio that was not impaired at acquisition was recorded at fair value in accordance with fair value accounting. This adjustment to fair value incorporates the interest rate, creditworthiness of the borrower and market liquidity compared to the contractual terms of the non-impaired loans at the date of acquisition. For more information, see *Note 2 Merger and Restructuring Activity* and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. The acquisition of Countrywide and related purchased impaired loan portfolio did not impact the commercial portfolios.

Table 27 Commercial Loans and Leases

	December 31						
	Outstandings		**Nonperforming (1)**		**Accruing Past Due 90 Days or More (2)**		**Merrill Lynch Purchased Impaired Loan Portfolio**
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**
Commercial loans and leases							
Commercial domestic (3)	**$ 181,377**	$ 200,088	**$ 4,925**	$ 2,040	**$ 213**	$ 381	**$ 100**
Commercial real estate (4)	**69,447**	64,701	**7,286**	3,906	**80**	52	**305**
Commercial lease financing	**22,199**	22,400	**115**	56	**32**	23	
Commercial foreign	**27,079**	31,020	**177**	290	**67**	7	**361**
	300,102	318,209	**12,503**	6,292	**392**	463	**766**
Small business commercial domestic (5)	**17,526**	19,145	**200**	205	**624**	640	
Total commercial loans excluding loans measured at fair value	**317,628**	337,354	**12,703**	6,497	**1,016**	1,103	**766**
Total measured at fair value (6)	**4,936**	5,413	**15**		**87**		
Total commercial loans and leases	**$ 322,564**	$ 342,767	**$ 12,718**	$ 6,497	**$ 1,103**	$ 1,103	**$ 766**

(1) Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 4.00 percent (4.01 percent excluding the purchased impaired loan portfolio) and 1.93 percent at December 31, 2009 and 2008.

(2) Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 0.32 percent and 0.33 percent at December 31, 2009 and 2008. The December 31, 2009 ratio remained unchanged excluding the purchased impaired loan portfolio.

(3) Excludes small business commercial domestic loans.

(4) Includes domestic commercial real estate loans of $66.5 billion and $63.7 billion, and foreign commercial real estate loans of $3.0 billion and $979 million at December 31, 2009 and 2008.

(5) Small business commercial domestic including card related products.

(6) Certain commercial loans are accounted for under the fair value option and include commercial domestic loans of $3.0 billion and $3.5 billion, commercial foreign loans of $1.9 billion and $1.7 billion and commercial real estate loans of $90 million and $203 million at December 31, 2009 and 2008. See *Note 20 Fair Value Measurements* to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

Table 28 presents net charge-offs and related ratios for our commercial loans and leases for 2009 and 2008. The reported net charge-off ratios for commercial domestic, commercial real estate and commercial foreign were impacted by the addition of the Merrill Lynch purchased

impaired loan portfolio as the initial fair value adjustments recorded on those loans upon acquisition would have already included the estimated credit losses.

Table 28 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1, 2, 3]	
(Dollars in millions)	**2009**	2008	**2009**	2008
Commercial loans and leases				
Commercial domestic[4]	**$ 2,190**	$ 519	**1.09%**	0.26%
Commercial real estate	**2,702**	887	**3.69**	1.41
Commercial lease financing	**195**	60	**0.89**	0.27
Commercial foreign	**537**	173	**1.76**	0.55
	5,624	1,639	**1.72**	0.52
Small business commercial domestic	**2,886**	1,930	**15.68**	9.80
Total commercial	**$ 8,510**	$ 3,569	**2.47**	1.07

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

(2) Net charge-off ratios excluding the Merrill Lynch purchased impaired loan portfolio were 1.06 percent for commercial domestic, 3.60 percent for commercial real estate, 1.49 percent for commercial foreign, and 2.41 percent for the total commercial portfolio in 2009. These are the only product classifications impacted by the Merrill Lynch purchased impaired loan portfolio in 2009.

(3) Although the Merrill Lynch purchased impaired portfolio was recorded at fair value at acquisition on January 1, 2009, actual credit losses have exceeded the initial purchase accounting estimates. Included above are net charge-offs related to the Merrill Lynch purchased impaired portfolio in 2009 of $55 million for commercial domestic, $88 million for commercial real estate and $90 million for commercial foreign.

(4) Excludes small business commercial domestic.

Table 29 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes funded loans, standby letters of credit, financial guarantees, bankers acceptances and commercial letters of credit for which the bank is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased by $10.1 billion, or one percent, at December 31, 2009 compared to December 31, 2008. The decrease was largely driven by reductions in loans and leases partially offset by an increase in derivatives due to the acquisition of Merrill Lynch.

Total commercial utilized credit exposure decreased to $494.4 billion at December 31, 2009 compared to $498.7 billion at December 31,

2008. Funded loans and leases declined due to limited demand for acquisition financing and capital expenditures in the large corporate and middle-market portfolios and as clients utilized the improved capital markets more extensively for their funding needs. With the economic outlook remaining uncertain, businesses are aggressively managing working capital and production capacity, maintaining low inventories and deferring capital spending. The increase in derivative assets was driven by the acquisition of Merrill Lynch substantially offset during 2009 by maturing transactions, mark-to-market adjustments from changing interest and foreign exchange rates, as well as narrower credit spreads.

The loans and leases funded utilization rate was 57 percent at December 31, 2009 compared to 58 percent at December 31, 2008.

Table 29 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized (1, 2)		Commercial Unfunded (1, 3, 4)		Total Commercial Committed (1)	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Loans and leases	**$ 322,564**	$ 342,767	**$ 293,519**	$ 300,856	**$ 616,083**	$ 643,623
Derivative assets (5)	**80,689**	62,252			**80,689**	62,252
Standby letters of credit and financial guarantees	**70,238**	72,840	**6,008**	4,740	**76,246**	77,580
Assets held-for-sale (6)	**13,473**	14,206	**781**	183	**14,254**	14,389
Bankers acceptances	**3,658**	3,382	**16**	13	**3,674**	3,395
Commercial letters of credit	**2,958**	2,974	**569**	791	**3,527**	3,765
Foreclosed properties and other	**797**	328			**797**	328
Total commercial credit exposure	**$ 494,377**	$ 498,749	**$ 300,893**	$ 306,583	**$ 795,270**	$ 805,332

(1) At December 31, 2009, total commercial utilized, total commercial unfunded and total commercial committed exposure include $88.5 billion, $25.7 billion and $114.2 billion, respectively, related to Merrill Lynch.

(2) Total commercial utilized exposure at December 31, 2009 and 2008 includes loans and issued letters of credit accounted for under the fair value option and is comprised of loans outstanding of $4.9 billion and $5.4 billion, and letters of credit with a notional amount of $1.7 billion and $1.4 billion.

(3) Total commercial unfunded exposure at December 31, 2009 and 2008 includes loan commitments accounted for under the fair value option with a notional amount of $25.3 billion and $15.5 billion.

(4) Excludes unused business card lines which are not legally binding.

(5) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements, and have been reduced by cash collateral of $58.4 billion and $34.8 billion at December 31, 2009 and 2008. Not reflected in utilized and committed exposure is additional derivative collateral held of $16.2 billion and $13.4 billion which consists primarily of other marketable securities at December 31, 2009 and 2008.

(6) Total commercial committed assets held-for-sale exposure consists of $9.0 billion and $12.1 billion of commercial LHFS exposure (e.g., commercial mortgage and leveraged finance) and $5.3 billion and $2.3 billion of assets held-for-sale exposure at December 31, 2009 and 2008.

Table 30 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. In addition to reservable loans and leases, excluding those accounted for under the fair value option, exposure includes SBLCs, financial guarantees, bankers acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial utilized reservable criticized

exposure rose by $21.7 billion primarily due to increases in commercial real estate and commercial domestic. Commercial real estate increased $10.0 billion primarily due to the non-homebuilder portfolio which has been impacted by the weak economy partially offset by a decrease in the homebuilder portfolio. The $9.3 billion increase in commercial domestic reflects deterioration across various lines of business and industries, primarily in *Global Banking.* At December 31, 2009, approximately 85 percent of the loans within criticized reservable utilized exposure are secured.

Table 30 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2009		2008	
(Dollars in millions)	**Amount**	**Percent (1)**	Amount	Percent (1)
Commercial domestic (2)	**$ 28,259**	**11.66%**	$ 18,963	7.20%
Commercial real estate	**23,804**	**32.13**	13,830	19.73
Commercial lease financing	**2,229**	**10.04**	1,352	6.03
Commercial foreign	**2,605**	**7.12**	1,459	3.65
	56,897	**15.17**	35,604	8.99
Small business commercial domestic	**1,789**	**10.18**	1,333	6.94
Total commercial utilized reservable criticized exposure	**$ 58,686**	**14.94**	$ 36,937	8.90

(1) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

(2) Excludes small business commercial domestic exposure.

Commercial Domestic (excluding Small Business)

At December 31, 2009, approximately 81 percent of the commercial domestic loan portfolio, excluding small business, was included in *Global Banking* (business banking, middle-market and large multinational corporate loans and leases) and *Global Markets* (acquisition, bridge financing and institutional investor services). The remaining 19 percent was mostly in *GWIM* (business-purpose loans for wealthy individuals). Outstanding commercial domestic loans, excluding loans accounted for under the fair value option, decreased driven primarily by reduced customer demand within *Global Banking,* partially offset by the acquisition of Merrill Lynch. Nonperforming commercial domestic loans increased $2.9 billion compared to December 31, 2008. Net charge-offs increased $1.7 billion in 2009 compared to 2008. The increases in nonperforming loans and net charge-offs were broad-based in terms of borrowers and industries. The acquisition of Merrill Lynch accounts for a portion of the increase in nonperforming loans and reservable criticized exposure.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in *Global Banking* and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans and leases, excluding loans accounted for under the fair value option, increased $4.7 billion at December 31, 2009 compared to December 31, 2008, primarily due to the acquisition of Merrill Lynch partially offset by

portfolio attrition and losses. The portfolio remains diversified across property types and geographic regions. California and Florida represent the two largest state concentrations at 21 percent and seven percent for loans and leases at December 31, 2009. For more information on geographic or property concentrations, refer to Table 31.

For the year, nonperforming commercial real estate loans increased $3.4 billion and utilized reservable criticized exposure increased $10.0 billion from December 31, 2008 across most property types and was attributable to the continuing impact of the housing slowdown, elevated unemployment and deteriorating vacancy and rental rates across most non-homebuilder property types and geographies during 2009. The increase in nonperforming loans was driven by the retail, office, multi-use, and land and land development portfolios. The increase in utilized reservable criticized exposure was driven by the office, retail and multi-family rental property types, offset by a $1.9 billion decrease in the homebuilder portfolio. For 2009, net charge-offs were up $1.8 billion compared to 2008 driven by increases in net charge-offs in both the non-homebuilder and the homebuilder portfolios.

The following table presents outstanding commercial real estate loans by geographic region and property type. Commercial real estate primarily includes commercial loans and leases secured by non owner-occupied real estate which are dependent on the sale or lease of the real estate as the primary source of repayment.

Table 31 Outstanding Commercial Real Estate Loans

	December 31	
(Dollars in millions)	**2009**	2008
By Geographic Region (1)		
California	**$ 14,273**	$ 11,270
Northeast	**11,661**	9,747
Southwest	**8,183**	6,698
Southeast	**6,830**	7,365
Midwest	**6,505**	7,447
Florida	**4,568**	5,146
Illinois	**4,375**	5,451
Midsouth	**3,332**	3,475
Northwest	**3,097**	3,022
Geographically diversified (2)	**3,238**	2,563
Non-U.S.	**2,994**	979
Other (3)	**481**	1,741
Total outstanding commercial real estate loans (4)	**$ 69,537**	$ 64,904

By Property Type		
Office	**$ 12,511**	$ 10,388
Multi-family rental	**11,169**	8,177
Shopping centers/retail	**9,519**	9,293
Homebuilder [5]	**7,250**	10,987
Hotels/motels	**6,946**	2,513
Multi-use	**5,924**	3,444
Industrial/warehouse	**5,852**	6,070
Land and land development	**3,215**	3,856
Other [6]	**7,151**	10,176
Total outstanding commercial real estate loans [4]	**$ 69,537**	$ 64,904

(1) Distribution is based on geographic location of collateral.

(2) The geographically diversified category is comprised primarily of unsecured outstandings to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions.

(3) Primarily includes properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.

(4) Includes commercial real estate loans accounted for under the fair value option of $90 million and $203 million at December 31, 2009 and 2008.

(5) Homebuilder includes condominiums and residential land.

(6) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

During 2009, deterioration within the commercial real estate portfolio shifted from the homebuilder portfolio to the non-homebuilder portfolio. Non-homebuilder credit quality indicators and appraised values weakened in 2009 due to deteriorating property fundamentals and increased loss severities, whereas homebuilder credit quality indicators, while remaining elevated, began to stabilize. The non-homebuilder portfolio remains most

at risk as occupancy and rental rates continued to deteriorate due to the current economic environment and restrained business hiring and capital investment. We have adopted a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios.

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The following table presents commercial real estate credit quality data by non-homebuilder and homebuilder property types. Commercial real estate primarily includes commercial loans secured by non owner-occu -

pied real estate which is dependent on the sale or lease of the real estate as the primary source of repayment.

Table 32 Commercial Real Estate Credit Quality Data

	December 31				Year Ended December 31			
	Nonperforming Loans and Foreclosed Properties [1]		Utilized Reservable Criticized Exposure [2]		Net Charge-offs		Net Charge-off Ratios [3]	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Commercial real estate non-homebuilder								
Office	**$ 729**	$ 95	**$ 3,822**	$ 801	**$ 249**	$	**2.01%**	%
Multi-family rental	**546**	232	**2,496**	822	**217**	13	**1.96**	0.18
Shopping centers/retail	**1,157**	204	**3,469**	1,442	**239**	10	**2.30**	0.11
Hotels/motels	**160**	9	**1,140**	67	**5**	4	**0.08**	0.09
Industrial/warehouse	**442**	91	**1,757**	464	**82**		**1.34**	
Multi-use	**416**	17	**1,578**	409	**146**	24	**2.58**	0.38
Land and land development	**968**	455	**1,657**	1,281	**286**		**8.00**	
Other [4]	**417**	88	**2,210**	973	**140**	22	**1.72**	0.42
Total non-homebuilder	**4,835**	1,191	**18,129**	6,259	**1,364**	73	**2.13**	0.15
Commercial real estate homebuilder [5]	**3,228**	3,036	**5,675**	7,571	**1,338**	814	**14.41**	6.25
Total commercial real estate	**$ 8,063**	$ 4,227	**$ 23,804**	$ 13,830	**$ 2,702**	$ 887	**3.69**	1.41

(1) Includes commercial foreclosed properties of $777 million and $321 million at December 31, 2009 and 2008.

(2) Utilized reservable criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. This is defined as loans, excluding those accounted for under the fair value option, SBLCs and bankers acceptances.

(3) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option during the year for each loan and lease category.

(4) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

(5) Homebuilder includes condominiums and residential land.

At December 31, 2009, we had total committed non-homebuilder exposure of $84.4 billion compared to $84.1 billion at December 31, 2008. The increase was due to the Merrill Lynch acquisition, largely offset by repayments and net charge-offs. Non-homebuilder nonperforming loans and foreclosed properties were $4.8 billion, or 7.73 percent of total non-homebuilder loans and foreclosed properties at December 31, 2009 compared to $1.2 billion, or 2.21 percent at December 31, 2008, with the increase driven by deterioration in the shopping center/retail, office, and land and land development portfolios.

Non-homebuilder utilized reservable criticized exposure increased $11.9 billion to $18.1 billion, or 27.27 percent of total non-homebuilder utilized reservable exposure at December 31, 2009 compared to $6.3 billion, or 10.66 percent, at December 31, 2008. The increase was driven primarily by office, shopping center/retail and multi-family rental property types which have been the most adversely affected by high unemployment and the slowdown in consumer spending.

For the non-homebuilder portfolio, net charge-offs increased $1.3 billion for 2009 compared to 2008 with the increase concentrated in non-homebuilder land and land development, office, shopping center/retail and multi-family rental property types.

Within our total non-homebuilder exposure, at December 31, 2009, we had total committed non-homebuilder construction and land development exposure of $24.5 billion compared to $27.8 billion at December 31, 2008. Non-homebuilder construction and land development exposure is mostly secured and diversified across property types and geographies. Assets in the non-homebuilder construction and land development portfolio face significant challenges in the current rental market. Weak rental demand and cash flows and declining property valuations have resulted in increased levels of reservable criticized exposure and nonperforming loans and foreclosed properties. Nonperforming loans and foreclosed properties and utilized reservable criticized exposure for

the non-homebuilder construction and land development portfolio increased $2.0 billion and $6.1 billion from December 31, 2008 to $2.6 billion and $8.9 billion at December 31, 2009.

At December 31, 2009, we had committed homebuilder exposure of $10.4 billion compared to $16.2 billion at December 31, 2008 of which $7.3 billion and $11.0 billion were funded secured loans. The decline in homebuilder committed exposure was driven by repayments, charge-offs, reduced new home construction and continued risk mitigation initiatives. Homebuilder nonperforming loans and foreclosed properties stabilized due to the slowdown in the rate of home price declines. Homebuilder utilized reservable criticized exposure decreased by $1.9 billion driven by higher net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the homebuilder portfolio were 42.16 percent and 74.44 percent at December 31, 2009 compared to 27.07 percent and 66.33 percent at December 31, 2008. Lower loan balances and exposures in 2009 drove a portion of the increase in the ratios. Net charge-offs for the homebuilder portfolio increased $524 million in 2009 from 2008.

Commercial Foreign

The commercial foreign loan portfolio is managed primarily in *Global Banking*. Outstanding loans, excluding loans accounted for under the fair value option, decreased due to repayments as borrowers accessed the capital markets to refinance bank debt and aggressively managed working capital and investment spending, partially offset by the acquisition of Merrill Lynch. Reduced merger and acquisition activity was also a factor contributing to modest new loan origination. Net charge-offs increased primarily due to deterioration in the portfolio, particularly in financial services, consumer dependent and housing-related sectors. For additional information on the commercial foreign portfolio, refer to the Foreign Portfolio discussion beginning on page 74.

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Small Business Commercial Domestic

The small business commercial domestic loan portfolio is comprised of business card and small business loans primarily managed in *Global Card Services*. In 2009, small business commercial domestic net charge-offs increased $956 million from 2008. The portfolio deterioration was primarily driven by the impacts of a weakened economy. Approximately 77 percent of the small business commercial domestic net charge-offs for 2009 were credit card related products, compared to 75 percent in 2008.

Commercial Loans Carried at Fair Value

The portfolio of commercial loans accounted for under the fair value option is managed in *Global Markets*. The $477 million decrease in the fair value loan portfolio in 2009 was driven primarily by reduced corporate borrowings under bank credit facilities. We recorded net gains of $515 million resulting from changes in the fair value of the loan portfolio during 2009 compared to net losses of $780 million for 2008. These gains and losses were primarily attributable to changes in instrument-specific credit risk and were predominantly offset by net gains or net losses from hedging activities.

In addition, unfunded lending commitments and letters of credit had an aggregate fair value of $950 million and $1.1 billion at December 31, 2009 and 2008 and were recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value

option was $27.0 billion and $16.9 billion at December 31, 2009 and 2008 with the increase driven by the acquisition of Merrill Lynch. Net gains resulting from changes in fair value of commitments and letters of credit of $1.4 billion were recorded during 2009 compared to net losses of $473 million for 2008. These gains and losses were primarily attributable to changes in instrument-specific credit risk.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

The following table presents the additions and reductions to nonperforming loans, leases and foreclosed properties in the commercial portfolio during 2009 and 2008. The $16.2 billion in new nonaccrual loans and leases for 2009 was primarily attributable to increases within non-homebuilder commercial real estate property types such as shopping centers/retail, office, land and land development, and multi-use and within commercial domestic excluding small business, where the increases were broad-based across industries and lines of business. Approximately 90 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 35 percent are contractually current. In addition, commercial nonperforming loans are carried at approximately 75 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated net realizable value.

Table 33 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

(Dollars in millions)	2009	2008
Nonperforming loans and leases		
Balance, January 1	**$ 6,497**	$ 2,155
Additions to nonperforming loans and leases:		
Merrill Lynch balance, January 1, 2009	**402**	
New nonaccrual loans and leases	**16,190**	8,110
Advances	**339**	154
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(3,075)**	(1,467)
Sales	**(630)**	(45)
Returns to performing status [3]	**(461)**	(125)
Charge-offs [4]	**(5,626)**	(1,900)
Transfers to foreclosed properties	**(857)**	(372)

Transfers to loans held-for-sale	**(76)**	(13)
Total net additions to nonperforming loans and leases	**6,206**	4,342
Total nonperforming loans and leases, December 31	**12,703**	6,497
Foreclosed properties		
Balance, January 1	**321**	75
Additions to foreclosed properties:		
New foreclosed properties	**857**	372
Reductions in foreclosed properties:		
Sales	**(310)**	(110)
Write-downs	**(91)**	(16)
Total net additions to foreclosed properties	**456**	246
Total foreclosed properties, December 31	**777**	321
Nonperforming commercial loans, leases and foreclosed properties, December 31	**$ 13,480**	$ 6,818
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	**4.00%**	1.93%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	**4.24**	2.02

(1) Balances do not include nonperforming LHFS of $4.5 billion and $852 million at December 31, 2009 and 2008.

(2) Includes small business commercial domestic activity.

(3) Commercial loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.

(4) Business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.

(5) Outstanding commercial loans and leases exclude loans accounted for under the fair value option.

At December 31, 2009, the total commercial TDR balance was $577 million. Nonperforming TDRs increased $442 million while performing TDRs increased $78 million during 2009. Nonperforming TDRs of $486 million are included in Table 33.

Industry Concentrations

Table 34 presents commercial committed and commercial utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and the unfunded portion of certain credit exposure. Our commercial credit exposure is diversified across a broad range of industries.

Industry limits are used internally to manage industry concentrations and are based on committed exposure and capital usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits, as well as to provide ongoing monitoring. The Credit Risk Committee (CRC) oversees industry limits governance.

Total commercial committed exposure decreased $10.1 billion in 2009 across most industries. Those industries that experienced increases in total commercial committed exposure in 2009 were driven by the Merrill Lynch acquisition.

Diversified financials, our largest industry concentration, experienced an increase in committed exposure of $7.6 billion, or seven percent at December 31, 2009 compared to 2008. The total committed credit exposure increase was driven by the Merrill Lynch portfolio which contributed $34.7 billion, largely the result of $28.8 billion in capital markets industry exposure, primarily comprised of derivatives. This was offset, in part, by a reduction in legacy Bank of America positions of $27.1 billion, the majority of which came from a $21.2 billion reduction in capital markets industry exposure including the cancellation of $8.8 billion in facilities to legacy Merrill Lynch.

Real estate, our second largest industry concentration, experienced a decrease in committed exposure of $12.4 billion, or 12 percent at December 31, 2009 compared to 2008. An $18.6 billion decrease in legacy Bank of America committed exposure, driven primarily by decreases in homebuilder, unsecured commercial real estate and commercial construction and land development exposure, was partially offset by the acquisition of Merrill Lynch. Real estate construction and land development exposure comprised 31 percent of the total real estate industry committed exposure at December 31, 2009. For more information on the commercial real estate and related portfolios, refer to the commercial real estate discussion beginning on page 67.

The insurance and utilities committed exposure increased primarily due to the acquisition of Merrill Lynch. Refer to the *Global Markets* discussion beginning on page 35 and to the monoline and related exposure discussion below for more information.

Retailing committed exposure declined 16 percent at December 31, 2009 compared to 2008, driven by the retirement of several large retail exposures and paydowns as retailers and wholesalers worked to reduce inventory levels.

Monoline and Related Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. Direct loan exposure to monolines consisted of revolvers in the amount of $41 million and $126 million at December 31, 2009 and 2008.

We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations, credit-enhanced securities as part of our public finance business and other selected products. Such indirect exposure exists when we purchase credit protection from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and CDOs. We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monoline financial guarantors, primarily in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when we purchase credit protection from monoline financial guarantors to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined or when we are required to indemnify or provide recourse for a guarantor s loss. We have experienced and continue to experience increasing repurchase demands from and disputes with monoline financial guarantors. We expect to contest such demands that we do not believe are valid. In the event that we are required to repurchase loans that have been the subject of repurchase demands or otherwise provide indemnification or other recourse, this could significantly increase our losses and thereby affect our future earnings. For further information regarding representations and warranties, see *Note 8 Securitizations* to the Consolidated Financial Statements and Item 1A., Risk Factors.

Monoline derivative credit exposure at December 31, 2009 had a notional value of $42.6 billion compared to $9.6 billion at December 31, 2008. Mark-to-market monoline derivative credit exposure was $11.1 billion at December 31, 2009 compared to $2.2 billion at December 31, 2008, driven by the addition of Merrill Lynch exposures as well as credit deterioration related to underlying counterparties and spread widening in both wrapped CDO and structured finance related exposures. At December 31, 2009, the counterparty credit valuation adjustment related to monoline derivative exposure was $6.0 billion, which reduced our net mark-to-market exposure to $5.1 billion. We do not hold collateral against these derivative exposures. For more information on our monoline exposure, see the *Global Markets* discussion beginning on page 35.

We also have indirect exposure as we invest in securities where the issuers have purchased wraps (i.e., insurance). For example, municipalities and corporations purchase protection in order to enhance their pricing power which has the effect of reducing their cost of borrowing. If the ratings agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to recovery on the purchased insurance. Investments in securities issued by municipalities and corporations with purchased wraps at December 31, 2009 and 2008 had a notional value of $5.0 billion and $6.0 billion. Mark-to-market investment exposure was $4.9 billion at December 31, 2009 compared to $5.7 billion at December 31, 2008.

Table 34 Commercial Credit Exposure by Industry [1, 2, 3]

	December 31			
	Commercial Utilized		Total Commercial Committed	
(Dollars in millions)	**2009**	2008	**2009**	2008
Diversified financials	**$ 68,876**	$ 50,327	**$ 110,948**	$ 103,306
Real estate [4]	**75,049**	79,766	**91,479**	103,889
Government and public education	**44,151**	39,386	**61,446**	58,608
Capital goods	**23,834**	27,588	**47,413**	52,522
Healthcare equipment and services	**29,584**	31,280	**46,370**	46,785
Consumer services	**28,517**	28,715	**44,164**	43,948
Retailing	**23,671**	30,736	**42,260**	50,102
Commercial services and supplies	**23,892**	24,095	**34,646**	34,867
Individuals and trusts	**25,191**	22,752	**33,678**	33,045
Materials	**16,373**	22,825	**32,898**	38,105
Insurance	**20,613**	11,223	**28,033**	17,855
Food, beverage and tobacco	**14,812**	17,257	**27,985**	28,521
Utilities	**9,217**	8,230	**25,229**	19,272
Energy	**9,605**	11,885	**23,619**	22,732
Banks	**20,299**	22,134	**23,384**	26,493
Media	**11,236**	8,939	**22,832**	19,301
Transportation	**13,724**	13,050	**19,597**	18,561
Religious and social organizations	**8,920**	9,539	**11,371**	12,576
Pharmaceuticals and biotechnology	**2,875**	3,721	**10,343**	10,111
Consumer durables and apparel	**4,374**	6,219	**9,829**	10,862
Technology hardware and equipment	**3,135**	3,971	**9,671**	10,371
Telecommunication services	**3,558**	3,681	**9,478**	8,036
Software and services	**3,216**	4,093	**9,306**	9,590
Food and staples retailing	**3,680**	4,282	**6,562**	7,012
Automobiles and components	**2,379**	3,093	**5,339**	6,081
Other	**3,596**	9,962	**7,390**	12,781
Total commercial credit exposure by industry	**$ 494,377**	$ 498,749	**$ 795,270**	$ 805,332
Net credit default protection purchased on total commitments [5]			**$ (19,025)**	$ (9,654)

[1] Total commercial utilized and total commercial committed exposure includes loans and letters of credit accounted for under the fair value option and are comprised of loans outstanding of $4.9 billion and $5.4 billion, and issued letters of credit with a notional amount of $1.7 billion and $1.4 billion at December 31, 2009 and 2008. In addition, total commercial committed exposure includes unfunded loan commitments with a notional amount of $25.3 billion and $15.5 billion at December 31, 2009 and 2008.

[2] Includes small business commercial domestic exposure.

[3] At December 31, 2009, total commercial utilized and total commercial committed exposure included $88.5 billion and $114.2 billion of exposure due to the acquisition of Merrill Lynch which included $31.7 billion and $34.7 billion in diversified financials and $12.3 billion and $13.0 billion in insurance with the remaining exposure spread across various industries.

[4] Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based upon the borrowers or counterparties primary business activity using operating cash flow and primary source of repayment as key factors.

[5] Represents net notional credit protection purchased. Refer to the Risk Mitigation discussion beginning on page 71 for additional information.

Risk Mitigation

Credit protection is purchased to cover the funded portion as well as the unfunded portion of certain credit exposure. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection.

At December 31, 2009 and 2008, we had net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option as well as certain other credit exposures of $19.0 billion and $9.7 billion. The increase from December 31, 2008 is primarily driven by the acquisition of Merrill Lynch. The mark-to-market impacts, including the cost of net credit default protection hedging our credit exposure, resulted in net

losses of $2.9 billion in 2009 compared to net gains of $993 million in 2008. The average Value-at-Risk (VAR) for these credit derivative hedges was $76 million in 2009 compared to $24 million in 2008. The average VAR for the related credit exposure was $130 million in 2009 compared to $57 million in 2008. The year-over-year increase in VAR was driven by the combination of the Merrill Lynch and Bank of America businesses in 2009. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VAR was $89 million in 2009. Refer to the Trading Risk Management discussion beginning on page 80 for a description of our VAR calculation for the market-based trading portfolio.

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Tables 35 and 36 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at December 31, 2009 and 2008. The distribution of debt rating for net

notional credit default protection purchased is shown as a negative and the net notional credit protection sold is shown as a positive amount.

Table 35 Net Credit Default Protection by Maturity Profile

	December 31	
	2009	2008
Less than or equal to one year	**16%**	1%
Greater than one year and less than or equal to five years	**81**	92
Greater than five years	**3**	7
Total net credit default protection	**100%**	100%

Table 36 Net Credit Default Protection by Credit Exposure Debt Rating [1]

(Dollars in millions)	December 31			
	2009		2008	
Ratings [2]	**Net Notional**	**Percent of Total**	Net Notional	Percent of Total
AAA	**$ 15**	**(0.1)%**	$ 30	(0.3)%
AA	**(344)**	**1.8**	(103)	1.1
A	**(6,092)**	**32.0**	(2,800)	29.0
BBB	**(9,573)**	**50.4**	(4,856)	50.2
BB	**(2,725)**	**14.3**	(1,948)	20.2
B	**(835)**	**4.4**	(579)	6.0
CCC and below	**(1,691)**	**8.9**	(278)	2.9
NR [3]	**2,220**	**(11.7)**	880	(9.1)
Total net credit default protection	**$ (19,025)**	**100.0%**	$ (9,654)	100.0%

[1] Ratings are refreshed on a quarterly basis.

[2] The Corporation considers ratings of BBB- or higher to meet the definition of investment grade.

[3] In addition to names which have not been rated, NR includes $2.3 billion and $948 million in net credit default swaps index positions at December 31, 2009 and 2008. While index positions are principally investment grade, credit default swaps indices include names in and across each of the ratings categories.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative positions in the over-the-counter market with large, multinational financial institutions, including broker/dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the over-the-counter market, we are subject to settlement risk. We are also

subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit 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 us to take additional protective measures such as early termination of all trades.

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The notional amounts presented in Table 37 represent the total contract/notional amount of credit derivatives outstanding and include both purchased and written credit derivatives. The credit risk amounts are measured as the net replacement cost in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those contracts. The addition of Merrill Lynch drove the increase in counterparty credit risk for purchased credit derivatives and the increase in the contract/notional amount. For information on the performance risk of our written credit derivatives, see *Note 4 Derivatives* to the Consolidated Financial Statements.

The credit risk amounts discussed above and noted in the table below take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in *Note 4 Derivatives* to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing the Corporation s overall exposure.

Table 37 Credit Derivatives

	December 31			
	2009		2008	
(Dollars in millions)	**Contract/Notional**	**Credit Risk**	Contract/Notional	Credit Risk
Credit derivatives				
Purchased credit derivatives:				
Credit default swaps	**$ 2,800,539**	**$ 25,964**	$ 1,025,850	$ 11,772
Total return swaps/other	**21,685**	**1,740**	6,601	1,678
Total purchased credit derivatives	**2,822,224**	**27,704**	1,032,451	13,450
Written credit derivatives:				
Credit default swaps	**2,788,760**		1,000,034	
Total return swaps/other	**33,109**		6,203	
Total written credit derivatives	**2,821,869**		1,006,237	
Total credit derivatives	**$ 5,644,093**	**$ 27,704**	$ 2,038,688	$ 13,450

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivatives assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are reversed or otherwise

adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty.

During 2009, credit valuation gains (losses) were recognized in trading account profits (losses) related to counterparty credit risk on derivative assets. For additional information on gains or losses related to the counterparty credit risk on derivative assets, refer to *Note 4 Derivatives* to the Consolidated Financial Statements. For information on our monoline counterparty credit risk, see the discussion beginning on pages 37 and 70, and for information on our CDO-related counterparty credit risk, see the *Global Markets* discussion beginning on page 35.

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Foreign Portfolio

Our foreign credit and trading portfolio is subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage foreign risk and exposures. Management oversight of country risk including cross-border risk is provided by the Regional Risk Committee, a subcommittee of the CRC.

The following table sets forth total foreign exposure broken out by region at December 31, 2009 and 2008. Foreign exposure includes

credit exposure net of local liabilities, securities, and other investments issued by or domiciled in countries other than the U.S. Total foreign exposure can be adjusted for externally guaranteed outstandings and certain collateral types. Exposures which are assigned external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty consistent with FFIEC reporting requirements.

Table 38 Regional Foreign Exposure [1, 2, 3]

	December 31	
(Dollars in millions)	**2009**	2008
Europe	**$ 170,796**	$ 66,472
Asia Pacific	**47,645**	39,774
Latin America	**19,516**	11,378
Middle East and Africa	**3,906**	2,456
Other	**15,799**	10,988
Total	**$ 257,662**	$ 131,068

(1) Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements.

(2) Exposures have been reduced by $34.3 billion and $19.6 billion at December 31, 2009 and 2008 for the cash applied as collateral to derivative assets.

(3) Generally, resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

Our total foreign exposure was $257.7 billion at December 31, 2009, an increase of $126.6 billion from December 31, 2008. Our foreign exposure remained concentrated in Europe, which accounted for $170.8 billion, or 66 percent, of total foreign exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries. Asia Pacific was our second largest foreign exposure at $47.6 billion, or 18 percent. Latin America accounted for $19.5 billion, or eight percent, of total foreign exposure. The increases of $104.3 billion, $7.9 billion and $8.1 billion in our foreign exposure in Europe, Asia Pacific and Latin America, respectively, from December 31, 2008 were primarily due to the acquisition of Merrill Lynch. For more information on our Asia Pacific and Latin America exposure, see the discussion of the foreign exposure to selected countries defined as emerging markets below.

As shown in Table 39, at December 31, 2009 and 2008, the United Kingdom had total cross-border exposure of $60.7 billion and $13.3 billion, representing 2.73 percent and 0.73 percent of our total assets. The

United Kingdom was the only country where the total cross-border exposure exceeded one percent of our total assets at December 31, 2009. The increase of $47.4 billion was primarily due to the acquisition of Merrill Lynch. At December 31, 2009, Germany and France, with total cross-border exposure of $18.9 billion and $17.4 billion, representing 0.85 percent and 0.78 percent of total assets were the only other countries that had total cross-border exposure which exceeded 0.75 percent of our total assets.

Exposure includes cross-border claims by our foreign offices including loans, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, SBLCs, commercial letters of credit and formal guarantees. Sector definitions are consistent with FFIEC reporting requirements for preparing the Country Exposure Report.

Table 39 Total Cross-border Exposure Exceeding One Percent of Total Assets [1]

(Dollars in millions)	December 31	Public Sector	Banks	Private Sector	Cross-border Exposure	Exposure as a Percentage of Total Assets
United Kingdom	**2009**	**$ 157**	**$ 8,478**	**$ 52,080**	**$ 60,715**	**2.73%**
	2008	543	567	12,167	13,277	0.73

[1] At December 31, 2009 and 2008, total cross-border exposure for the United Kingdom included derivatives exposure of $5.0 billion and $3.2 billion, which has been reduced by the amount of cash collateral applied of $7.1 billion and $4.5 billion. Derivative assets were collateralized by other marketable securities of $18 million and $124 million at December 31, 2009 and 2008.

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As presented in Table 40, foreign exposure to borrowers or counterparties in emerging markets increased $4.7 billion to $50.6 billion at December 31, 2009, compared to $45.8 billion at December 31, 2008. The increase was due to the acquisition of Merrill Lynch partially offset by

the sale of CCB common shares in 2009. Foreign exposure to borrowers or counterparties in emerging markets represented 20 percent and 35 percent of total foreign exposure at December 31, 2009 and 2008.

Table 40 Selected Emerging Markets [(1)]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [(2)]	Derivative Assets [(3)]	Securities/ Other Investments [(4)]	Total Cross-border Exposure [(5)]	Local Country Exposure Net of Local Liabilities [(6)]	**Total Emerging Market Exposure at December 31, 2009**	Increase (Decrease) From December 31, 2008
Region/Country								
Asia Pacific								
China	$ 572	$ 517	$ 704	$ 10,270	$ 12,063	$	**$ 12,063**	$ (8,642)
India	1,702	1,091	639	1,704	5,136	1,024	**6,160**	1,726
South Korea	428	803	1,275	2,505	5,011		**5,011**	335
Hong Kong	391	337	98	276	1,102		**1,102**	421
Singapore	293	54	228	293	868		**868**	(701)
Taiwan	279	32	86	127	524	205	**729**	(113)
Other Asia Pacific [(7)]	248	63	147	505	963	68	**1,031**	426
Total Asia Pacific	3,913	2,897	3,177	15,680	25,667	1,297	**26,964**	(6,548)
Latin America								
Brazil	522	475	156	6,396	7,549	1,905	**9,454**	5,585
Mexico	1,667	291	524	2,860	5,342	129	**5,471**	1,314
Chile	604	248	281	26	1,159	2	**1,161**	582
Other Latin America [(7)]	150	319	354	446	1,269	211	**1,480**	833
Total Latin America	2,943	1,333	1,315	9,728	15,319	2,247	**17,566**	8,314
Middle East and Africa								
South Africa	133	2	93	920	1,148		**1,148**	821
Bahrain	119	8	36	970	1,133		**1,133**	(56)
United Arab Emirates	469	12	167	72	720		**720**	310
Other Middle East and Africa [(7)]	315	92	142	218	767	1	**768**	239
Total Middle East and Africa	1,036	114	438	2,180	3,768	1	**3,769**	1,314
Central and Eastern Europe								
Russian Federation	116	66	273	214	669		**669**	577
Other Central and Eastern Europe [(7)]	141	356	289	788	1,574	32	**1,606**	1,069
Total Central and Eastern Europe	257	422	562	1,002	2,243	32	**2,275**	1,646
Total emerging market exposure	$ 8,149	$ 4,766	$ 5,492	$ 28,590	$ 46,997	$ 3,577	**$ 50,574**	$ 4,726

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. There was no emerging market exposure included in the portfolio accounted for under the fair value option at December 31, 2009 and 2008.

(2) Includes acceptances, SBLCs, commercial letters of credit and formal guarantees.

(3) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $557 million and $152 million at December 31, 2009 and 2008. At December 31, 2009 and 2008, there were $616 million and $531 million of other marketable securities collateralizing derivative assets.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

(5) Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country of residence other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting requirements.

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked, regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements.

Total amount of available local liabilities funding local country exposure at December 31, 2009 was $17.6 billion compared to $12.6 billion at December 31, 2008. Local liabilities at December 31, 2009 in Asia Pacific, Latin America, and Middle East and Africa were $16.3 billion, $857 million and $449 million, respectively, of which $8.7 billion were in Singapore, $2.1 billion were in Hong Kong, $1.5 billion were in both China and India, $1.3 billion were in South Korea, and $734 million were in Mexico. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) No country included in Other Asia Pacific, Other Latin America, Other Middle East and Africa, and Other Central and Eastern Europe had total foreign exposure of more than $500 million.

At December 31, 2009 and 2008, 53 percent and 73 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific decreased by $6.5 billion driven by the sale of CCB common shares in 2009. Our exposure in China was primarily related to our equity investment in CCB which accounted for $9.2 billion and $19.7 billion at December 31, 2009 and 2008. For more information on our CCB investment, refer to the *All Other* discussion beginning on page 41.

At December 31, 2009, 35 percent of the emerging markets exposure was in Latin America compared to 20 percent at December 31, 2008. Latin America emerging markets exposure increased by $8.3 billion due to the acquisition of Merrill Lynch. Our exposure in Brazil was primarily related to the carrying value of our investment in Itaú Unibanco, which accounted for $5.4 billion and $2.5 billion of exposure in Brazil at December 31, 2009 and 2008. Our equity investment in Itaú Unibanco represents five percent and eight percent of its outstanding voting and non-voting shares at December 31, 2009 and 2008. Our exposure in Mexico was primarily related to our 24.9 percent investment in Santander, which is classified as securities and other investments in Table 40, and accounted for $2.5 billion and $2.1 billion of exposure in Mexico at December 31, 2009 and 2008.

At December 31, 2009 and 2008, seven percent and six percent of the emerging markets exposure was in Middle East and Africa, with the increase of $1.3 billion due to the acquisition of Merrill Lynch.

At December 31, 2009 and 2008, five percent and one percent of the emerging markets exposure was in Central and Eastern Europe which increased by $1.6 billion due to the acquisition of Merrill Lynch.

Provision for Credit Losses

The provision for credit losses increased $21.7 billion to $48.6 billion for 2009 compared to 2008.

The consumer portion of the provision for credit losses increased $15.1 billion to $36.9 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs in our consumer real estate, consumer credit card and consumer lending portfolios, reflecting deterioration in the economy and housing markets. In addition to higher net charge-offs, the provision increase was also driven by higher reserve additions for deterioration in the purchased impaired and residential mortgage portfolios, new draws on previously securitized accounts as well as an approximate $800 million addition to increase the reserve coverage to approximately 12 months of charge-offs in consumer credit card. These increases were partially offset by lower reserve additions in our unsecured domestic consumer lending portfolios resulting from improved delinquencies and in the home equity portfolio due to the slowdown in the pace of deterioration. In the Countrywide and Merrill Lynch consumer purchased impaired portfolios, the additions to reserves to reflect further reductions in expected principal cash flows were $3.5 billion in 2009 compared to $750 million in 2008. The increase was primarily related to the home equity purchased impaired portfolio.

The commercial portion of the provision for credit losses including the provision for unfunded lending commitments increased $6.7 billion to $11.7 billion for 2009 compared to 2008. The increase was driven by higher net charge-offs and higher additions to the reserves in the commercial real estate and commercial domestic portfolios, reflecting deterioration across a broad range of property types, industries and borrowers. These increases were partially offset by lower reserve additions in the small business portfolio due to improved delinquencies.

Allowance for Credit Losses

The allowance for loan and lease losses excludes loans accounted for under the fair value option as fair value adjustments related to loans measured at fair value include a credit risk component. The allowance for loan and lease losses is allocated based on two components. We evaluate the adequacy of the allowance for loan and lease losses based on the combined total of these two components.

The first component of the allowance for loan and lease losses covers those commercial loans, excluding loans accounted for under the fair value option, that are either nonperforming or impaired, or consumer real estate loans that have been modified in a TDR. These loans are subject to impairment measurement at the loan level based on the present value of expected future cash flows discounted at the loan s contractual effective interest rate (or collateral value or observable market price). When the values are lower than the carrying value of that loan, impairment is recognized. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers performing consumer and commercial loans and leases excluding loans accounted for under the fair value option. The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. As of December 31, 2009, quarterly updates to historical loss experience resulted in an increase in the allowance for loan and lease losses most significantly in the commercial real estate portfolio. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio segment evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of December 31, 2009, quarterly updates to the loss forecast models resulted in increases in the allowance for loan and lease losses in the consumer real estate and foreign credit card portfolios and reductions in the allowance for the *Global Card Services* consumer lending and domestic credit card portfolios.

We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.

Additions to the allowance for loan and lease losses are made by charges to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio as presented in Table 42 was $27.8 billion at December 31, 2009, an increase of $11.1 billion from December 31, 2008. This increase was primarily related to the impact of the weak economy and deterioration in the housing markets, which drove reserve builds for higher losses across most consumer portfolios. With respect to the Countrywide and Merrill Lynch consumer purchased impaired portfolios, updating of our expected principal cash flows resulted in an increase in reserves of $3.5 billion in the home equity, discontinued real estate, and residential mortgage portfolios.

The allowance for commercial loan and lease losses was $9.4 billion at December 31, 2009, a $3.0 billion increase from December 31, 2008. The increase in allowance levels was driven by reserve increases on the commercial real estate and commercial domestic portfolios within *Global Banking*.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 4.16 percent at December 31, 2009, compared to 2.49 percent at December 31, 2008. The increase in the ratio was primarily driven by consumer reserve increases for higher losses in the residential mortgage, consumer card and home equity portfolios, reflecting deterioration in the housing markets and the impact of the weak economy. The increase was also the result of reserve increases in the commercial real estate and commercial domestic portfolios reflecting broad-based deterioration across various borrowers, industries, and property types. In addition, the December 31, 2009 and 2008 ratios include the impact of the purchased impaired portfolio. Excluding the impacts of the purchased impaired portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.88 percent at December 31, 2009, compared to 2.53 percent at December 31, 2008.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments excluding commitments accounted for under the fair value option, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to the same assessment as funded loans, except utilization assumptions are considered. The reserve for unfunded lending commitments is included in accrued expenses and other liabilities on the Consolidated Balance Sheet with changes to the reserve generally made through the provision for credit losses.

The reserve for unfunded lending commitments at December 31, 2009 was $1.5 billion compared to $421 million at December 31, 2008. The increase was largely driven by the fair value of the acquired Merrill Lynch unfunded lending commitments.

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Table 41 presents a rollforward of the allowance for credit losses for 2009 and 2008.

Table 41 Allowance for Credit Losses

(Dollars in millions)	2009	2008
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588
Loans and leases charged off		
Residential mortgage	**(4,436)**	(964)
Home equity	**(7,205)**	(3,597)
Discontinued real estate	**(104)**	(19)
Credit card domestic	**(6,753)**	(4,469)
Credit card foreign	**(1,332)**	(639)
Direct/Indirect consumer	**(6,406)**	(3,777)
Other consumer	**(491)**	(461)
Total consumer charge-offs	**(26,727)**	(13,926)
Commercial domestic [1]	**(5,237)**	(2,567)
Commercial real estate	**(2,744)**	(895)
Commercial lease financing	**(217)**	(79)
Commercial foreign	**(558)**	(199)
Total commercial charge-offs	**(8,756)**	(3,740)
Total loans and leases charged off	**(35,483)**	(17,666)
Recoveries of loans and leases previously charged off		
Residential mortgage	**86**	39
Home equity	**155**	101
Discontinued real estate	**3**	3
Credit card domestic	**206**	308
Credit card foreign	**93**	88
Direct/Indirect consumer	**943**	663
Other consumer	**63**	62
Total consumer recoveries	**1,549**	1,264
Commercial domestic [2]	**161**	118
Commercial real estate	**42**	8
Commercial lease financing	**22**	19
Commercial foreign	**21**	26
Total commercial recoveries	**246**	171
Total recoveries of loans and leases previously charged off	**1,795**	1,435
Net charge-offs	**(33,688)**	(16,231)
Provision for loan and lease losses	**48,366**	26,922
Write-downs on consumer purchased impaired loans [3]	**(179)**	n/a
Other [4]	**(370)**	792
Allowance for loan and lease losses, December 31	**37,200**	23,071
Reserve for unfunded lending commitments, January 1	**421**	518
Provision for unfunded lending commitments	**204**	(97)
Other [5]	**862**	
Reserve for unfunded lending commitments, December 31	**1,487**	421
Allowance for credit losses, December 31	**$ 38,687**	$ 23,492
Loans and leases outstanding at December 31 [6]	**$ 895,192**	$ 926,033
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [3, 6]	**4.16%**	2.49%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 [3]	**4.81**	2.83
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [3]	**2.96**	1.90
Average loans and leases outstanding [3, 6]	**$ 941,862**	$ 905,944
Net charge-offs as a percentage of average loans and leases outstanding [3, 6]	**3.58%**	1.79%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [3, 6]	**111**	141
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	**1.10**	1.42

(1) Includes small business commercial domestic charge-offs of $3.0 billion and $2.0 billion in 2009 and 2008.

(2) Includes small business commercial domestic recoveries of $65 million and $39 million in 2009 and 2008.

(3) Allowance for loan and lease losses includes $3.9 billion and $750 million of valuation allowance for consumer purchased impaired loans at December 31, 2009 and 2008. Excluding the valuation allowance for purchased impaired loans, allowance for loan and lease losses as a percentage of total nonperforming loans and leases would have been 99 percent and 136 percent at December 31, 2009 and 2008. For more information on the impact of purchased impaired loans on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 54 and Commercial Portfolio Credit Risk Management beginning on page 64.

(4) The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. Credit Card Securitization Trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursed under residential mortgage cash collateralized synthetic securitizations. The 2008 amount includes the $1.2 billion addition of the Countrywide allowance for loan losses as of July 1, 2008.

(5) The 2009 amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for under the fair value option, net of accretion and the impact of funding previously unfunded portions.

(6) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans measured at fair value were $4.9 billion and $5.4 billion at December 31, 2009 and 2008. Average loans measured at fair value were $6.9 billion and $4.9 billion for 2009 and 2008.

n/a = not applicable

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For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 42 presents our allocation by product type.

Table 42 Allocation of the Allowance for Credit Losses by Product Type

	December 31					
	2009			2008		
(Dollars in millions)	**Amount**	**Percent of Total**	**Percent of Loans and Leases Outstanding [1]**	Amount	Percent of Total	Percent of Loans and Leases Outstanding [1]
Allowance for loan and lease losses						
Residential mortgage	**$ 4,607**	**12.38%**	**1.90%**	$ 1,382	5.99%	0.56%
Home equity	**10,160**	**27.31**	**6.81**	5,385	23.34	3.53
Discontinued real estate	**989**	**2.66**	**6.66**	658	2.85	3.29
Credit card domestic	**6,017**	**16.18**	**12.17**	3,947	17.11	6.16
Credit card foreign	**1,581**	**4.25**	**7.30**	742	3.22	4.33
Direct/Indirect consumer	**4,227**	**11.36**	**4.35**	4,341	18.81	5.20
Other consumer	**204**	**0.55**	**6.53**	203	0.88	5.87
Total consumer	**27,785**	**74.69**	**4.81**	16,658	72.20	2.83
Commercial domestic [2]	**5,152**	**13.85**	**2.59**	4,339	18.81	1.98
Commercial real estate	**3,567**	**9.59**	**5.14**	1,465	6.35	2.26
Commercial lease financing	**291**	**0.78**	**1.31**	223	0.97	1.00
Commercial foreign	**405**	**1.09**	**1.50**	386	1.67	1.25
Total commercial [3]	**9,415**	**25.31**	**2.96**	6,413	27.80	1.90
Allowance for loan and lease losses	**37,200**	**100.00%**	**4.16%**	23,071	100.00%	2.49%
Reserve for unfunded lending commitments [4]	**1,487**			421		
Allowance for credit losses [5]	**$ 38,687**			$ 23,492		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option for each loan and lease category. Loans accounted for under the fair value option include commercial domestic loans of $3.0 billion and $3.5 billion, commercial foreign loans of $1.9 billion and $1.7 billion, and commercial real estate loans of $90 million and $203 million at December 31, 2009 and 2008.

(2) Includes allowance for small business commercial domestic loans of $2.4 billion at both December 31, 2009 and 2008.

(3) Includes allowance for loan and lease losses for impaired commercial loans of $1.2 billion and $691 million at December 31, 2009 and 2008.

(4) The majority of the increase from December 31, 2008 relates to the fair value of the acquired Merrill Lynch unfunded lending commitments, excluding commitments accounted for under the fair value option.

(5) Includes $3.9 billion and $750 million related to purchased impaired loans at December 31, 2009 and 2008.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation.

Our traditional banking loan and deposit products are nontrading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, primarily changes in the levels of interest rates. The risk of adverse changes in the economic value of our nontrading positions is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option. For further information on the fair value of certain financial assets and liabilities, see *Note 20 Fair Value Measurements* to the Consolidated Financial Statements.

Our trading positions are reported at fair value with changes currently reflected in income. Trading positions are subject to various risk factors, which include exposures to interest rates and foreign exchange rates, as well as mortgage, equity, commodity, issuer and market liquidity risk factors. We seek to mitigate these risk exposures by using techniques that encompass a variety of financial instruments in both the cash and derivatives markets. The following discusses the key risk components along with respective risk mitigation techniques.

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Hedging instruments used to mitigate these risks include related derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, foreign currency- denominated debt and deposits.

Mortgage Risk

Mortgage risk represents exposures to changes in the value of mortgage-related instruments. The values of these instruments are sensitive to prepayment rates, mortgage rates, agency debt ratings, default, market liquidity, other interest rates and interest rate volatility. Our exposure to these instruments takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities including whole loans, pass-through certificates, commercial mortgages, and CMOs including CDOs using mortgages as underlying collateral. Second, we originate a variety of MBS which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage origination activities. See *Note 1 Summary of Significant Accounting Principles* and *Note 22 Mortgage Servicing Rights* to the Consolidated Financial Statements for additional information on MSRs. Hedging instruments used to mitigate this risk include options, futures, forwards, swaps, swaptions and securities.

Equity Market Risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to, the following: common stock, exchange traded funds, American Depositary Receipts, convertible bonds, listed equity options (puts and calls), over-the-counter equity options, equity total return swaps, equity index futures and other equity derivative products. Hedging instruments used to mitigate this risk include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. These instruments consist primarily of futures, forwards, swaps and options. Hedging instruments used to mitigate this risk include options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration, or by defaults. Hedging instruments used to mitigate this risk include bonds, CDS and other credit fixed income instruments.

Market Liquidity Risk

Market liquidity risk represents the risk that expected market activity changes dramatically and, in certain cases, may even cease to exist. This exposes us to the risk that we will not be able to transact in an orderly manner and may impact our results. This impact could further be exacerbated if expected hedging or pricing correlations are impacted by the disproportionate demand or lack of demand for certain instruments. We utilize various risk mitigating techniques as discussed in more detail in Trading Risk Management.

Trading Risk Management

Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 20 Fair Value Measurements* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The Global Markets Risk Committee (GRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary governance authority for Global Markets Risk Management including trading risk management. The GRC s focus is to take a forward-looking view of the primary credit and market risks impacting *Global Markets* and prioritize those that need a proactive risk mitigation strategy. Market risks that impact lines of business outside of *Global Markets* are monitored and governed by their respective governance authorities.

At the GRC meetings, the committee considers significant daily revenues and losses by business along with an explanation of the primary driver of the revenue or loss. Thresholds are established for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is made to the GRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses which exceed what is considered to be normal daily income statement volatility.

The following histogram is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the twelve months ended December 31, 2009 as compared with the twelve months ended December 31, 2008. During the twelve months ended December 31, 2009, positive trading-related revenue was recorded for 88 percent of the trading days of which 72 percent were daily trading gains of over $25 million, six percent of the trading days had losses greater than $25 million

and the largest loss was $100 million. This can be compared to the twelve months ended December 31, 2008, where positive trading-related revenue was recorded for 66 percent of the trading days of which 39 percent were daily trading gains of over $25 million, 17 percent of the trading days had losses greater than $25 million and the largest loss was $173 million. The increase in daily trading gains of over $25 million in 2009 compared to 2008 was driven by more favorable market conditions.

To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. VAR is a key statistic used to measure market risk. In order to manage day-to-day risks, VAR is subject to trading limits both for our overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VAR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VAR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VAR model, there are significant and numerous assumptions that will differ from company to company. In addition, the accuracy of a VAR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VAR model may require additional modeling assumptions for new products which do not have extensive historical price data or for illiquid positions for which accurate daily prices are not consistently available.

A VAR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are however many limitations inherent in a VAR model as it utilizes historical results over a

defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VAR model. To ensure that the VAR model reflects current market conditions, we update the historical data underlying our VAR model on a bi-weekly basis and regularly review the assumptions underlying the model.

We continually review, evaluate and enhance our VAR model to ensure that it reflects the material risks in our trading portfolio. Nevertheless, due to the limitations mentioned above, we have historically used the VAR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to various degrees.

The accuracy of the VAR methodology is reviewed by backtesting (i.e., comparing actual results against expectations derived from historical data) the VAR results against the daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GRC. Backtesting excesses occur when trading losses exceed VAR. Senior management reviews and evaluates the results of these tests.

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The following graph shows daily trading-related revenue and VAR for the twelve months ended December 31, 2009. Actual losses did not exceed daily trading VAR in the twelve months ended December 31, 2009. Actual losses exceeded daily trading VAR two times in the twelve months ended December 31, 2008.

(1) Our VAR model uses a historical simulation approach based on three years of historical data and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VAR, on average, one out of 100 trading days, or two to three times each year.

Table 43 presents average, high and low daily trading VAR for 2009 and 2008.

Table 43 Trading Activities Market Risk VAR

		2009			2008	
		VAR			VAR	
(Dollars in millions)	**Average**	**High (1)**	**Low (1)**	Average	High (1)	Low (1)
Foreign exchange	**$ 20.3**	**$ 55.4**	**$ 6.1**	$ 7.7	$ 11.7	$ 5.0
Interest rate	**73.7**	**136.7**	**43.6**	28.9	68.3	12.4
Credit	**183.3**	**338.7**	**123.9**	84.6	185.2	44.1
Real estate/mortgage	**51.1**	**81.3**	**32.4**	22.7	43.1	12.8
Equities	**44.6**	**87.6**	**23.6**	28.0	63.9	15.5
Commodities	**20.2**	**29.1**	**16.0**	8.2	17.7	2.4
Portfolio diversification	**(187.0)**			(69.4)		
Total market-based trading portfolio (2)	**$ 206.2**	**$ 325.2**	**$ 117.9**	$ 110.7	$ 255.7	$ 64.1

(1) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

(2) The table above does not include credit protection purchased to manage our counterparty credit risk.

The increase in average VAR during 2009 as compared to 2008 resulted from the acquisition of Merrill Lynch. In periods of market stress, the GRC members communicate daily to discuss losses and VAR limit excesses. As a result of this process, the lines of business may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

Counterparty credit risk is an adjustment to the mark-to-market value of our derivative exposures reflecting the impact of the credit quality of counterparties on our derivative assets. Since counterparty credit exposure is not included in the VAR component of the regulatory capital allocation, we do not include it in our trading VAR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram or used for backtesting.

Trading Portfolio Stress Testing

Because the very nature of a VAR model suggests results can exceed our estimates, we also stress test our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes which occurred during a set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe point during the crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from predefined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate the VAR. As with the histor -

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ical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with the enterprise-wide stress testing. A process has been established to ensure consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 50.

Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading exposures. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income managed basis. Interest rate risk is measured as the potential volatility in our core net interest income managed basis caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet. Interest rate risk from these activities, as well as the impact of changing market conditions, is managed through our ALM activities.

Simulations are used to estimate the impact on core net interest income managed basis using numerous interest rate scenarios, balance sheet trends and strategies. These simulations evaluate how these scenarios impact core net interest income managed basis on short-term financial instruments, debt securities, loans, deposits, borrowings and derivative instruments. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. These simulations do not include the impact of hedge ineffectiveness.

Management analyzes core net interest income managed basis forecasts utilizing different rate scenarios with the baseline utilizing the forward interest rates. Management frequently updates the core net interest income managed basis forecast for changing assumptions and differing outlooks based on economic trends and market conditions. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

We prepare forward-looking forecasts of core net interest income managed basis. These baseline forecasts take into consideration expected future business growth, ALM positioning, and the direction of interest rate movements as implied by forward interest rates. We then measure and evaluate the impact that alternative interest rate scenarios have on these static baseline forecasts in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward monthly rates used in our respective baseline forecasts at December 31, 2009 and 2008 are presented in the following table.

Table 44 Forward Rates

	December 31					
	2009			2008		
	Federal Funds	**Three-Month LIBOR**	**10-Year Swap**	Federal Funds	Three-Month LIBOR	10-Year Swap
Spot rates	**0.25%**	**0.25%**	**3.97%**	0.25%	1.43%	2.56%
12-month forward rates	**1.14**	**1.53**	**4.47**	0.75	1.41	2.80

During 2009, the spread between the spot three-month London InterBank Offered Rate (LIBOR) and the Federal Funds target rate converged. We are typically asset sensitive to Federal Funds and Prime rates, and liability sensitive to LIBOR. Net interest income benefits as the spread between Federal Funds and LIBOR narrows.

Table 45 below reflects the pre-tax dollar impact to forecasted core net interest income managed basis over the next twelve months from

December 31, 2009 and 2008, resulting from a 100 bp gradual parallel increase, a 100 bp gradual parallel decrease, a 100 bp gradual curve flattening (increase in short-term rates or decrease in long-term rates) and a 100 bp gradual curve steepening (decrease in short-term rates or increase in long-term rates) from the forward market curve. For further discussion of core net interest income managed basis see page 27.

Table 45 Estimated Core Net Interest Income Managed Basis at Risk

(Dollars in millions)			December 31	
Curve Change	Short Rate (bps)	Long Rate (bps)	**2009**	2008
+100 bps Parallel shift	+100	+100	**$ 598**	$ 144
-100 bps Parallel shift	-100	-100	**(1,084)**	(186)
Flatteners				
Short end	+100		**127**	(545)
Long end		-100	**(616)**	(638)
Steepeners				
Short end	-100		**(444)**	453
Long end		+100	**476**	698

The sensitivity analysis above assumes that we take no action in response to these rate shifts over the indicated periods. The estimated exposure is reported on a managed basis and reflects impacts that may be realized primarily in net interest income and card income on the Consolidated Statement of Income. This sensitivity analysis excludes any impact that could occur in the valuation of retained interests in the Corporation s securitizations due to changes in interest rate levels. For additional information on securitizations, see *Note 8 Securitizations* to the Consolidated Financial Statements.

Our core net interest income managed basis was asset sensitive to a parallel move in interest rates at both December 31, 2009 and 2008. Beyond what is already implied in the forward market curve, the interest rate risk position has become more exposed to declining rates since December 31, 2008 driven by the acquisition of Merrill Lynch and the actions taken to strengthen our capital and liquidity position. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

Securities

The securities portfolio is an integral part of our ALM position and is primarily comprised of debt securities and includes MBS and to a lesser extent corporate, municipal and other investment grade debt securities. At December 31, 2009, AFS debt securities were $301.6 billion compared to $276.9 billion at December 31, 2008. During 2009 and 2008, we purchased AFS debt securities of $185.1 billion and $184.2 billion, sold $159.4 billion and $119.8 billion, and had maturities and received paydowns of $59.9 billion and $26.1 billion. We realized $4.7 billion and $1.1 billion in gains on sales of debt securities during 2009 and 2008. In addition, we securitized $14.0 billion and $26.1 billion of residential mortgage loans into MBS which we retained during 2009 and 2008.

Accumulated OCI includes $1.5 billion in after-tax gains at December 31, 2009, including $628 million of net unrealized losses related to AFS debt securities and $2.1 billion of net unrealized gains related to AFS marketable equity securities. Total market value of the AFS debt securities was $301.6 billion at December 31, 2009 with a weighted-average duration of 4.5 years and primarily relates to our MBS portfolio.

The amount of pre-tax accumulated OCI loss related to AFS debt securities decreased by $8.3 billion during 2009 to $1.0 billion. For those securities that are in an unrealized loss position, we have the intent and ability to hold these securities to recovery and it is more likely than not that we will not be required to sell the securities prior to recovery.

We recognized $2.8 billion of other-than-temporary impairment losses through earnings on AFS debt securities during 2009 compared to $3.5 billion during 2008. We also recognized $326 million of other-than-temporary impairment losses on AFS marketable equity securities during 2009 compared to $661 million during 2008.

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 financial condition of the issuer of the security and its ability to recover market value; and our intent and ability to hold the security to recovery. Based on our evaluation of the above and other relevant factors, and after consideration of the losses described in the paragraph above, we do not believe that the AFS debt and marketable equity securities that are in an unrealized loss position at December 31, 2009 are other-than-temporarily impaired.

We adopted new accounting guidance related to the recognition and presentation of other-than-temporary impairment of debt securities as of January 1, 2009. As prescribed by the new guidance, at December 31, 2009, we recognized the credit component of other-than-temporary

impairment of debt securities in earnings and the non-credit component in OCI for those securities which we do not intend to sell and it is more likely than not that we will not be required to sell the security prior to recovery. For more information on the adoption of the new guidance, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Residential Mortgage Portfolio

At December 31, 2009, residential mortgages were $242.1 billion compared to $248.1 billion at December 31, 2008. We retained $26.6 billion and $27.3 billion in first mortgages originated by *Home Loans & Insurance* during 2009 and 2008. We securitized $14.0 billion and $26.1 billion of residential mortgage loans into MBS which we retained during 2009 and 2008. During 2009, we had no purchases of residential mortgages related to ALM activities compared to purchases of $405 million during 2008. We sold $5.9 billion of residential mortgages during 2009 of which $5.1 billion were originated residential mortgages and $771 million were previously purchased from third parties. These sales resulted in gains of $47 million. This compares to sales of $30.7 billion during 2008 which were comprised of $22.9 billion in originated residential mortgages and $7.8 billion in mortgages previously purchased from third parties. These sales resulted in gains of $496 million. We received paydowns of $42.3 billion and $26.3 billion in 2009 and 2008.

In addition to the residential mortgage portfolio, we incorporated the discontinued real estate portfolio that was acquired in connection with the Countrywide acquisition into our ALM activities. This portfolio s balance was $14.9 billion and $20.0 billion at December 31, 2009 and 2008.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see *Note 4 Derivatives* to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps and foreign currency forward contracts, to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities. Table 46 reflects the notional amounts, fair value, weighted-average receive fixed and pay fixed rates, expected maturity and estimated duration of our open ALM derivatives at December 31, 2009 and 2008. These amounts do not include derivative hedges on our net investments in consolidated foreign operations and MSRs.

Changes to the composition of our derivatives portfolio during 2009 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based upon the current assessment of economic and financial conditions including the interest rate environment, balance sheet composition and trends, and the relative mix of our cash and derivative positions. The notional amount of our option positions increased to $6.5 billion at December 31, 2009 from $5.0 billion at December 31, 2008. Changes in the levels of the option positions were driven by swaptions acquired as a result of the Merrill Lynch acquisition. Our interest rate swap positions (including foreign exchange contracts) were a net receive fixed position of $52.2 billion at December 31, 2009 compared to a net receive fixed position of $50.3 billion at December 31, 2008. Changes in the notional levels of our interest rate swap position were driven by the net addition of

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$104.4 billion in pay fixed swaps, $83.4 billion in U.S. dollar-denominated receive fixed swaps and the net addition of $22.9 billion in foreign currency-denominated receive fixed swaps. The notional amount of our foreign exchange basis swaps was $122.8 billion and $54.6 billion at December 31, 2009 and 2008. The $42.9 billion increase in same-currency basis swap positions was primarily due to the acquisition of Merrill Lynch. Our futures and forwards net notional position, which reflects the net of long and short positions, was a long position of $10.6 billion compared to a short position of $8.8 billion at December 31, 2008.

The following table includes derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments. The fair value of net ALM contracts increased $5.8 billion to a gain of $12.3 billion at December 31, 2009 from a gain of $6.4 billion at December 31, 2008. The increase was primarily attributable to changes in the value of U.S. dollar-denominated receive fixed interest rate swaps of $1.9 billion, foreign exchange basis swaps of $1.4 billion, pay fixed interest rate swaps of $1.2 billion, foreign exchange contracts of $1.1 billion, option products of $174 million and same-currency basis swaps of $107 million. The increase was partially offset by a loss from changes in the value of futures and forward rate contracts of $66 million.

Table 46 Asset and Liability Management Interest Rate and Foreign Exchange Contracts

December 31, 2009

					Expected Maturity				
(Dollars in millions, average estimated duration in years)	**Fair Value**	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Average Estimated Duration**
Receive fixed interest rate swaps [1, 2]	**$ 4,047**								**4.34**
Notional amount		**$ 110,597**	**$ 15,212**	**$ 8**	**$ 35,454**	**$ 7,333**	**$ 8,247**	**$ 44,343**	
Weighted-average fixed-rate		**3.65%**	**1.61%**	**%**	**2.42%**	**4.06%**	**3.48%**	**5.29%**	
Pay fixed interest rate swaps [1]	**1,175**								**4.18**
Notional amount		**$ 104,445**	**$ 2,500**	**$ 50,810**	**$ 14,688**	**$ 806**	**$ 3,729**	**$ 31,912**	
Weighted-average fixed-rate		**2.83%**	**1.82%**	**2.37%**	**2.24%**	**3.77%**	**2.61%**	**3.92%**	
Same-currency basis swaps[3]	**107**								
Notional amount		**$ 42,881**	**$ 4,549**	**$ 8,593**	**$ 11,934**	**$ 5,591**	**$ 5,546**	**$ 6,668**	
Foreign exchange basis swaps [2, 4, 5]	**4,633**								
Notional amount		**122,807**	**7,958**	**10,968**	**19,862**	**18,322**	**31,853**	**33,844**	
Option products [6]	**174**								
Notional amount		**6,540**	**656**	**2,031**	**1,742**	**244**	**603**	**1,264**	
Foreign exchange contracts [2, 5, 7]	**2,144**								
Notional amount [8]		**103,726**	**63,158**	**3,491**	**3,977**	**6,795**	**10,585**	**15,720**	
Futures and forward rate contracts	**(8)**								
Notional amount [8]		**10,559**	**10,559**						
Net ALM contracts	**$ 12,272**								

December 31, 2008

					Expected Maturity				
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2009	2010	2011	2012	2013	Thereafter	Average Estimated Duration
Receive fixed interest rate swaps [1, 2]	$ 2,103								4.93
Notional amount		$ 27,166	$ 17	$ 4,002	$	$ 9,258	$ 773	$ 13,116	
Weighted-average fixed-rate		4.08%	7.35%	1.89%	%	3.31%	4.53%	5.27%	

Foreign exchange basis swaps [2, 4, 5]	3,196							
Notional amount		$ 54,569	$ 4,578	$ 6,192	$ 3,986	$ 8,916	$ 4,819	$ 26,078
Option products [6]								
Notional amount		5,025	5,000	22				3
Foreign exchange contracts [2, 5, 7]	1,070							
Notional amount [8]		23,063	2,313	4,021	1,116	1,535	486	13,592
Futures and forward rate contracts	58							
Notional amount [8]		(8,793)	(8,793)					
Net ALM contracts	$ 6,427							

[1] At December 31, 2009, the receive fixed interest rate swap notional that represented forward starting swaps and will not be effective until their respective contractual start dates was $2.5 billion and the forward starting pay fixed swap positions was $76.8 billion. At December 31, 2008, there were no forward starting pay or receive fixed swap positions.

[2] Does not include basis adjustments on fixed-rate debt issued by the Corporation and hedged under fair value hedges pursuant to derivatives designated as hedging instruments that substantially offset the fair values of these derivatives.

[3] At December 31, 2009, same-currency basis swaps consist of $42.9 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency. There were no same-currency basis swaps at December 31, 2008.

[4] Foreign exchange basis swaps consist of cross-currency variable interest rate swaps used separately or in conjunction with receive fixed interest rate swaps.

[5] Does not include foreign currency translation adjustments on certain foreign debt issued by the Corporation which substantially offset the fair values of these derivatives.

[6] Option products of $6.5 billion at December 31, 2009 were comprised of $177 million in purchased caps and $6.3 billion in swaptions. Option products of $5.0 billion at December 31, 2008 are comprised completely of purchased caps.

[7] Foreign exchange contracts include foreign currency-denominated and cross-currency receive fixed interest rate swaps as well as foreign currency forward rate contracts. Total notional was comprised of $46.0 billion in foreign currency-denominated and cross-currency receive fixed swaps and $57.7 billion in foreign currency forward rate contracts at December 31, 2009, and $23.1 billion in foreign currency-denominated and cross-currency receive fixed swaps and $78 million in foreign currency forward rate contracts at December 31, 2008.

[8] Reflects the net of long and short positions.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities, and other forecasted transactions (cash flow hedges). From time to time, we also utilize equity-indexed derivatives accounted for as derivatives designated as cash flow hedges to minimize exposure to price fluctuations on the forecasted purchase or sale of certain equity investments. The net losses on both open and terminated derivative instruments recorded in accumulated OCI, net-of-tax, were $2.5 billion and $3.5 billion at December 31, 2009 and 2008. These net losses are expected to be reclassified into earnings in the same period when the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes to prices or interest rates beyond what is implied in forward yield curves at December 31, 2009, the pre-tax net losses are expected to be reclassified into earnings as follows: $937 million, or 23 percent within the next year, 66 percent within five years, and 88 percent within 10 years, with the remaining 12 percent thereafter. For more information on derivatives designated as cash flow hedges, see *Note 4 Derivatives* to the Consolidated Financial Statements.

In addition to the derivatives disclosed in Table 46 we hedge our 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, cross currency basis swaps and by issuing foreign currency-denominated debt. We recorded after-tax losses from derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which was offset by after-tax unrealized gains in accumulated OCI associated for changes in the value of our net investments in consolidated foreign entities at December 31, 2009.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be held for investment or held for sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn affects total origination and service fee income. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and a decrease in the value of the MSRs driven by higher prepayment expectations. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At December 31, 2009 and 2008, the notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was $161.4 billion and $97.2 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as interest rate options, interest rate swaps, forward settlement contracts, euro dollar futures, as well as mortgage-backed and U.S. Treasury securities as economic hedges of MSRs. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs at December 31, 2009 were $1.3 trillion and $67.6 billion, for a total notional amount of $1.4 trillion. At

December 31, 2008, the notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs were $1.0 trillion and $87.5 billion, for a total notional amount of $1.1 trillion. In 2009, we recorded losses in mortgage banking income of $3.8 billion related to the change in fair value of these economic hedges as compared to gains of $8.6 billion for 2008. For additional information on MSRs, see *Note 22 Mortgage Servicing Rights* to the Consolidated Financial Statements and for more information on mortgage banking income, see the *Home Loans & Insurance* discussion beginning on page 31.

Compliance Risk Management

Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to our reputation or image. The Seven Elements of a Compliance Program® provides the framework for the compliance programs that are consistently applied across the enterprise to manage compliance risk. This framework includes a common approach to commitment and accountability, policies and procedures, controls and supervision, monitoring, regulatory change management, education and awareness and reporting.

We approach compliance risk management on an enterprise and line of business level. The Operational Risk Committee provides oversight of significant compliance risk issues. Within Global Risk Management, Global Compliance Risk Management develops and guides the strategies, policies and practices for assessing and managing compliance risks across the organization. Through education and communication efforts, a culture of compliance is emphasized across the organization. We also mitigate compliance risk through a broad-based approach to process management and improvement.

The lines of business are responsible for all the risks within the business line, including compliance risks. Compliance Risk executives, working in conjunction with senior line of business executives, have developed key tools to address and measure compliance risks and to ensure compliance with laws and regulations in each line of business.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Under the Basel II Rules, an operational loss event is an event that results in loss and is associated with any of the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management. Losses in these categories are captured and mapped to four overall risk categories: people, process, systems and external events. Specific examples of loss events include robberies, internal fraud, processing errors and physical losses from natural disasters.

We approach operational risk management from two perspectives: the enterprise and line of business. The Operational Risk Committee, which reports to the Audit Committee of the Board, is responsible for operational risk policies, measurement and management, and control processes. Within Global Risk Management, Global Operational Risk Management develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization.

For selected risks, we use specialized support groups, such as Enterprise Information Management and Supply Chain Management, to develop risk management practices, such as an information security program and a supplier program to ensure that suppliers adopt appropriate policies and procedures when performing work on our behalf. These specialized groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses. These groups also work with line of business executives and risk executives to develop and guide appropriate strategies, policies, practices, controls and monitoring tools for each line of business.

Additionally, where appropriate, we purchase insurance policies to mitigate the impact of operational losses when and if they occur. These insurance policies are explicitly incorporated in the structural features of our operational risk evaluation. As insurance recoveries, especially given recent market events, are subject to legal and financial uncertainty, the inclusion of these insurance policies are subject to reductions in the mitigating benefits expected within our operational risk evaluation.

The lines of business are responsible for all the risks within the business line, including operational risks. Operational risk executives, working in conjunction with senior line of business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each line of business. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning and new product introduction processes. In addition, the lines of business are responsible for monitoring adherence to corporate practices. Line of business management uses a self-assessment process, which helps to identify and evaluate the status of risk and control issues, including mitigation plans, as appropriate. The goal of the self-assessment process is to periodically assess changing market and business conditions, to evaluate key risks impacting each line of business and assess the controls in place to mitigate the risks. In addition to information gathered from the self-assessment process, key operational risk indicators have been developed and are used to help identify trends and issues on both an enterprise and a line of business level.

ASF Framework

In December 2007, the American Securitization Forum (ASF) issued the Streamlined Foreclosure and Loss Avoidance Framework for Securitized Adjustable Rate Mortgage Loans (the ASF Framework). The ASF Framework was developed to address a large number of subprime loans that are at risk of default when the loans reset from their initial fixed interest rates to variable rates. The objective of the framework is to provide uniform guidelines for evaluating a large number of loans for refinancing in an efficient manner while complying with the relevant tax regulations and off-balance sheet accounting standards for loan securitizations. The ASF Framework targets loans that were originated between January 1, 2005 and July 31, 2007, have an initial fixed interest rate period of 36 months or less and which are scheduled for their first interest rate reset between January 1, 2008 and July 31, 2010.

The ASF Framework categorizes the targeted loans into three segments. Segment 1 includes loans where the borrower is likely to be able to refinance into any available mortgage product. Segment 2 includes loans where the borrower is current but is unlikely to be able to refinance into any readily available mortgage product. Segment 3 includes loans where the borrower is not current. If certain criteria are met, ASF Framework loans in Segment 2 are eligible for fast-track modification under which the interest rate will be kept at the existing initial rate, generally for five years following the interest rate reset date. Upon evaluation, if targeted loans do not meet specific criteria to be eligible for one of the three segments, they are categorized as other loans, as shown in the table below. These criteria include the occupancy status of the borrower, structure and other terms of the loan. In January 2008, the SEC s Office of the Chief Accountant issued a letter addressing the accounting issues relating to the ASF Framework. The letter concluded that the SEC would not object to continuing off-balance sheet accounting treatment for Segment 2 loans modified pursuant to the ASF Framework.

For those current loans that are accounted for off-balance sheet that are modified, but not as part of the ASF Framework, the servicer must perform on an individual basis, an analysis of the borrower and the loan to demonstrate it is probable that the borrower will not meet the repayment obligation in the near term. Such analysis provides sufficient evidence to demonstrate that the loan is in imminent or reasonably foreseeable default. The SEC s Office of the Chief Accountant issued a letter in July 2007 stating that it would not object to continuing off-balance sheet accounting treatment for these loans.

Prior to the acquisition of Countrywide on July 1, 2008, Countrywide began making fast-track loan modifications under Segment 2 of the ASF Framework in June 2008 and the off-balance sheet accounting treatment of QSPEs that hold those loans was not affected. In addition, other workout activities relating to subprime ARMs including modifications (e.g., interest rate reductions and capitalization of interest) and repayment plans were also made. These initiatives have continued subsequent to the acquisition in an effort to work with all of our customers that are eligible and affected by loans that meet the requisite criteria. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors.

As of December 31, 2009, the principal balance of beneficial interests issued by the QSPEs that hold subprime ARMs totaled $70.5 billion and the fair value of beneficial interests related to those QSPEs held by the Corporation totaled $9 million. The following table presents a summary of loans in QSPEs that hold subprime ARMs as of December 31, 2009 as well as workout and other activity for the subprime loans by ASF categorization for 2009. Prior to the acquisition of Countrywide on July 1, 2008, we did not originate or service significant subprime residential mortgage loans, nor did we hold a significant amount of beneficial interests in QSPEs of subprime residential mortgage loans.

Table 47 QSPE Loans Subject to ASF Framework Evaluation [(1)]

	December 31, 2009		Activity During the Year Ended December 31, 2009			
(Dollars in millions)	Balance	Percent of Total	Payoffs	Fast-track Modifications	Other Workout Activities	Foreclosures
Segment 1	$ 4,875	6.9%	$ 443	$	$ 675	$ 78
Segment 2	8,114	11.5	142	27	1,368	155
Segment 3	17,817	25.3	489	6	3,413	3,150
Total subprime ARMs	30,806	43.7	1,074	33	5,456	3,383
Other loans	37,891	53.7	1,228	174	4,355	2,126
Foreclosed properties	1,838	2.6	n/a	n/a	n/a	n/a
Total	**$ 70,535**	**100.0%**	**$ 2,302**	**$ 207**	**$ 9,811**	**$ 5,509**

(1) Represents loans that were acquired with the acquisitions of Countrywide on July 1, 2008 and Merrill Lynch on January 1, 2009 that meet the requirements of the ASF Framework.

n/a = not applicable

Complex Accounting Estimates

Our significant accounting principles, as described in *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements, are essential in understanding the MD&A. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates are summarized below. We have identified and described the development of the variables most important in the estimation processes that, with the exception of accrued taxes, involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact net income. Separate from the possible future impact to net income from input and model variables, the value of our lending portfolio and market sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management s estimate of probable losses inherent in the Corporation s lending activities excluding those accounted for under the fair value option. Changes to the allowance for credit losses are reported in the Consolidated Statement of Income in the provision for credit losses. Our process for determining the allowance for credit losses is discussed in the Credit Risk Management section beginning on page 54 and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements. Due to the variability in the drivers of the assumptions used in this process, estimates of the portfolio s inherent risks and overall collectability change with changes in the economy, individual industries, countries and borrowers or counterparties ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

Key judgments used in determining the allowance for credit losses include: (i) risk ratings for pools of commercial loans and leases, (ii) market and collateral values and discount rates for individually evaluated loans, (iii) product type classifications for consumer and commercial loans and leases, (iv) loss rates used for consumer and commercial loans and leases, (v) adjustments made to address current events and conditions, (vi) considerations regarding domestic and global economic uncertainty, and (vii) overall credit conditions.

Our allowance for loan and lease losses is sensitive to the risk ratings assigned to commercial loans and leases. Assuming a downgrade of one level in the internal risk rating for commercial loans and leases, except loans and leases already risk-rated Doubtful as defined by regulatory authorities, the allowance for loan and lease losses would increase by approximately $4.9 billion at December 31, 2009. The allowance for loan and lease losses as a percentage of total loans and leases at December 31, 2009 was 4.16 percent and this hypothetical increase in the allowance would raise the ratio to approximately 4.70 percent. Our allowance for loan and lease losses is also sensitive to the loss rates used for the consumer and commercial portfolios. A 10 percent increase

in the loss rates used on the consumer and commercial loan and lease portfolios covered by the allowance would increase the allowance for loan and lease losses at December 31, 2009 by approximately $2.9 billion of which $2.6 billion would relate to consumer and $266 million to commercial.

Purchased impaired loans are initially recorded at fair value. Applicable accounting guidance prohibits carry-over or creation of valuation allowances in the initial accounting. However, subsequent decreases in the expected principal cash flows from the date of acquisition result in a charge to the provision for credit losses and a corresponding increase to the allowance for loan and lease losses. Our purchased impaired portfolio is also subjected to stress scenarios to evaluate the potential impact given certain events. A one percent decrease in the expected principal cash flows could result in approximately a $200 million impairment of the portfolio of which approximately $100 million would relate to our discontinued real estate portfolio.

These sensitivity analyses do not represent management s expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and that the probability of a downgrade of one level of the internal risk ratings for commercial loans and leases within a short period of time is remote.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Mortgage Servicing Rights

MSRs are nonfinancial assets that are created when a mortgage loan is sold and we retain the right to service the loan. We account for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. Commercial-related and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market) with impairment recognized as a reduction of mortgage banking income. At December 31, 2009, our total MSR balance was $19.8 billion.

We determine the fair value of our consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates key economic assumptions including estimates of prepayment rates and resultant weighted average lives of the MSRs, and the option-adjusted spread (OAS) levels. These variables can, and generally do change from quarter to quarter as market conditions and projected interest rates change. These assumptions are subjective in nature and changes in these assumptions could materially affect our net income. For example, decreasing the prepayment rate assumption used in the valuation of our consumer MSRs by 10 percent while keeping all other assumptions unchanged could have resulted in an estimated increase of $895 million in mortgage banking income at December 31, 2009.

We manage potential changes in the fair value of MSRs through a comprehensive risk management program. The intent is to mitigate the effects of changes in the fair value of MSRs through the use of risk management instruments. To reduce the sensitivity of earnings to interest rate and market value fluctuations, securities as well as certain derivatives such as options and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as accounting hedges. These instruments are carried at fair value with changes in fair value recognized in mortgage banking income. The impact provided above does not reflect any hedge strategies that may be undertaken to mitigate such risk.

For additional information on MSRs, including the sensitivity of weighted average lives and the fair value of MSRs to changes in modeled assumptions, see *Note 22 Mortgage Servicing Rights* to the Consolidated Financial Statements.

Fair Value of Financial Instruments

We determine the fair values of financial instruments based on the fair value hierarchy under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Applicable accounting guidance establishes three levels of inputs used to measure fair value. We carry trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, certain MSRs, and certain other assets at fair value. Also, we account for certain corporate loans and loan commitments, LHFS, commercial paper and other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits, and long-term debt under the fair value option. For more information, see *Note 20 Fair Value Measurements* to the Consolidated Financial Statements.

The fair values of assets and liabilities include adjustments for market liquidity, credit quality and other deal specific factors, where appropriate. Valuations of products using models or other techniques are sensitive to assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of our valuation date. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. To ensure the prudent application of estimates and management judgment in determining the fair value of assets and liabilities, we have in place various processes and controls that include: a model validation policy that requires review and approval of quantitative models used for deal pricing; financial statement fair value determination and risk quantification; a trading product valuation policy that requires verification of all traded product valuations; and a periodic review and substantiation of daily profit and loss reporting for all traded products. Primarily through validation controls, we utilize both broker and pricing service inputs which can and do include both market-observable and internally-modeled values and/or value inputs. Our reliance on this information is tempered by the knowledge of how the broker and/or pricing service develops its data with a higher degree of reliance applied to those that are more directly observable and lesser reliance applied to those developed through their own internal modeling. Similarly, broker quotes that are executable are given a higher level of reliance than indicative broker quotes, which are not executable. These processes and controls are performed independently of the business.

Trading account assets and liabilities are carried at fair value based primarily on actively traded markets where prices are from either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value of trading account assets and liabilities. 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. Situations of illiquidity generally are triggered by market 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 of the ratings agencies.

Trading account profits (losses), which represent the net amount earned from our trading positions, can be volatile and are largely driven by general market conditions and customer demand. Trading account

profits (losses) are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use trading limits, stress testing and tools such as VAR modeling, which estimates a potential daily loss that we do not expect to exceed with a specified confidence level, to measure and manage market risk. For more information on VAR, see Trading Risk Management beginning on page 80.

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 positions. 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 Corporation incorporates within its fair value measurements of over-the-counter derivatives the net credit differential between the counterparty credit risk and our own credit risk. The value of the credit differential is determined by reference to existing direct market reference costs of credit, or where direct references are not available a proxy is applied consistent with direct references for other counterparties that are similar in credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on historical experience adjusted for any more recent name specific expectations.

Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include private equity investments, consumer MSRs, ABS, highly structured, complex or long-dated derivative contracts, structured notes and certain CDOs, for which there is not an active market for identical assets from which to determine fair value or where sufficient, current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model are not available. In these cases, the fair values of these Level 3 financial assets and liabilities are determined using pricing models, discounted cash flow methodologies, a net asset value approach for certain structured securities, or similar techniques, for which the determination of fair value requires significant management judgment or estimation. In 2009, there were no changes to the quantitative models, or uses of such models, that resulted in a material adjustment to the Consolidated Statement of Income.

Level 3 assets, before the impact of counterparty netting related to our derivative positions, were $103.6 billion and $59.4 billion at December 31, 2009 and 2008 and represented approximately 14 percent and 10 percent of assets measured at fair value (or five percent and three percent of total assets). Level 3 liabilities, before the impact of counterparty netting related to our derivative positions, were $21.8 billion and $8.0 billion as of December 31, 2009 and 2008 and represented approximately 10 percent and nine percent of the liabilities measured at fair value (or approximately one percent of total liabilities). At December 31, 2009, $21.1 billion, or 12 percent, of trading account assets were

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classified as Level 3 assets, and $396 million or less than one percent of trading account liabilities were classified as Level 3 liabilities. At December 31, 2009, $23.0 billion, or 29 percent, of derivative assets were classified as Level 3 assets, and $15.2 billion and 35 percent of derivative liabilities were classified as Level 3 liabilities. See *Note 20 Fair Value Measurements* to the Consolidated Financial Statements for a tabular presentation of the fair values of Level 1, 2 and 3 assets and liabilities at December 31, 2009 and 2008 and detail of Level 3 activity for the years ended December 31, 2009, 2008 and 2007.

In 2009, we recognized gains of $10.6 billion on Level 3 assets and liabilities which were primarily gains on net derivatives and consumer MSRs partially offset by losses on long-term debt. We also recorded unrealized gains of $3.3 billion (pre-tax) in accumulated OCI on Level 3 assets and liabilities during the year, which were driven primarily by improved market-observability as liquidity returned to the market related to non-agency MBS. The gains in net derivatives were driven by high origination volumes of held-for-sale mortgage loans and by positive valuation adjustments on our IRLCs. The increase in the consumer MSR balance benefited from changes in the forward interest rate curve. Losses of $2.3 billion on long-term debt were driven by the impact of market movements and from improved credit spreads on certain Merrill Lynch structured notes.

Level 3 financial instruments, such as our consumer MSRs, may be economically hedged with derivatives not classified as Level 3, therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are effective as of the beginning of the quarter. In 2009, several transfers were made into or out of Level 3. Long-term debt of $4.3 billion was transferred out of Level 3 due to the decreased significance of unobservable inputs on certain structured notes. Net derivative assets of $5.7 billion were transferred into Level 3 due to the impact of significant unobservable inputs in the overall valuation of certain derivative products in the marketplace.

Global Principal Investments

Global Principal Investments is included within *Equity Investments* in *All Other* on page 41. Global Principal Investments is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle. These investments are made either directly in a company or held through a fund. Some of these companies may need access to additional cash to support their long-term business models. Market conditions and company performance may impact whether funding is available from private investors or the capital markets.

At December 31, 2009, this portfolio totaled $14.1 billion including $12.4 billion, of non-public investments. Investments with active market quotes are carried at estimated fair value; however, the majority of our investments do not have publicly available price quotes and, therefore, the fair value is unobservable. Valuation of these investments requires significant management judgment. We initially value these investments at transaction price and adjust valuations when evidence is available to support such adjustments. Such evidence includes transactions in similar instruments, market comparables, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, and changes in financial ratios or cash flows. Invest -

ments are carried at estimated fair value with changes recorded in equity investment income in the Consolidated Statement of Income.

Accrued Income Taxes

Accrued income taxes, reported as a component of accrued expenses and other liabilities on our Consolidated Balance Sheet, represents the net amount of current income taxes we expect to pay to or receive from various taxing jurisdictions attributable to our operations to date. We currently file income tax returns in more than 100 jurisdictions and consider many factors including statutory, judicial and regulatory guidance, in estimating the appropriate accrued income taxes for each jurisdiction.

In applying the applicable accounting guidance, we monitor relevant tax authorities and change our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities. These revisions of our estimate of accrued income taxes, which also may result from our income tax planning and from the resolution of income tax controversies, may be material to our operating results for any given period.

Goodwill and Intangible Assets

The nature of and accounting for goodwill and intangible assets are discussed in detail in *Note 1 Summary of Significant Accounting Principles* and *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis which for the Corporation is performed as of June 30 or in interim periods if events or circumstances indicate a potential impairment. A reporting unit is a business segment or one level below. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned and it no longer retains its association with a particular acquisition. All of the revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the value of the goodwill.

The Corporation s common stock price, consistent with common stock prices in the financial services industry, has been more volatile over the past 18 months primarily due to the deterioration in the financial markets in 2008 as the overall economy moved into a recession, followed in 2009 by stabilization and improvement in some sectors of the economy. During this period, our market capitalization remained below our recorded book value. The fair value of all reporting units as of the June 30, 2009 annual impairment test was estimated to be $262.8 billion and the common stock market capitalization of the Corporation as of that date was $114.2 billion ($149.6 billion at December 31, 2009, including CES). The implied control premium or the amount a buyer is willing to pay over the current market price of a publicly traded stock to obtain control, was 52 percent after taking into consideration the outstanding preferred stock of $58.7 billion as of June 30, 2009. As none of our reporting units are publicly traded, individual reporting unit fair value determinations are not directly correlated to the Corporation s stock price. Although we believe it is reasonable to conclude that market capitalization could be an indicator of fair value over time, we do not believe that recent fluctuations in our market capitalization as a result of the market dislocation are reflective of actual cash flows and the fair value of our individual reporting units.

Estimating the fair value of reporting units and the assets, liabilities and intangible assets of a reporting unit is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. The fair values of the reporting units were determined using a combination of valuation techniques consistent with the market approach and the income approach and included the use of independent valuation specialists. Measurement of the fair values of the assets, liabilities and intangibles of a reporting unit was consistent with the requirements of the

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fair value measurements accounting guidance and includes the use of estimates and judgments. The fair values of the intangible assets were determined using the income approach.

The market approach we used results in an estimate of the fair value of the individual reporting units by incorporating any combination of the tangible capital, book capital and earnings multiples from comparable publicly traded companies in similar industries to that of the reporting unit. The relative weight assigned to these multiples varies among the reporting units based upon qualitative and quantitative characteristics, primarily the size and relative profitability of the respective reporting unit as compared to the comparable publicly traded companies. Since the fair values determined under the market approach are representative of a noncontrolling interest, a control premium was added to arrive at the fair values of the reporting units on a controlling basis.

For purposes of the income approach, discounted cash flows were calculated by taking the net present value of estimated cash flows using a combination of historical results, estimated future cash flows and an appropriate terminal value. Our discounted cash flow analysis employs a capital asset pricing model in estimating the discount rate (i.e., cost of equity financing) for each reporting unit. The inputs to this model include the risk-free rate of return; beta, a measure of the level of non-diversifiable risk associated with comparable companies for each specific reporting unit; market equity risk premium and in certain cases an unsystematic (company-specific) risk factor. The unsystematic risk factor is the input that specifically addresses uncertainty related to our projections of earnings and growth, including the uncertainty related to loss expectations. We utilized discount rates that we believe adequately reflect the risk and uncertainty in the financial markets generally and specifically in our internally developed forecasts. Expected rates of equity returns were estimated based on historical market returns and risk/return rates for similar industries to that of the reporting unit. We use our internal forecasts to estimate future cash flows and actual results may differ from forecasted results.

We perform our annual goodwill impairment test for all reporting units as of June 30 each year. In performing the first step of the annual impairment analysis, we compared the fair value of each reporting unit to its current carrying amount, including goodwill. To determine fair value, we used a combination of a market approach and an income approach. Under the market approach, we compared earnings and equity multiples of the individual reporting units to multiples of public companies comparable to the individual reporting units. The control premiums used in the June 30, 2009 annual impairment test ranged from 25 percent to 35 percent. Under the income approach, we updated our assumptions to reflect the current market environment. The discount rates used in the June 30, 2009 annual impairment test ranged from 11 percent to 20 percent depending on the relative risk of a reporting unit. Growth rates developed by management for each reporting unit and/or individual revenue and expense items ranged from two percent to 10 percent. For certain revenue and expense items that have been significantly affected by the current economic environment, management developed separate long-term forecasts.

Based on the results of step one of the impairment test, we determined that the carrying amount of the *Home Loans & Insurance* and *Global Card Services* reporting units, including goodwill, exceeded their fair value. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* were $16.5 billion, $14.3 billion and $4.8 billion, respectively, and for *Global Card Services* were $41.4 billion, $41.3 billion and $22.3 billion, respectively. Because the carrying amount exceeded the fair value, we performed step two of the goodwill impairment test for these reporting units as of June 30, 2009. For all other reporting units, step two was not required as

their fair value exceeded their carrying amount in step one indicating there was no impairment. In step two, we compared the implied fair value of each reporting unit s goodwill with the carrying amount of that goodwill. We determined the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Based on the results of step two of the impairment test as of June 30, 2009, we determined that goodwill was not impaired in the *Home Loans & Insurance* or *Global Card Services* reporting units.

In estimating the fair value of the reporting units in step one of the goodwill impairment analysis, we note that the fair values can be sensitive to changes in the projected cash flows and assumptions. In some instances, minor changes in the assumptions could impact whether the fair value of a reporting unit is greater than its carrying amount. Furthermore, a prolonged decrease or increase in a particular assumption could eventually lead to the fair value of a reporting unit being less than its carrying amount. Also, to the extent step two of the goodwill analysis is required, changes in the estimated fair values of the individual assets and liabilities may impact other estimates of fair value for assets or liabilities and result in a different amount of implied goodwill, and ultimately the amount of goodwill impairment, if any.

Given the results of our annual impairment test and due to continued stress on *Home Loans & Insurance* and *Global Card Services* as a result of current market conditions, we concluded that we should perform an additional impairment analysis for these two reporting units as of December 31, 2009. In step one of the goodwill impairment analysis, the fair value of *Home Loans & Insurance* was estimated with equal weighting assigned to the market approach and the income approach. The fair value of *Global Card Services* was estimated under the income approach. Under the market approach valuation for *Home Loans & Insurance*, significant assumptions were consistent with the assumptions used in our annual impairment tests as of June 30, 2009 and included market multiples and a control premium. In the *Global Card Services* valuation under the income approach, the significant assumptions included the discount rate, terminal value, expected loss rates and expected new account growth. Consistent with the June 30, 2009 annual impairment test, the carrying amount exceeded the fair value for *Home Loans & Insurance* requiring that we perform step two. Although *Global Card Services* passed step one of the goodwill impairment analysis, to further substantiate the value of the goodwill balance, we also performed the step two analysis for this reporting unit. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* were $27.3 billion, $20.3 billion and $4.8 billion, respectively, and for *Global Card Services* were $43.4 billion, $47.3 billion and $22.3 billion, respectively. The estimated fair value as a percent of the carrying amount at December 31, 2009 was 74 percent for *Home Loans & Insurance* and 109 percent for *Global Card Services.* The increase in the fair value of *Global Card* Services during the fourth quarter of 2009 was primarily attributable to improvement in market conditions and the economic outlook for the reporting unit. Under step two of the goodwill impairment analysis for both reporting units, significant assumptions in measuring the fair value of the assets and liabilities of the reporting units including discount rates, loss rates, interest rates and new account growth were updated in light of the improvement in economic conditions. Based on the results of step two of our impairment tests, there was no goodwill impairment as of December 31, 2009.

If economic conditions deteriorate or other events adversely impact the business models and the related assumptions including discount rates, loss rates, interest rates and new account growth used to value these reporting units, there could be a change in the valuation of our goodwill and intangible assets and may possibly result in the recognition of impairment losses. With any assumption change, when a prolonged change in performance causes the fair value of the reporting unit to fall below the carrying amount of goodwill, goodwill impairment will occur.

Consolidation and Accounting for Variable Interest Entities

Under applicable accounting guidance, a VIE is consolidated by the entity that will absorb a majority of the variability created by the assets of the VIE. The calculation of variability is based on an analysis of projected probability-weighted cash flows based on the design of the particular VIE. Scenarios in which expected cash flows are less than or greater than the expected outcomes create expected losses or expected residual returns. The entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary.

A variety of qualitative and quantitative assumptions are used to estimate projected cash flows and the relative probability of each potential outcome, and to determine which parties will absorb expected losses and expected residual returns. Critical assumptions, which may include projected credit losses and interest rates, are independently verified against market observable data where possible. Where market observable data is not available, the results of the analysis become more subjective.

As certain events occur, we reconsider which parties will absorb variability and whether we have become or are no longer the primary beneficiary. The consolidation status of a VIE may change as a result of such reconsideration events, which occur when VIEs acquire additional assets, issue new variable interests or enter into new or modified contractual arrangements. A reconsideration event may also occur when we acquire new or additional interests in a VIE.

See the Impact of Adopting New Accounting Guidance on Consolidation section on page 52 for a discussion of new accounting that significantly changes the criteria for consolidation effective January 1, 2010.

2008 Compared to 2007

The following discussion and analysis provides a comparison of our results of operations for 2008 and 2007. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. Tables 6 and 7 contain financial data to supplement this discussion.

Overview

Net Income

Net income totaled $4.0 billion in 2008 compared to $15.0 billion in 2007. Including preferred stock dividends, income applicable to common shareholders was $2.6 billion, or $0.54 per diluted share. Those results compared with 2007 net income available to common shareholders of $14.8 billion, or $3.29 per diluted share. The return on average common shareholders equity was 1.80 percent in 2008 compared to 11.08 percent in 2007.

Net Interest Income

Net interest income on a FTE basis increased $10.4 billion to $46.6 billion for 2008 compared to 2007. The increase was driven by strong loan growth, as well as the acquisitions of Countrywide and LaSalle, and the contribution from market-based net interest income related to our *Global*

Markets business, which benefited from the steepening of the yield curve and product mix. The net interest yield on a FTE basis increased 38 bps to 2.98 percent for 2008 compared to 2007, due to the improvement in market-based yield, the beneficial impact of the current interest rate environment and loan growth. Partially offsetting these increases were the additions of lower yielding assets from the Countrywide and LaSalle acquisitions.

Noninterest Income

Noninterest income decreased $5.0 billion to $27.4 billion in 2008 compared to 2007.

- Card income decreased $763 million primarily due to the negative impact of higher credit costs on securitized credit card loans and the related unfavorable change in value of the interest-only strip as well as decreases in interchange income and late fees. Partially offsetting these decreases was higher debit card income.
- Service charges grew $1.4 billion resulting from growth in new deposit accounts and the beneficial impact of the LaSalle acquisition.
- Investment and brokerage services decreased $175 million primarily due to the absence of fees related to the sale of a business that we sold in late 2007 and the impact of significantly lower valuations in the equity markets, partially offset by the full year impact of the U.S. Trust and LaSalle acquisitions.

Investment banking income decreased $82 million due to reduced advisory fees related to the slowing economy.

Equity investment income decreased $3.5 billion due to a reduction in gains from our Global Principal Investments portfolio attributable to the lack of liquidity in the marketplace when compared to 2007 and other-than-temporary impairments taken on certain AFS marketable equity securities.

Trading account losses increased $1.0 billion in 2008 driven by losses related to CDO exposure and the continuing impact of the market disruptions on various parts of *Global Markets*.

Mortgage banking income increased $3.2 billion in large part as a result of the Countrywide acquisition which contributed significantly to increases in servicing income of $1.7 billion and production income of $1.5 billion.

Insurance premiums increased $1.1 billion primarily due to the Countrywide acquisition.

Gains on sales of debt securities increased $944 million driven by the sales of MBS and CMOs.

Other income decreased $2.9 billion due to *Global Markets* related write-downs and $1.1 billion associated with the support provided to certain cash funds managed within *GWIM*. In addition, 2008 was impacted by the absence of the $1.5 billion gain from the sale of a business in 2007. These items were partially offset by the gain of $776 million related to the Visa IPO.

Net impairment losses recognized in earnings on AFS debt securities increased $3.1 billion primarily due to CDO related write-downs.

Provision for Credit Losses

The provision for credit losses increased $18.4 billion to $26.8 billion for 2008 compared to 2007 due to an increase of $9.8 billion in net charge-offs and higher additions to the reserve. The majority of the reserve additions were in consumer and small business portfolios, reflecting increased weakness in the housing markets and the slowing economy. Reserves were also increased on commercial portfolios for deterioration in the homebuilder and non homebuilder commercial portfolios within *Global Banking*.

Noninterest Expense

Noninterest expense increased $4.0 billion to $41.5 billion for 2008 compared to 2007, primarily due to the acquisitions of Countrywide and LaSalle, which increased various expense categories, partially offset by a reduction in performance-based incentive compensation expense and the impact of certain benefits associated with the Visa IPO transactions.

Income Tax Expense

Income tax expense was $420 million for 2008 compared to $5.9 billion for 2007 resulting in effective tax rates of 9.5 percent and 28.4 percent. The effective tax rate decrease was due to permanent tax preference amounts (e.g., tax exempt income and tax credits) offsetting a higher percentage of our pre-tax income.

Business Segment Operations

Deposits

Net income increased $438 million, or nine percent, to $5.5 billion compared to 2007 driven by higher net interest income and noninterest income partially offset by an increase in noninterest expense. Net interest income increased $755 million, or seven percent, driven by a higher contribution from our ALM activities and growth in average deposits partially offset by the impact of competitive deposit pricing. Average deposits grew $33.3 billion, or 10 percent, due to organic growth, including customers flight-to-safety, as well as the acquisitions of Countrywide and LaSalle. Organic growth was partially offset by the migration of customer relationships and related deposit balances to *GWIM*. Noninterest income increased $683 million, or 11 percent, to $6.9 billion driven by an increase of $798 million, or 13 percent, in service charges primarily as a result of increased volume, new demand deposit account growth and the addition of LaSalle. Noninterest expense increased $433 million, or five percent, to $8.8 billion compared to 2007, primarily due to the LaSalle and Countrywide acquisitions, combined with an increase in accounts and transaction volumes.

Global Card Services

Net income decreased $3.0 billion, or 71 percent, to $1.2 billion compared to 2007 as growth in net interest income and noninterest income was more than offset by an $8.5 billion increase in provision for credit losses. Net interest income grew $3.0 billion, or 18 percent, to $19.6 billion driven by higher managed average loans of $22.3 billion, or 10 percent, combined with the beneficial impact of the decrease in short-term interest rates on our funding costs. Noninterest income increased $485 million, or four percent, to $11.6 billion as other income benefited from the $388 million gain related to *Global Card Services* allocation of the Visa IPO gain as well as a $283 million gain on the sale of a card portfolio. These increases were partially offset by the decrease in card income of $137 million, or one percent, due to the unfavorable change in the value of the interest-only strip and decreases in interchange income driven by reduced retail volume and late fees. These decreases were partially offset by higher debit card income due to new account and card growth, increased usage and the addition of LaSalle. Provision for credit losses increased $8.5 billion, or 73 percent, to $20.2 billion compared to 2007 primarily driven by portfolio deterioration and higher bankruptcies from impacts of the slowing economy, a lower level of foreign securitizations and growth-related seasoning of the portfolio. Noninterest expense decreased $217 million, or two percent, to $9.2 billion compared to 2007, as the impact of certain benefits associated with the Visa IPO transactions and lower marketing expense were partially offset by higher personnel and technology-related expenses from increased customer assistance and collections infrastructure.

Home Loans & Insurance

Home Loans & Insurance net income decreased $2.6 billion to a net loss of $2.5 billion compared to 2007 as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and an increase in noninterest expense. Net interest income grew $1.4 billion, or 74 percent, driven primarily by an increase in average home equity loans and LHFS. The growth in average home equity loans of $32.9 billion, or 45 percent, and a $5.5 billion increase in LHFS were attributable to the Countrywide and LaSalle acquisitions as well as increases in our home equity portfolio as a result of slower prepayment speeds and organic growth. Noninterest income increased $4.2 billion to $6.0 billion compared to 2007 driven by increases in mortgage banking income and insurance income. Mortgage banking income grew $3.1 billion due primarily to the acquisition of Countrywide combined with increases in the value of MSR economic hedge instruments partially offset by a decrease in the value of MSRs. Insurance income increased $1.1 billion due to the acquisition of Countrywide. Provision for credit losses increased $5.3 billion to $6.3 billion compared to 2007. This increase was driven primarily by higher losses inherent in the home equity portfolio reflecting deterioration in the housing markets particularly in geographic areas that have experienced higher levels of declines in home prices. This drove more severe charge-offs as borrowers defaulted. Noninterest expense increased $4.4 billion to $7.0 billion primarily driven by the Countrywide acquisition.

Global Banking

Net income increased $341 million, or eight percent, to $4.5 billion in 2008 compared to 2007 as increased total revenue and lower noninterest expense were partially offset by an increase in provision for credit losses. Net interest income increased $2.1 billion, or 24 percent, driven by growth in average loans and leases of $64.1 billion, or 25 percent, and average deposits of $29.6 billion, or 20 percent. The increases in average loans and leases and average deposits were driven by the LaSalle acquisition and organic growth. Noninterest income decreased $42 million, or one percent, as *Global Banking* s share of write-downs on legacy assets was partially offset by an increase in service charges and the $388 million gain related to *Global Banking* s allocation of the Visa IPO gain. The increase in service charges was driven by organic growth, changes in our pricing structure and the LaSalle acquisition. The provision for credit losses increased $2.5 billion to $3.1 billion in 2008 compared to 2007. The increase was primarily driven by reserve additions and higher charge-offs primarily due to the continued weakness in the housing markets on the homebuilder portfolio. Also contributing to this increase were higher commercial domestic and foreign net charge-offs which increased from very low 2007 levels and higher net charge-offs and reserve increases in the retail dealer-related loan portfolios due to deterioration and seasoning of the portfolio. Noninterest expense decreased $874 million, or 12 percent, primarily due to lower incentive compensation and the impact of certain benefits associated with the Visa IPO transactions, partially offset by the addition of LaSalle.

Global Markets

Global Markets recognized a net loss of $4.9 billion in 2008 compared to a net loss of $3.8 billion in 2007 as increased net interest income and reduced noninterest expense were more than offset by increased sales and trading losses. Sales and trading revenue was a net loss of $6.9 billion in 2008 as compared to a net loss of $2.6 billion in 2007. These decreases were driven by losses related to CDO exposure, our hedging activities including counterparty credit risk valuations and the continuing impact of the market disruptions on various parts of our business including the severe volatility, illiquidity and credit dislocations that

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were experienced in the debt and equity markets in the fourth quarter of 2008. Partially offsetting these declines were favorable results in our rates and currencies products which benefited from volatility in interest rates and foreign exchange markets which also drove favorable client flows. Noninterest expense declined $834 million primarily due to lower performance-based incentive compensation.

Global Wealth & Investment Management

Net income decreased $527 million, or 27 percent, to $1.4 billion in 2008 as increases in net interest income and investment and brokerage services income were more than offset by losses associated with the support provided to certain cash funds, increases in provision for credit losses and noninterest expense as well as losses related to the buyback of ARS. Net interest income increased $877 million, or 22 percent, to $4.8 billion due to higher margin on ALM activities, the acquisitions of U.S. Trust Corporation and LaSalle, and growth in average deposit and loan balances partially offset by spread compression driven by deposit mix and competitive deposit pricing. *GWIM* average deposit growth benefited from the migration of customer relationships and related balances from *Deposits*, organic growth and the U.S. Trust Corporation and LaSalle acquisitions. Noninterest income decreased $625 million, or 17 percent, to $3.0 billion driven by $1.1 billion in losses during 2008 related to the support provided to certain cash funds and losses of $181 million related to the buyback of ARS. These losses were partially offset by an increase of $278 million in investment and brokerage services resulting from the U.S. Trust Corporation acquisition partially offset by the impact of significantly lower valuations in the equity markets. Provision for credit losses increased $649 million to $664 million as a result of higher credit

costs due to the deterioration in the housing markets and the impacts of a slower economy. Noninterest expense increased $419 million, or nine percent, to $4.9 billion due to the addition of U.S. Trust Corporation and LaSalle, and higher initiative spending partially offset by lower discretionary incentive compensation.

All Other

Net income decreased $4.5 billion to a net loss of $1.2 billion due to a decrease in total revenue combined with increases in provision for credit losses and merger and restructuring charges. Net interest income increased $113 million primarily due to increased net interest income related to our functional activities partially offset by the reclassification to card income related to our funds transfer pricing for *Global Card Services* securitizations. Noninterest income declined $3.3 billion to $820 million driven by decreases in equity investment income of $3.5 billion and all other income (loss) of $1.2 billion partially offset by increases in gains on sales of debt securities of $953 million and card income of $653 million. Excluding the securitization offset to present *Global Card Services* on a managed basis provision for credit losses increased $3.2 billion to $2.9 billion primarily due to higher credit costs related to our ALM, residential mortgage portfolio reflecting deterioration in the housing markets and the impacts of a slowing economy. Additionally, deterioration in our Countrywide discontinued real estate portfolio subsequent to the July 1, 2008 acquisition as well as the absence of 2007 reserve reductions also contributed to the increase in provision. Merger and restructuring charges increased $525 million to $935 million due to the integration costs associated with the Countrywide and LaSalle acquisitions.

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Statistical Tables

Table I Year-to-date Average Balances and Interest Rates FTE Basis

	2009			2008			2007		
(Dollars in millions)	**Average Balance**	**Interest Income/ Expense**	**Yield/ Rate**	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	**$ 27,465**	**$ 713**	**2.60%**	$ 10,696	$ 440	4.11%	$ 13,152	$ 627	4.77%
Federal funds sold and securities borrowed or purchased under agreements to resell	**235,764**	**2,894**	**1.23**	128,053	3,313	2.59	155,828	7,722	4.96
Trading account assets	**217,048**	**8,236**	**3.79**	186,579	9,259	4.96	187,287	9,747	5.20
Debt securities (1)	**271,048**	**13,224**	**4.88**	250,551	13,383	5.34	186,466	10,020	5.37
Loans and leases (2):									
Residential mortgage (3)	**249,335**	**13,535**	**5.43**	260,244	14,657	5.63	264,650	15,112	5.71
Home equity	**154,761**	**6,736**	**4.35**	135,060	7,606	5.63	98,765	7,385	7.48
Discontinued real estate	**17,340**	**1,082**	**6.24**	10,898	858	7.87	n/a	n/a	n/a
Credit card domestic	**52,378**	**5,666**	**10.82**	63,318	6,843	10.81	57,883	7,225	12.48
Credit card foreign	**19,655**	**2,122**	**10.80**	16,527	2,042	12.36	12,359	1,502	12.15
Direct/Indirect consumer (4)	**99,993**	**6,016**	**6.02**	82,516	6,934	8.40	70,009	6,002	8.57
Other consumer (5)	**3,303**	**237**	**7.17**	3,816	321	8.41	4,510	389	8.64
Total consumer	**596,765**	**35,394**	**5.93**	572,379	39,261	6.86	508,176	37,615	7.40
Commercial domestic	**223,813**	**8,883**	**3.97**	220,561	11,702	5.31	180,102	12,884	7.15
Commercial real estate (6)	**73,349**	**2,372**	**3.23**	63,208	3,057	4.84	42,950	3,145	7.32
Commercial lease financing	**21,979**	**990**	**4.51**	22,290	799	3.58	20,435	1,212	5.93
Commercial foreign	**32,899**	**1,406**	**4.27**	32,440	1,503	4.63	24,491	1,452	5.93
Total commercial	**352,040**	**13,651**	**3.88**	338,499	17,061	5.04	267,978	18,693	6.98
Total loans and leases	**948,805**	**49,045**	**5.17**	910,878	56,322	6.18	776,154	56,308	7.25
Other earning assets	**130,063**	**5,105**	**3.92**	75,972	4,161	5.48	71,305	4,629	6.49
Total earning assets (7)	**1,830,193**	**79,217**	**4.33**	1,562,729	86,878	5.56	1,390,192	89,053	6.41
Cash and cash equivalents	**196,237**			45,354			33,091		
Other assets, less allowance for loan and lease losses	**411,087**			235,896			178,790		
Total assets	**$ 2,437,517**			$ 1,843,979			$ 1,602,073		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	**$ 33,671**	**$ 215**	**0.64%**	$ 32,204	$ 230	0.71%	$ 32,316	$ 188	0.58%
NOW and money market deposit accounts	**358,847**	**1,557**	**0.43**	267,818	3,781	1.41	220,207	4,361	1.98
Consumer CDs and IRAs	**218,041**	**5,054**	**2.32**	203,887	7,404	3.63	167,801	7,817	4.66
Negotiable CDs, public funds and other time deposits	**37,661**	**473**	**1.26**	32,264	1,076	3.33	20,557	974	4.74
Total domestic interest-bearing deposits	**648,220**	**7,299**	**1.13**	536,173	12,491	2.33	440,881	13,340	3.03
Foreign interest-bearing deposits:									
Banks located in foreign countries	**19,397**	**144**	**0.74**	37,657	1,063	2.82	42,788	2,174	5.08
Governments and official institutions	**7,580**	**18**	**0.23**	13,004	311	2.39	16,523	812	4.91
Time, savings and other	**55,026**	**346**	**0.63**	51,363	1,385	2.70	43,443	1,767	4.07
Total foreign interest-bearing deposits	**82,003**	**508**	**0.62**	102,024	2,759	2.70	102,754	4,753	4.63
Total interest-bearing deposits	**730,223**	**7,807**	**1.07**	638,197	15,250	2.39	543,635	18,093	3.33
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**488,644**	**5,512**	**1.13**	455,710	12,362	2.71	424,814	21,967	5.17
Trading account liabilities	**72,207**	**2,075**	**2.87**	72,915	2,774	3.80	82,721	3,444	4.16

Long-term debt	**446,634**	**15,413**	**3.45**	231,235	9,938	4.30	169,855	9,359	5.51
Total interest-bearing liabilities [7]	**1,737,708**	**30,807**	**1.77**	1,398,057	40,324	2.88	1,221,025	52,863	4.33
Noninterest-bearing sources:									
Noninterest-bearing deposits	**250,743**			192,947			173,547		
Other liabilities	**204,421**			88,144			70,839		
Shareholders equity	**244,645**			164,831			136,662		
Total liabilities and shareholders equity	**$ 2,437,517**			$ 1,843,979			$ 1,602,073		
Net interest spread			**2.56%**			2.68%			2.08%
Impact of noninterest-bearing sources			**0.09**			0.30			0.52
Net interest income/yield on earning assets		**$ 48,410**	**2.65%**		$ 46,554	2.98%		$ 36,190	2.60%

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

(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.

(3) Includes foreign residential mortgages loans of $622 million in 2009. We did not have any material foreign residential mortgage loans prior to January 1, 2009.

(4) Includes foreign consumer loans of $8.0 billion, $2.7 billion and $3.8 billion in 2009, 2008 and 2007, respectively.

(5) Includes consumer finance loans of $2.4 billion, $2.8 billion and $3.2 billion in 2009, 2008 and 2007, respectively; and other foreign consumer loans of $657 million, $774 million and $1.1 billion in 2009, 2008 and 2007, respectively.

(6) Includes domestic commercial real estate loans of $70.7 billion, $62.1 billion and $42.1 billion in 2009, 2008 and 2007, respectively; and foreign commercial real estate loans of $2.7 billion, $1.1 billion and $858 million in 2009, 2008 and 2007.

(7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $456 million, $260 million and $542 million in 2009, 2008 and 2007, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities $(3.0) billion, $409 million and $813 million in 2009, 2008 and 2007, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 83.

n/a = not applicable

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Table II Analysis of Changes in Net Interest Income FTE Basis

	From 2008 to 2009			From 2007 to 2008		
	Due to Change in (1)		Net	Due to Change in (1)		Net
(Dollars in millions)	Volume	Rate	Change	Volume	Rate	Change
Increase (decrease) in interest income						
Time deposits placed and other short-term investments	**$ 689**	**$ (416)**	**$ 273**	$ (117)	$ (70)	$ (187)
Federal funds sold and securities borrowed or purchased under agreements to resell	**2,793**	**(3,212)**	**(419)**	(1,371)	(3,038)	(4,409)
Trading account assets	**1,507**	**(2,530)**	**(1,023)**	(45)	(443)	(488)
Debt securities	**1,091**	**(1,250)**	**(159)**	3,435	(72)	3,363
Loans and leases:						
Residential mortgage	**(619)**	**(503)**	**(1,122)**	(252)	(203)	(455)
Home equity	**1,107**	**(1,977)**	**(870)**	2,717	(2,496)	221
Discontinued real estate	**507**	**(283)**	**224**	n/a	n/a	858
Credit card domestic	**(1,181)**	**4**	**(1,177)**	677	(1,059)	(382)
Credit card foreign	**387**	**(307)**	**80**	506	34	540
Direct/Indirect consumer	**1,465**	**(2,383)**	**(918)**	1,070	(138)	932
Other consumer	**(43)**	**(41)**	**(84)**	(59)	(9)	(68)
Total consumer			**(3,867)**			1,646
Commercial domestic	**182**	**(3,001)**	**(2,819)**	2,886	(4,068)	(1,182)
Commercial real estate	**493**	**(1,178)**	**(685)**	1,482	(1,570)	(88)
Commercial lease financing	**(12)**	**203**	**191**	110	(523)	(413)
Commercial foreign	**20**	**(117)**	**(97)**	472	(421)	51
Total commercial			**(3,410)**			(1,632)
Total loans and leases			**(7,277)**			14
Other earning assets	**2,966**	**(2,022)**	**944**	302	(770)	(468)
Total interest income			**$ (7,661)**			$ (2,175)
Increase (decrease) in interest expense						
Domestic interest-bearing deposits:						
Savings	**$ 9**	**$ (24)**	**$ (15)**	$ (1)	$ 43	$ 42
NOW and money market deposit accounts	**1,279**	**(3,503)**	**(2,224)**	942	(1,522)	(580)
Consumer CDs and IRAs	**511**	**(2,861)**	**(2,350)**	1,684	(2,097)	(413)
Negotiable CDs, public funds and other time deposits	**178**	**(781)**	**(603)**	555	(453)	102
Total domestic interest-bearing deposits			**(5,192)**			(849)
Foreign interest-bearing deposits:						
Banks located in foreign countries	**(516)**	**(403)**	**(919)**	(261)	(850)	(1,111)
Governments and official institutions	**(130)**	**(163)**	**(293)**	(174)	(327)	(501)
Time, savings and other	**101**	**(1,140)**	**(1,039)**	323	(705)	(382)
Total foreign interest-bearing deposits			**(2,251)**			(1,994)
Total interest-bearing deposits			**(7,443)**			(2,843)
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**880**	**(7,730)**	**(6,850)**	1,593	(11,198)	(9,605)
Trading account liabilities	**(30)**	**(669)**	**(699)**	(411)	(259)	(670)
Long-term debt	**9,267**	**(3,792)**	**5,475**	3,382	(2,803)	579
Total interest expense			**(9,517)**			(12,539)
Net increase in net interest income			**$ 1,856**			$ 10,364

(1) The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume and the portion of change attributable to the variance in rate for that category. The unallocated change in rate or volume variance is allocated between the rate and volume variances.

n/a = not applicable

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Table III Preferred Stock Cash Dividend Summary (as of February 26, 2010)

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series B [1]	$ 1	January 27, 2010	April 9, 2010	April 23, 2010	7.00%	$ 1.75
		October 28, 2009	January 11, 2010	January 25, 2010	7.00	1.75
		July 21, 2009	October 9, 2009	October 23, 2009	7.00	1.75
		April 29, 2009	July 10, 2009	July 24, 2009	7.00	1.75
		January 16, 2009	April 10, 2009	April 24, 2009	7.00	1.75
Series D [2]	$ 661	January 4, 2010	February 26, 2010	March 15, 2010	6.204%	$ 0.38775
		October 2, 2009	November 30, 2009	December 14, 2009	6.204	0.38775
		July 2, 2009	August 31, 2009	September 14, 2009	6.204	0.38775
		April 3, 2009	May 29, 2009	June 15, 2009	6.204	0.38775
		January 5, 2009	February 27, 2009	March 16, 2009	6.204	0.38775
Series E [2]	$ 487	January 4, 2010	January 29, 2010	February 16, 2010	Floating	$ 0.25556
		October 2, 2009	October 30, 2009	November 16, 2009	Floating	0.25556
		July 2, 2009	July 31, 2009	August 17, 2009	Floating	0.25556
		April 3, 2009	April 30, 2009	May 15, 2009	Floating	0.24722
		January 5, 2009	January 30, 2009	February 17, 2009	Floating	0.25556
Series H [2]	$ 2,862	January 4, 2010	January 15, 2010	February 1, 2010	8.20%	$ 0.51250
		October 2, 2009	October 15, 2009	November 2, 2009	8.20	0.51250
		July 2, 2009	July 15, 2009	August 3, 2009	8.20	0.51250
		April 3, 2009	April 15, 2009	May 1, 2009	8.20	0.51250
		January 5, 2009	January 15, 2009	February 2, 2009	8.20	0.51250
Series I [2]	$ 365	January 4, 2010	March 15, 2010	April 1, 2010	6.625%	$ 0.41406
		October 2, 2009	December 15, 2009	January 4, 2010	6.625	0.41406
		July 2, 2009	September 15, 2009	October 1, 2009	6.625	0.41406
		April 3, 2009	June 15, 2009	July 1, 2009	6.625	0.41406
		January 5, 2009	March 15, 2009	April 1, 2009	6.625	0.41406
Series J [2]	$ 978	January 4, 2010	January 15, 2010	February 1, 2010	7.25%	$ 0.45312
		October 2, 2009	October 15, 2009	November 2, 2009	7.25	0.45312
		July 2, 2009	July 15, 2009	August 3, 2009	7.25	0.45312
		April 3, 2009	April 15, 2009	May 1, 2009	7.25	0.45312
		January 5, 2009	January 15, 2009	February 2, 2009	7.25	0.45312
Series K [3, 4]	$ 1,668	January 4, 2010	January 15, 2010	February 1, 2010	Fixed-to-Floating	$ 40.00
		July 2, 2009	July 15, 2009	July 30, 2009	Fixed-to-Floating	40.00
		January 5, 2009	January 15, 2009	January 30, 2009	Fixed-to-Floating	40.00
Series L	$ 3,349	December 17, 2009	January 1, 2010	February 1, 2010	7.25%	$ 18.1250
		September 18, 2009	October 1, 2009	October 30, 2009	7.25	18.1250
		June 19, 2009	July 1, 2009	July 30, 2009	7.25	18.1250
		March 17, 2009	April 1, 2009	April 30, 2009	7.25	18.1250
Series M [3, 4]	$ 1,434	October 2, 2009	October 31, 2009	November 16, 2009	Fixed-to-Floating	$ 40.625
		April 3, 2009	April 30, 2009	May 15, 2009	Fixed-to-Floating	40.625
Series N [1, 5]	$	October 2, 2009	October 31, 2009	November 16, 2009	5.00%	$ 312.50
		July 2, 2009	July 31, 2009	August 17, 2009	5.00	312.50
		April 3, 2009	April 30, 2009	May 15, 2009	5.00	312.50
		January 5, 2009 [6]	January 31, 2009	February 17, 2009	5.00	371.53
Series Q [1, 5]	$	October 2, 2009	October 31, 2009	November 16, 2009	5.00%	$ 312.50
		July 2, 2009	July 31, 2009	August 17, 2009	5.00	312.50
		April 3, 2009	April 30, 2009	May 15, 2009	5.00	312.50
		January 5, 2009 [6]	January 31, 2009	February 17, 2009	5.00	125.00
Series R [1, 5]	$	October 2, 2009	October 31, 2009	November 16, 2009	8.00%	$ 500.00
		July 2, 2009	July 31, 2009	August 17, 2009	8.00	500.00
		April 3, 2009	April 30, 2009	May 15, 2009	8.00	500.00
		January 5, 2009 [6]	January 31, 2009	February 17, 2009	8.00	161.11

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Preferred Stock Cash Dividend Summary (as of February 26, 2010) continued

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 [7]	$ 146	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.19167
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.19167
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.19167
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.18542
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.19167
Series 2 [7]	$ 526	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.19167
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.19167
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.19167
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.18542
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.19167
Series 3 [7]	$ 670	January 4, 2010	February 15, 2010	March 1, 2010	6.375%	$ 0.39843
		October 2, 2009	November 15, 2009	November 30, 2009	6.375	0.39843
		July 2, 2009	August 15, 2009	August 28, 2009	6.375	0.39843
		April 3, 2009	May 15, 2009	May 28, 2009	6.375	0.39843
		January 5, 2009	February 15, 2009	March 2, 2009	6.375	0.39843
Series 4 [7]	$ 389	January 4, 2010	February 15, 2010	February 26, 2010	Floating	$ 0.25556
		October 2, 2009	November 15, 2009	November 30, 2009	Floating	0.25556
		July 2, 2009	August 15, 2009	August 28, 2009	Floating	0.25556
		April 3, 2009	May 15, 2009	May 28, 2009	Floating	0.24722
		January 5, 2009	February 15, 2009	February 27, 2009	Floating	0.25556
Series 5 [7]	$ 606	January 4, 2010	February 1, 2010	February 22, 2010	Floating	$ 0.25556
		October 2, 2009	November 1, 2009	November 23, 2009	Floating	0.25556
		July 2, 2009	August 1, 2009	August 21, 2009	Floating	0.25556
		April 3, 2009	May 1, 2009	May 21, 2009	Floating	0.24722
		January 5, 2009	February 1, 2009	February 23, 2009	Floating	0.25556
Series 6 [8]	$ 65	January 4, 2010	March 15, 2010	March 30, 2010	6.70%	$ 0.41875
		October 2, 2009	December 15, 2009	December 30, 2009	6.70	0.41875
		July 2, 2009	September 15, 2009	September 30, 2009	6.70	0.41875
		April 3, 2009	June 15, 2009	June 30, 2009	6.70	0.41875
		January 5, 2009	March 15, 2009	March 30, 2009	6.70	0.41875
Series 7 [8]	$ 17	January 4, 2010	March 15, 2010	March 30, 2010	6.25%	$ 0.39062
		October 2, 2009	December 15, 2009	December 30, 2009	6.25	0.39062
		July 2, 2009	September 15, 2009	September 30, 2009	6.25	0.39062
		April 3, 2009	June 15, 2009	June 30, 2009	6.25	0.39062
		January 5, 2009	March 15, 2009	March 30, 2009	6.25	0.39062
Series 8 [7]	$ 2,673	January 4, 2010	February 15, 2010	March 1, 2010	8.625%	$ 0.53906
		October 2, 2009	November 15, 2009	November 30, 2009	8.625	0.53906
		July 2, 2009	August 15, 2009	August 28, 2009	8.625	0.53906
		April 3, 2009	May 15, 2009	May 28, 2009	8.625	0.53906

			January 5, 2009	February 15, 2009	March 2, 2009	8.625	0.53906
Series 2 (MC) (9)	$	1,200	January 4, 2010	February 15, 2010	March 1, 2010	9.00%	$ 2,250.00
			October 2, 2009	November 15, 2009	November 30, 2009	9.00	2,250.00
			July 2, 2009	August 15, 2009	August 28, 2009	9.00	2,250.00
			April 3, 2009	May 15, 2009	May 28, 2009	9.00	2,250.00
			January 21, 2009	February 15, 2009	March 2, 2009	9.00	2,250.00
Series 3 (MC) (9)	$	500	January 4, 2010	February 15, 2010	March 1, 2010	9.00%	$ 2,250.00
			October 2, 2009	November 15, 2009	November 30, 2009	9.00	2,250.00
			July 2, 2009	August 15, 2009	August 28, 2009	9.00	2,250.00
			April 3, 2009	May 15, 2009	May 28, 2009	9.00	2,250.00
			January 21, 2009	February 15, 2009	March 2, 2009	9.00	2,250.00

(1) Dividends are cumulative.

(2) Dividends per depositary share, each representing a 1/1000th interest in a share of preferred stock.

(3) Initially pays dividends semi-annually.

(4) Dividends per depositary share, each representing 1/25th interest in a share of preferred stock.

(5) In connection with the repurchase of the TARP preferred stock on December 9, 2009, the Corporation paid accrued and unpaid dividends to the date of repurchase of $83.33, $83.33 and $133.33 per share for Series N, Q and R, respectively.

(6) Initial dividends

(7) Dividends per depositary share, each representing a 1/1200th interest in a share of preferred stock.

(8) Dividends per depositary share, each representing 1/40th interest in a share of preferred stock.

(9) Represents preferred stock of Merrill Lynch & Co., Inc. which is mandatorily convertible (MC) on October 15, 2010, but optionally convertible prior to that date.

Table IV Outstanding Loans and Leases

	December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Consumer					
Residential mortgage [1]	**$ 242,129**	$ 248,063	$ 274,949	$ 241,181	$ 182,596
Home equity	**149,126**	152,483	114,820	87,893	70,229
Discontinued real estate [2]	**14,854**	19,981	n/a	n/a	n/a
Credit card domestic	**49,453**	64,128	65,774	61,195	58,548
Credit card foreign	**21,656**	17,146	14,950	10,999	
Direct/Indirect consumer [3]	**97,236**	83,436	76,538	59,206	37,265
Other consumer [4]	**3,110**	3,442	4,170	5,231	6,819
Total consumer	**577,564**	588,679	551,201	465,705	355,457
Commercial					
Commercial domestic [5]	**198,903**	219,233	208,297	161,982	140,533
Commercial real estate [6]	**69,447**	64,701	61,298	36,258	35,766
Commercial lease financing	**22,199**	22,400	22,582	21,864	20,705
Commercial foreign	**27,079**	31,020	28,376	20,681	21,330
Total commercial loans-excluding loans measured at fair value	**317,628**	337,354	320,553	240,785	218,334
Commercial loans measured at fair value [7]	**4,936**	5,413	4,590	n/a	n/a
Total commercial	**322,564**	342,767	325,143	240,785	218,334
Total loans and leases	**$ 900,128**	$ 931,446	$ 876,344	$ 706,490	$ 573,791

(1) Includes foreign residential mortgages of $552 million at December 31, 2009 mainly from the Merrill Lynch acquisition. We did not have any material foreign residential mortgage loans prior to January 1, 2009.

(2) Includes $13.4 billion and $18.2 billion of pay option loans and $1.5 billion and $1.8 billion of subprime loans at December 31, 2009 and 2008. The Corporation no longer originates these products.

(3) Includes dealer financial services loans of $41.6 billion, $40.1 billion, $37.2 billion, $33.4 billion and $27.7 billion; consumer lending of $19.7 billion, $28.2 billion, $24.4 billion, $16.3 billion and $0; and foreign consumer loans of $8.0 billion, $1.8 billion, $3.4 billion, $3.9 billion and $48 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively. The 2009 amount includes securities-based lending margin loans of $12.9 billion.

(4) Includes consumer finance loans of $2.3 billion, $2.6 billion, $3.0 billion, $2.8 billion and $2.8 billion and other foreign consumer loans of $709 million, $618 million, $829 million, $2.3 billion and $3.8 billion at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(5) Includes small business commercial domestic loans, including card related products, of $17.5 billion, $19.1 billion, $19.3 billion, $15.2 billion and $7.2 billion at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(6) Includes domestic commercial real estate loans of $66.5 billion, $63.7 billion, $60.2 billion, $35.7 billion and $35.2 billion, and foreign commercial real estate loans of $3.0 billion, $979 million, $1.1 billion, $578 million and $585 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(7) Certain commercial loans are accounted for under the fair value option and include commercial domestic loans of $3.0 billion, $3.5 billion and $3.5 billion, commercial foreign loans of $1.9 billion, $1.7 billion and $790 million, and commercial real estate loans of $90 million, $203 million and $304 million at December 31, 2009, 2008 and 2007, respectively.

n/a = not applicable

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Table V Nonperforming Loans, Leases and Foreclosed Properties [1]

	December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Consumer					
Residential mortgage	**$ 16,596**	$ 7,057	$ 1,999	$ 660	$ 570
Home equity	**3,804**	2,637	1,340	289	151
Discontinued real estate	**249**	77	n/a	n/a	n/a
Direct/Indirect consumer	**86**	26	8	4	3
Other consumer	**104**	91	95	77	61
Total consumer [2]	**20,839**	9,888	3,442	1,030	785
Commercial					
Commercial domestic [3]	**4,925**	2,040	852	494	550
Commercial real estate	**7,286**	3,906	1,099	118	49
Commercial lease financing	**115**	56	33	42	62
Commercial foreign	**177**	290	19	13	34
	12,503	6,292	2,003	667	695
Small business commercial domestic	**200**	205	152	90	31
Total commercial [4]	**12,703**	6,497	2,155	757	726
Total nonperforming loans and leases	**33,542**	16,385	5,597	1,787	1,511
Foreclosed properties	**2,205**	1,827	351	69	92
Total nonperforming loans, leases and foreclosed properties [5]	**$ 35,747**	$ 18,212	$ 5,948	$ 1,856	$ 1,603

(1) Balances do not include purchased impaired loans even though the customer may be contractually past due. Loans accounted for as purchased impaired loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(2) In 2009, $1.4 billion in interest income was estimated to be contractually due on consumer loans and leases classified as nonperforming at December 31, 2009 provided that these loans and leases had been paying according to their terms and conditions, including troubled debt restructured loans of which $3.0 billion were performing at December 31, 2009 and not included in the table above. Approximately $194 million of the estimated $1.4 billion in contractual interest was received and included in earnings for 2009.

(3) Excludes small business commercial domestic loans.

(4) In 2009, $450 million in interest income was estimated to be contractually due on commercial loans and leases classified as nonperforming at December 31, 2009, including troubled debt restructured loans of which $91 million were performing at December 31, 2009 and not included in the table above. Approximately $128 million of the estimated $450 million in contractual interest was received and included in earnings for 2009.

(5) Balances do not include loans accounted for under the fair value option. At December 31, 2009, there were $15 million of nonperforming loans accounted for under the fair value option. At December 31, 2009, there were $87 million of loans or leases past due 90 days or more and still accruing interest accounted for under the fair value option.

n/a = not applicable

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Table VI Accruing Loans and Leases Past Due 90 Days or More [1]

	December 31				
(Dollars in millions)	**2009**	2008	2007	2006	2005
Consumer					
Residential mortgage [2]	**$ 11,680**	$ 372	$ 237	$ 118	$
Credit card domestic	**2,158**	2,197	1,855	1,991	1,197
Credit card foreign	**500**	368	272	184	
Direct/Indirect consumer	**1,488**	1,370	745	378	75
Other consumer	**3**	4	4	7	15
Total consumer	**15,829**	4,311	3,113	2,678	1,287
Commercial					
Commercial domestic [3]	**213**	381	119	66	79
Commercial real estate	**80**	52	36	78	4
Commercial lease financing	**32**	23	25	26	15
Commercial foreign	**67**	7	16	9	32
	392	463	196	179	130
Small business commercial domestic	**624**	640	427	199	38
Total commercial	**1,016**	1,103	623	378	168
Total accruing loans and leases past due 90 days or more [4]	**$ 16,845**	$ 5,414	$ 3,736	$ 3,056	$ 1,455

(1) Accruing loans past due 90 days or more do not include purchased impaired loans which were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
(2) Balances represent repurchases of insured or guaranteed loans.
(3) Excludes small business commercial domestic loans.
(4) Balances do not include loans accounted for under the fair value option. At December 31, 2009 there were $87 million of loans past due 90 days or more and still accruing interest accounted for under the fair value option.

Table VII Allowance for Credit Losses

(Dollars in millions)	**2009**	2008	2007	2006	2005
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588	$ 9,016	$ 8,045	$ 8,626
Loans and leases charged off					
Residential mortgage	**(4,436)**	(964)	(78)	(74)	(58)
Home equity	**(7,205)**	(3,597)	(286)	(67)	(46)
Discontinued real estate	**(104)**	(19)	n/a	n/a	n/a
Credit card domestic	**(6,753)**	(4,469)	(3,410)	(3,546)	(4,018)
Credit card foreign	**(1,332)**	(639)	(453)	(292)	
Direct/Indirect consumer	**(6,406)**	(3,777)	(1,885)	(857)	(380)
Other consumer	**(491)**	(461)	(346)	(327)	(376)
Total consumer charge-offs	**(26,727)**	(13,926)	(6,458)	(5,163)	(4,878)
Commercial domestic [1]	**(5,237)**	(2,567)	(1,135)	(597)	(535)
Commercial real estate	**(2,744)**	(895)	(54)	(7)	(5)
Commercial lease financing	**(217)**	(79)	(55)	(28)	(315)
Commercial foreign	**(558)**	(199)	(28)	(86)	(61)
Total commercial charge-offs	**(8,756)**	(3,740)	(1,272)	(718)	(916)
Total loans and leases charged off	**(35,483)**	(17,666)	(7,730)	(5,881)	(5,794)
Recoveries of loans and leases previously charged off					
Residential mortgage	**86**	39	22	35	31
Home equity	**155**	101	12	16	15
Discontinued real estate	**3**	3	n/a	n/a	n/a
Credit card domestic	**206**	308	347	452	366
Credit card foreign	**93**	88	74	67	
Direct/Indirect consumer	**943**	663	512	247	132
Other consumer	**63**	62	68	110	101
Total consumer recoveries	**1,549**	1,264	1,035	927	645
Commercial domestic [2]	**161**	118	128	261	365
Commercial real estate	**42**	8	7	4	5
Commercial lease financing	**22**	19	53	56	84
Commercial foreign	**21**	26	27	94	133
Total commercial recoveries	**246**	171	215	415	587
Total recoveries of loans and leases previously charged off	**1,795**	1,435	1,250	1,342	1,232
Net charge-offs	**(33,688)**	(16,231)	(6,480)	(4,539)	(4,562)
Provision for loan and lease losses	**48,366**	26,922	8,357	5,001	4,021
Write-downs on consumer purchased impaired loans [3]	**(179)**	n/a	n/a	n/a	n/a
Other [4]	**(370)**	792	695	509	(40)
Allowance for loan and lease losses, December 31	**37,200**	23,071	11,588	9,016	8,045
Reserve for unfunded lending commitments, January 1	**421**	518	397	395	402
Provision for unfunded lending commitments	**204**	(97)	28	9	(7)
Other [5]	**862**		93	(7)	
Reserve for unfunded lending commitments, December 31	**1,487**	421	518	397	395
Allowance for credit losses, December 31	**$ 38,687**	$ 23,492	$ 12,106	$ 9,413	$ 8,440
Loans and leases outstanding at December 31 [6]	**$ 895,192**	$ 926,033	$ 871,754	$ 706,490	$ 573,791
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [3, 6]	**4.16%**	2.49%	1.33%	1.28%	1.40%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31 [3]	**4.81**	2.83	1.23	1.19	1.27
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [3]	**2.96**	1.90	1.51	1.44	1.62
Average loans and leases outstanding [3, 6]	**$ 941,862**	$ 905,944	$ 773,142	$ 652,417	$ 537,218
Net charge-offs as a percentage of average loans and leases outstanding [3, 6]	**3.58%**	1.79%	0.84%	0.70%	0.85%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [3, 6]	**111**	141	207	505	532

Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3]	**1.10**	1.42	1.79	1.99	1.76

(1) Includes small business commercial domestic charge-offs of $3.0 billion, $2.0 billion, $931 million and $424 million in 2009, 2008, 2007 and 2006, respectively. Small business commercial domestic charge offs were not material in 2005.

(2) Includes small business commercial domestic recoveries of $65 million, $39 million, $51 million and $54 million in 2009, 2008, 2007 and 2006, respectively. Small business commercial domestic recoveries were not material in 2005.

(3) Allowance for loan and leases losses includes $3.9 billion and $750 million of valuation allowance for consumer purchased impaired loans at December 31, 2009 and 2008. Excluding the valuation allowance for purchased impaired loans, allowance for loan and leases losses as a percentage of total nonperforming loans and leases would have been 99 percent and 136 percent at December 31, 2009 and 2008. For more information on the impact of purchased impaired loans on asset quality statistics, see Consumer Portfolio Credit Risk Management beginning on page 54 and Commercial Portfolio Credit Risk Management beginning on page 64.

(4) The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. Credit Card Securitization Trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification to other assets of the December 31, 2008 amount expected to be reimbursed under residential mortgage cash collateralized synthetic securitizations. The 2008 amount includes the $1.2 billion addition of the Countrywide allowance for loan losses as of July 1, 2008. The 2007 amount includes the $725 million and $25 million additions of the LaSalle and U.S. Trust Corporation allowance for loan losses as of October 1, 2007 and July 1, 2007 and a reduction of $32 million for the adjustment from the adoption of the fair value option accounting guidance. The 2006 amount includes the $577 billion addition of the MBNA Corporation allowance for loan losses as of January 1, 2006

(5) The 2009 amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for under the fair value option, net of accretion and the impact of funding previously unfunded positions. The 2007 amount includes the $124 million addition of the LaSalle reserve for unfunded lending commitments as of October 1, 2007 and a $28 million reduction for the adjustment from the adoption of the fair value option accounting guidance.

(6) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option at and for the years ended December 31, 2009, 2008 and 2007. Loans measured at fair value were $4.9 billion, $5.4 billion and $4.6 billion at December 31, 2009, 2008 and 2007, respectively. Average loans accounted for under the fair value option were $6.9 billion, $4.9 billion and $3.0 billion for 2009, 2008 and 2007, respectively.

n/a = not applicable

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Table VIII Allocation of the Allowance for Credit Losses by Product Type

	December 31									
	2009		2008		2007		2006		2005	
(Dollars in millions)	**Amount**	**Percent of Total**	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Allowance for loan and lease losses										
Residential mortgage	**$ 4,607**	**12.38%**	$ 1,382	5.99%	$ 207	1.79%	$ 248	2.75%	$ 277	3.44%
Home equity	**10,160**	**27.31**	5,385	23.34	963	8.31	133	1.48	136	1.69
Discontinued real estate	**989**	**2.66**	658	2.85	n/a	n/a	n/a	n/a	n/a	n/a
Credit card domestic	**6,017**	**16.18**	3,947	17.11	2,919	25.19	3,176	35.23	3,301	41.03
Credit card foreign	**1,581**	**4.25**	742	3.22	441	3.81	336	3.73	-	-
Direct/Indirect consumer	**4,227**	**11.36**	4,341	18.81	2,077	17.92	1,378	15.28	421	5.23
Other consumer	**204**	**0.55**	203	0.88	151	1.30	289	3.20	380	4.73
Total consumer	**27,785**	**74.69**	16,658	72.20	6,758	58.32	5,560	61.67	4,515	56.12
Commercial domestic [(1)]	**5,152**	**13.85**	4,339	18.81	3,194	27.56	2,162	23.98	2,100	26.10
Commercial real estate	**3,567**	**9.59**	1,465	6.35	1,083	9.35	588	6.52	609	7.57
Commercial lease financing	**291**	**0.78**	223	0.97	218	1.88	217	2.41	232	2.89
Commercial foreign	**405**	**1.09**	386	1.67	335	2.89	489	5.42	589	7.32
Total commercial [(2)]	**9,415**	**25.31**	6,413	27.80	4,830	41.68	3,456	38.33	3,530	43.88
Allowance for loan and lease losses	**37,200**	**100.00%**	23,071	100.00%	11,588	100.00%	9,016	100.00%	8,045	100.00%
Reserve for unfunded lending commitments [(3)]	**1,487**		421		518		397		395	
Allowance for credit losses [(4)]	**$ 38,687**		$ 23,492		$ 12,106		$ 9,413		$ 8,440	

(1) Includes allowance for small business commercial domestic loans of $2.4 billion, $2.4 billion, $1.4 billion and $578 million at December 31, 2009, 2008, 2007 and 2006, respectively. The allowance for small business commercial domestic loans was not material in 2005.

(2) Includes allowance for loan and lease losses for impaired commercial loans of $1.2 billion, $691 million, $123 million, $43 million and $55 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(3) Amounts for 2009 include the Merrill Lynch acquisition. The majority of the increase from December 31, 2008 relates to the fair value of the acquired Merrill Lynch unfunded lending commitments, excluding commitments accounted for under the fair value option.

(4) Includes $3.9 billion and $750 million related to purchased impaired loans at December 31, 2009 and 2008.

n/a = not applicable

Table IX Selected Loan Maturity Data [(1, 2)]

	December 31, 2009			
(Dollars in millions)	**Due in One Year or Less**	**Due After One Year Through Five Years**	**Due After Five Years**	**Total**
Commercial domestic	$ 69,112	$ 90,528	$ 42,239	**$ 201,879**
Commercial real estate domestic	30,926	26,463	9,154	**66,543**
Foreign and other [(3)]	25,157	8,361	262	**33,780**
Total selected loans	$ 125,195	$ 125,352	$ 51,655	**$ 302,202**

Percent of total	41.4%	41.5%	17.1%	**100.0%**
Sensitivity of selected loans to changes in interest rates for loans due after one year:				
Fixed interest rates		$ 12,612	$ 28,247	
Floating or adjustable interest rates		112,740	23,408	
Total		**$ 125,352**	**$ 51,655**	

(1) Loan maturities are based on the remaining maturities under contractual terms.
(2) Includes loans accounted for under the fair value option.
(3) Loan maturities include other consumer, commercial real estate and commercial foreign loans.

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Table X Non-exchange Traded Commodity Contracts

	December 31, 2009	
(Dollars in millions)	Asset Positions	Liability Positions
Net fair value of contracts outstanding, January 1, 2009	$ 9,433	$ 6,726
Effects of legally enforceable master netting agreements	30,021	30,021
Gross fair value of contracts outstanding, January 1, 2009	39,454	36,747
Contracts realized or otherwise settled	(19,654)	(18,623)
Fair value of new contracts	9,231	9,284
Other changes in fair value	(6,210)	(5,865)
Gross fair value of contracts outstanding, December 31, 2009	22,821	21,543
Effects of legally enforceable master netting agreements	(17,785)	(17,785)
Net fair value of contracts outstanding, December 31, 2009	**$ 5,036**	**$ 3,758**

Table XI Non-exchange Traded Commodity Contract Maturities

	December 31, 2009	
(Dollars in millions)	Asset Positions	Liability Positions
Maturity of less than 1 year	$ 16,161	$ 15,431
Maturity of 1-3 years	4,603	4,295
Maturity of 4-5 years	774	542
Maturity in excess of 5 years	1,283	1,275
Gross fair value of contracts outstanding	22,821	21,543
Effects of legally enforceable master netting agreements	(17,785)	(17,785)
Net fair value of contracts outstanding	**$ 5,036**	**$ 3,758**

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Table XII Selected Quarterly Financial Data

(Dollars in millions, except per share information)	2009 Quarters Fourth	Third	Second	First	2008 Quarters Fourth	Third	Second	First
Income statement								
Net interest income	**$ 11,559**	$ 11,423	$ 11,630	$ 12,497	$ 13,106	$ 11,642	$ 10,621	$ 9,991
Noninterest income	**13,517**	14,612	21,144	23,261	2,574	7,979	9,789	7,080
Total revenue, net of interest expense	**25,076**	26,035	32,774	35,758	15,680	19,621	20,410	17,071
Provision for credit losses	**10,110**	11,705	13,375	13,380	8,535	6,450	5,830	6,010
Noninterest expense, before merger and restructuring charges	**15,852**	15,712	16,191	16,237	10,641	11,413	9,447	9,093
Merger and restructuring charges	**533**	594	829	765	306	247	212	170
Income (loss) before income taxes	**(1,419)**	(1,976)	2,379	5,376	(3,802)	1,511	4,921	1,798
Income tax expense (benefit)	**(1,225)**	(975)	(845)	1,129	(2,013)	334	1,511	588
Net income (loss)	**(194)**	(1,001)	3,224	4,247	(1,789)	1,177	3,410	1,210
Net income (loss) applicable to common shareholders	**(5,196)**	(2,241)	2,419	2,814	(2,392)	704	3,224	1,020
Average common shares issued and outstanding (in thousands)	**8,634,565**	8,633,834	7,241,515	6,370,815	4,957,049	4,543,963	4,435,719	4,427,823
Average diluted common shares issued and outstanding (in thousands)	**8,634,565**	8,633,834	7,269,518	6,431,027	4,957,049	4,547,578	4,444,098	4,461,201
Performance ratios								
Return on average assets	**n/m**	n/m	0.53%	0.68%	n/m	0.25%	0.78%	0.28%
Return on average common shareholders equity	**n/m**	n/m	5.59	7.10	n/m	1.97	9.25	2.90
Return on average tangible common shareholders equity [1]	**n/m**	n/m	12.68	16.15	n/m	5.34	23.78	7.37
Return on average tangible shareholders equity [1]	**n/m**	n/m	8.86	12.42	n/m	6.11	18.12	7.06
Total ending equity to total ending assets	**10.41%**	11.45%	11.32	10.32	9.74%	8.79	9.48	9.00
Total average equity to total average assets	**10.35**	10.71	10.03	9.08	9.06	8.73	9.20	8.77
Dividend payout	**n/m**	n/m	3.56	2.28	n/m	n/m	88.67	n/m
Per common share data								
Earnings (loss)	**$ (0.60)**	$ (0.26)	$ 0.33	$ 0.44	$ (0.48)	$ 0.15	$ 0.72	$ 0.23
Diluted earnings (loss)	**(0.60)**	(0.26)	0.33	0.44	(0.48)	0.15	0.72	0.23
Dividends paid	**0.01**	0.01	0.01	0.01	0.32	0.64	0.64	0.64
Book value	**21.48**	22.99	22.71	25.98	27.77	30.01	31.11	31.22
Tangible book value [1]	**11.94**	12.00	11.66	10.88	10.11	10.50	11.87	11.90
Market price per share of common stock								
Closing	**$ 15.06**	$ 16.92	$ 13.20	$ 6.82	$ 14.08	$ 35.00	$ 23.87	$ 37.91
High closing	**18.59**	17.98	14.17	14.33	38.13	37.48	40.86	45.03
Low closing	**14.58**	11.84	7.05	3.14	11.25	18.52	23.87	35.31
Market capitalization	**$ 130,273**	$ 146,363	$ 114,199	$ 43,654	$ 70,645	$ 159,672	$ 106,292	$ 168,806
Average balance sheet								
Total loans and leases	**$ 905,913**	$ 930,255	$ 966,105	$ 994,121	$ 941,563	$ 946,914	$ 878,639	$ 875,661

Total assets	**2,421,531**	2,390,675	2,420,317	2,519,134	1,948,854	1,905,691	1,754,613	1,764,927
Total deposits	**995,160**	989,295	974,892	964,081	892,141	857,845	786,002	787,623
Long-term debt	**445,440**	449,974	444,131	446,975	255,709	264,934	205,194	198,463
Common shareholders equity	**197,123**	197,230	173,497	160,739	142,535	142,303	140,243	141,456
Total shareholders equity	**250,599**	255,983	242,867	228,766	176,566	166,454	161,428	154,728
Asset quality (2)								
Allowance for credit losses (3)	**$ 38,687**	$ 37,399	$ 35,777	$ 31,150	$ 23,492	$ 20,773	$ 17,637	$ 15,398
Nonperforming loans, leases and foreclosed properties (4)	**35,747**	33,825	30,982	25,632	18,212	13,576	9,749	7,827
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (4)	**4.16%**	3.95%	3.61%	3.00%	2.49%	2.17%	1.98%	1.71%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (4)	**111**	112	116	122	141	173	187	203
Net charge-offs	**$ 8,421**	$ 9,624	$ 8,701	$ 6,942	$ 5,541	$ 4,356	$ 3,619	$ 2,715
Annualized net charge-offs as a percentage of average loans and leases outstanding (4)	**3.71%**	4.13%	3.64%	2.85%	2.36%	1.84%	1.67%	1.25%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	**3.75**	3.51	3.12	2.47	1.77	1.25	1.06	0.84
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	**3.98**	3.72	3.31	2.64	1.96	1.45	1.13	0.90
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.11**	0.94	0.97	1.03	1.05	1.17	1.18	1.36
Capital ratios (period end)								
Risk-based capital:								
Tier 1 common	**7.81%**	7.25%	6.90%	4.49%	4.80%	4.23%	4.78%	4.64%
Tier 1	**10.40**	12.46	11.93	10.09	9.15	7.55	8.25	7.51
Total	**14.66**	16.69	15.99	14.03	13.00	11.54	12.60	11.71
Tier 1 leverage	**6.91**	8.39	8.21	7.07	6.44	5.51	6.07	5.59
Tangible equity (1)	**6.42**	7.55	7.39	6.42	5.11	4.13	4.72	4.26
Tangible common equity (1)	**5.57**	4.82	4.67	3.13	2.93	2.75	3.24	3.21

(1) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 25.

(2) For more information on the impact of purchased impaired loans on asset quality statistics, see Consumer Portfolio Credit Risk Management beginning on page 54 and Commercial Portfolio Credit Risk Management beginning on page 64.

(3) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(4) Balances and ratios do not include loans accounted for under the fair value option.

n/m = not meaningful

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Table XIII Quarterly Average Balances and Interest Rates FTE Basis

(Dollars in millions)	Fourth Quarter 2009 Average Balance	Fourth Quarter 2009 Interest Income/ Expense	Fourth Quarter 2009 Yield/ Rate	Third Quarter 2009 Average Balance	Third Quarter 2009 Interest Income/ Expense	Third Quarter 2009 Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments	$ 28,566	$ 220	3.06%	$ 29,485	$ 133	1.79%
Federal funds sold and securities borrowed or purchased under agreements to resell	244,914	327	0.53	223,039	722	1.28
Trading account assets	218,787	1,800	3.28	212,488	1,909	3.58
Debt securities (1)	279,231	2,921	4.18	263,712	3,048	4.62
Loans and leases (2):						
Residential mortgage (3)	236,883	3,108	5.24	241,924	3,258	5.38
Home equity	150,704	1,613	4.26	153,269	1,614	4.19
Discontinued real estate	15,152	174	4.58	16,570	219	5.30
Credit card domestic	49,213	1,336	10.77	49,751	1,349	10.76
Credit card foreign	21,680	605	11.08	21,189	562	10.52
Direct/Indirect consumer (4)	98,938	1,361	5.46	100,012	1,439	5.71
Other consumer (5)	3,177	50	6.33	3,331	60	7.02
Total consumer	575,747	8,247	5.70	586,046	8,501	5.77
Commercial domestic	207,050	2,090	4.01	216,332	2,132	3.91
Commercial real estate (6)	71,352	595	3.31	74,276	600	3.20
Commercial lease financing	21,769	273	5.04	22,068	178	3.22
Commercial foreign	29,995	287	3.78	31,533	297	3.74
Total commercial	330,166	3,245	3.90	344,209	3,207	3.70
Total loans and leases	905,913	11,492	5.05	930,255	11,708	5.01
Other earning assets	130,487	1,222	3.72	131,021	1,333	4.05
Total earning assets (7)	1,807,898	17,982	3.96	1,790,000	18,853	4.19
Cash and cash equivalents	230,618			196,116		
Other assets, less allowance for loan and lease losses	383,015			404,559		
Total assets	$ 2,421,531			$ 2,390,675		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	$ 33,749	$ 54	0.63%	$ 34,170	$ 49	0.57%
NOW and money market deposit accounts	392,212	388	0.39	356,873	353	0.39
Consumer CDs and IRAs	192,779	835	1.72	214,284	1,100	2.04
Negotiable CDs, public funds and other time deposits	31,758	82	1.04	48,905	118	0.95
Total domestic interest-bearing deposits	650,498	1,359	0.83	654,232	1,620	0.98
Foreign interest-bearing deposits:						
Banks located in foreign countries	16,477	30	0.73	15,941	29	0.73
Governments and official institutions	6,650	4	0.23	6,488	4	0.23
Time, savings and other	54,469	79	0.57	53,013	57	0.42
Total foreign interest-bearing deposits	77,596	113	0.58	75,442	90	0.47
Total interest-bearing deposits	728,094	1,472	0.80	729,674	1,710	0.93
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	450,538	658	0.58	411,063	1,237	1.19
Trading account liabilities	83,118	591	2.82	73,290	455	2.46
Long-term debt	445,440	3,365	3.01	449,974	3,698	3.27
Total interest-bearing liabilities (7)	1,707,190	6,086	1.42	1,664,001	7,100	1.70
Noninterest-bearing sources:						
Noninterest-bearing deposits	267,066			259,621		
Other liabilities	196,676			211,070		
Shareholders equity	250,599			255,983		
Total liabilities and shareholders equity	$ 2,421,531			$ 2,390,675		
Net interest spread			2.54%			2.49%
Impact of noninterest-bearing sources			0.08			0.12

Net interest income/yield on earning assets	**$ 11,896**	**2.62%**	$ 11,753	2.61%

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

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

(3) Includes foreign residential mortgage loans of $550 million, $662 million, $650 million and $627 million for the fourth, third, second and first quarters of 2009, respectively.

(4) Includes foreign consumer loans of $8.6 billion, $8.4 billion, $8.0 billion and $7.1 billion in the fourth, third, second and first quarters of 2009, respectively, and $2.0 billion in the fourth quarter of 2008.

(5) Includes consumer finance loans of $2.3 billion, $2.4 billion, $2.5 billion and $2.6 billion in the fourth, third, second and first quarters of 2009, respectively, and $2.7 billion in the fourth quarter of 2008; and other foreign consumer loans of $689 million, $700 million, $640 million and $596 million in the fourth, third, second and first quarters of 2009, respectively, and $654 million in the fourth quarter of 2008.

(6) Includes domestic commercial real estate loans of $68.2 billion, $70.7 billion, $72.8 billion and $70.9 billion in the fourth, third, second and first quarters of 2009, respectively, and $63.6 billion in the fourth quarter of 2008; and foreign commercial real estate loans of $3.1 billion, $3.6 billion, $2.8 billion and $1.3 billion in the fourth, third, second and first quarters of 2009, respectively, and $964 million in the fourth quarter of 2008.

(7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on assets $248 million, $136 million, $11 million and $61 million in the fourth, third, second and first quarters of 2009, respectively, and $41 million in the fourth quarter of 2008. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on liabilities $(1.1) billion, $(873) million, $(550) million and $(512) million in the fourth, third, second and first quarters of 2009, respectively, and $237 million in the fourth quarter of 2008. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 83.

Quarterly Average Balances and Interest Rates FTE Basis (continued)

(Dollars in millions)	Second Quarter 2009 Average Balance	Second Quarter 2009 Interest Income/ Expense	Second Quarter 2009 Yield/ Rate	First Quarter 2009 Average Balance	First Quarter 2009 Interest Income/ Expense	First Quarter 2009 Yield/ Rate	Fourth Quarter 2008 Average Balance	Fourth Quarter 2008 Interest Income/ Expense	Fourth Quarter 2008 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 25,604	$ 169	2.64%	$ 26,158	$ 191	2.96%	$ 10,511	$ 158	5.97%
Federal funds sold and securities borrowed or purchased under agreements to resell	230,955	690	1.20	244,280	1,155	1.90	104,843	393	1.50
Trading account assets	199,820	2,028	4.07	237,350	2,499	4.24	179,687	2,170	4.82
Debt securities (1)	255,159	3,353	5.26	286,249	3,902	5.47	280,942	3,913	5.57
Loans and leases (2):									
Residential mortgage (3)	253,803	3,489	5.50	265,121	3,680	5.57	253,560	3,596	5.67
Home equity	156,599	1,722	4.41	158,575	1,787	4.55	151,943	1,954	5.12
Discontinued real estate	18,309	303	6.61	19,386	386	7.97	21,324	459	8.60
Credit card domestic	51,721	1,380	10.70	58,960	1,601	11.01	64,906	1,784	10.94
Credit card foreign	18,825	501	10.66	16,858	454	10.94	17,211	521	12.05
Direct/Indirect consumer (4)	100,302	1,532	6.12	100,741	1,684	6.78	83,331	1,714	8.18
Other consumer (5)	3,298	63	7.77	3,408	64	7.50	3,544	70	7.83
Total consumer	602,857	8,990	5.97	623,049	9,656	6.25	595,819	10,098	6.76
Commercial domestic	231,639	2,176	3.77	240,683	2,485	4.18	226,095	2,890	5.09
Commercial real estate (6)	75,559	627	3.33	72,206	550	3.09	64,586	706	4.35
Commercial lease financing	22,026	260	4.72	22,056	279	5.05	22,069	242	4.40
Commercial foreign	34,024	360	4.24	36,127	462	5.18	32,994	373	4.49
Total commercial	363,248	3,423	3.78	371,072	3,776	4.12	345,744	4,211	4.85
Total loans and leases	966,105	12,413	5.15	994,121	13,432	5.46	941,563	14,309	6.06
Other earning assets	134,338	1,251	3.73	124,325	1,299	4.22	99,127	959	3.85
Total earning assets (7)	1,811,981	19,904	4.40	1,912,483	22,478	4.74	1,616,673	21,902	5.40
Cash and cash equivalents	204,354			153,007			77,388		
Other assets, less allowance for loan and lease losses	403,982			453,644			254,793		
Total assets	$ 2,420,317			$ 2,519,134			$ 1,948,854		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 34,367	$ 54	0.63%	$ 32,378	$ 58	0.72%	$ 31,561	$ 58	0.73%
NOW and money market deposit accounts	342,570	376	0.44	343,215	440	0.52	285,410	813	1.13
Consumer CDs and IRAs	229,392	1,409	2.46	235,787	1,710	2.93	229,410	1,835	3.18
Negotiable CDs, public funds and other time deposits	39,100	124	1.28	31,188	149	1.94	36,510	270	2.94
Total domestic interest-bearing deposits	645,429	1,963	1.22	642,568	2,357	1.49	582,891	2,976	2.03
Foreign interest-bearing deposits:									
Banks located in foreign countries	19,261	37	0.76	26,052	48	0.75	41,398	125	1.20
Governments and official institutions	7,379	4	0.22	9,849	6	0.25	13,738	30	0.87
Time, savings and other	54,307	78	0.58	58,380	132	0.92	48,836	165	1.34
Total foreign interest-bearing deposits	80,947	119	0.59	94,281	186	0.80	103,972	320	1.22
Total interest-bearing deposits	726,376	2,082	1.15	736,849	2,543	1.40	686,863	3,296	1.91
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	503,451	1,396	1.11	591,928	2,221	1.52	459,743	1,910	1.65
Trading account liabilities	62,778	450	2.87	69,481	579	3.38	65,058	524	3.20
Long-term debt	444,131	4,034	3.64	446,975	4,316	3.89	255,709	2,766	4.32
Total interest-bearing liabilities (7)	1,736,736	7,962	1.84	1,845,233	9,659	2.11	1,467,373	8,496	2.30
Noninterest-bearing sources:									
Noninterest-bearing deposits	248,516			227,232			205,278		
Other liabilities	192,198			217,903			99,637		

Shareholders equity	242,867			228,766			176,566		
Total liabilities and shareholders equity	$ 2,420,317			$ 2,519,134			$ 1,948,854		
Net interest spread			2.56%			2.63%			3.10%
Impact of noninterest-bearing sources			0.08			0.07			0.21
Net interest income/yield on earning assets		$ 11,942	2.64%		$ 12,819	2.70%		$ 13,406	3.31%

For Footnotes, see page 106.

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Glossary

Alt-A Mortgage Alternative-A mortgage, a type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or prime , and less risky than subprime, the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF) A lending program created by the Federal Reserve on September 19, 2008 that provides nonrecourse loans to U.S. financial institutions for the purchase of U.S. dollar-denominated high-quality asset-backed commercial paper from money market mutual funds under certain conditions. This program is intended to assist money market funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the asset-backed commercial paper market and money markets more generally. Financial institutions generally bear no credit risk associated with commercial paper purchased under the AMLF.

Assets in Custody Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for customers. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) The total market value of assets under the investment advisory and discretion of *GWIM* which generate asset management fees based on a percentage of the assets market values. AUM reflect assets that are generally managed for institutional, high net-worth and retail clients and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts.

At-the-market Offering A form of equity issuance where an exchange-listed company incrementally sells newly issued shares into the market through a designated broker/dealer at prevailing market prices, rather than via a traditional underwritten offering of a fixed number of shares at a fixed price all at once.

Bridge Financing A loan or security that is expected to be replaced by permanent financing (debt or equity securities, loan syndication or asset sales) prior to the maturity date of the loan. Bridge loans may include an unfunded commitment, as well as funded amounts, and are generally expected to be retired in one year or less.

CDO-squared A type of CDO where the underlying collateral includes tranches of other CDOs.

Client Brokerage Assets Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Client Deposits Includes *GWIM* client deposit accounts representing both consumer and commercial demand, regular savings, time, money market, sweep and foreign accounts.

Committed Credit Exposure Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Core Net Interest Income Managed Basis Net interest income on a fully taxable-equivalent basis excluding the impact of market-based activities and certain securitizations.

Credit Default Swap (CDS) A derivative contract that provides protection against the deterioration of credit quality and allows one party to receive payment in the event of default by a third party under a borrowing arrangement.

Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) Legislation signed into law on May 22, 2009 to provide changes to credit card industry practices including significantly restricting credit card issuers ability to change interest rates and assess fees to reflect individual consumer risk, change the way payments are applied and requiring changes to consumer credit card disclosures. The majority of the provisions became effective in February 2010.

Derivative A contract or agreement whose value is derived from changes in an underlying index such as interest rates, foreign exchange rates or prices of securities. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts.

Emergency Economic Stabilization Act of 2008 (EESA) Legislation signed into law on October 3, 2008 authorizing the U.S. Secretary of the Treasury to, among other things, establish the Troubled Asset Relief Program.

Excess Servicing Income For certain assets that have been securitized, interest income, fee revenue and recoveries in excess of interest paid to the investors, gross credit losses and other trust expenses related to the securitized receivables are all classified as excess servicing income, which is a component of card income. Excess servicing income also includes the changes in fair value of the Corporation s card related retained interests.

Financial Stability Plan A plan announced on February 10, 2009 by the U.S. Treasury pursuant to the EESA which outlines a series of initiatives including the Capital Assistance Program (CAP); the creation of a new Public-Private Investment Program (PPIP); the expansion of the Term Asset-Backed Securities Loan Facility (TALF); the extension of the FDIC s Temporary Liquidity Guarantee Program (TLGP) to October 31, 2009; the Small Business and Community Lending Initiative; a broad program to stabilize the housing market by encouraging lower mortgage rates and making it easier for homeowners to refinance and avoid foreclosure; and a new framework of governance and oversight related to the use of funds of the Financial Stability Plan.

Interest-only Strip A residual interest in a securitization trust representing the right to receive future net cash flows from securitized assets after payments to third party investors and net credit losses. These arise when assets are transferred to a SPE as part of an asset securitization transaction qualifying for sale treatment under GAAP.

Interest Rate Lock Commitment (IRLC) Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Loan-to-value (LTV) A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. Estimated property values are primarily determined by utilizing the Case-Schiller Home Index, a widely used index based on data from repeat sales of single family homes. Case-Schiller indices are updated quarterly and are reported on a three-month or one-quarter lag. An additional metric related to LTV is **combined loan-to-value (CLTV)** which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Under certain circumstances, estimated values can also be determined by utilizing an automated valuation method (AVM) or Mortgage Risk Assessment Corporation (MRAC) index. An AVM is a tool that estimates the value of a prop -

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erty by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. The MRAC index is similar to the Case-Schiller Home Index in that it is an index that is based on data from repeat sales of single family homes and is reported on a lag.

Letter of Credit A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer s credit for that of the customer.

Making Home Affordable Program (MHA) A U.S. Treasury program to reduce the number of foreclosures and make it easier for homeowners to refinance loans. The program is comprised of the Home Affordable Modification Program (HAMP) which provides guidelines on loan modifications and is designed to help at-risk homeowners avoid foreclosure by reducing monthly mortgage payments and provides incentives to lenders to modify all eligible loans that fall under the program guidelines and the Home Affordable Refinance Program (HARP) which is available to homeowners who have a proven payment history on an existing mortgage owned by FNMA or FHLMC and is designed to help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance ARMs into more stable fixed-rate mortgages. In addition, the Second Lien Program is a part of the MHA. For more information on this program see the separate definition for the Second Lien Program.

Managed Basis 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. 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.

Managed Net Losses Represent net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.

Mortgage Servicing Right (MSR) The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

Net Interest Yield Net interest income divided by average total interest-earning assets.

Nonperforming Loans and Leases Includes loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (troubled debt restructurings or TDRs). Loans accounted for under the fair value option, purchased impaired loans and loans held-for-sale are not reported as nonperforming loans and leases. Past due consumer credit card loans, consumer loans secured by personal property, unsecured consumer loans, consumer loans secured by real estate where repayments are insured by the Federal Housing Administration and business card loans are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.

Option-adjusted Spread (OAS) The spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price, thus, it is a measure of the extra yield over the reference discount factor (i.e., the forward swap curve) that a company is expected to earn by holding the asset.

Primary Dealer Credit Facility (PDCF) A facility announced on March 16, 2008 by the Federal Reserve to provide discount window loans to primary dealers that settle on the same business day and mature on the following business day, in exchange for a specified range of eligible collateral. The rate paid on the loan is the same as the primary credit rate

at the Federal Reserve Bank of New York. In addition, primary dealers are subject to a frequency-based fee after they exceed 45 days of use. The frequency-based fee is calculated on an escalating scale and communicated to the primary dealers in advance. The PDCF was available to primary dealers until February 1, 2010.

Purchased Impaired Loan A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are written down to fair value at the acquisition date.

Qualifying Special Purpose Entity (QSPE) A SPE whose activities are strictly limited to holding and servicing financial assets and which meets the other criteria under applicable accounting guidance. A QSPE is generally not required to be consolidated by any party.

Return on Average Common Shareholders Equity Measure of the earnings contribution as a percentage of average common shareholders equity.

Second Lien Program (2MP) A MHA program announced on April 28, 2009 by the U.S. Treasury that focuses on creating a comprehensive affordability solution for homeowners. By focusing on shared efforts with lenders to reduce second mortgage payments, pay-for-success incentives for servicers, investors and borrowers, and a payment schedule for extinguishing second mortgages, the 2MP is designed to help up to 1.5 million homeowners. The program is designed to ensure that first and second lien holders are treated fairly and consistently with priority of liens, and offers automatic modification of a second lien when a first lien is modified. Details of the program are still being finalized as of the time of this filing.

Securitize/Securitization A process by which financial assets are sold to a SPE, which then issues securities collateralized by those underlying assets, and the return on the securities issued is based on the principal and interest cash flow of the underlying assets.

Structured Investment Vehicle (SIV) An entity that issues short duration debt and uses the proceeds from the issuance to purchase longer-term fixed income securities.

Subprime Loans Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores (generally less than 620 for secured products and 660 for unsecured products), high debt to income ratios and inferior payment history.

Super Senior CDO Exposure Represents the most senior class of commercial paper or notes that are issued by CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by CDO vehicles.

Treasury Temporary Guarantee Program for Money Market Funds (TTGP) A voluntary and temporary program announced on September 19, 2008 by the U.S. Treasury which provided for a guarantee to investors that they would receive $1.00 for each money market fund share held as of September 19, 2008 in the event that a participating fund no longer had a $1.00 per share net asset value and liquidated. With respect to such shares covered by this program, the guarantee payment would have been equal to any shortfall between the amount received by an investor in a liquidation and $1.00 per share. Eligible money market mutual funds paid a fee to the U.S. Treasury to participate in this program which expired on September 18, 2009.

Temporary Liquidity Guarantee Program (TLGP) A program announced on October 14, 2008 by the FDIC which is comprised of the Debt Guaran -

tee Program (DGP) under which the FDIC guaranteed, for a fee, all newly issued senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits, issued by participating entities through October 31, 2009, with an emergency guarantee facility available through April 30, 2010; and the Transaction Account Guarantee Program (TAGP) under which the FDIC will guarantee, for a fee, noninterest-bearing deposit accounts held at participating FDIC-insured depository institutions until June 30, 2010.

Term Auction Facility (TAF) A temporary credit facility announced on December 12, 2007 and implemented by the Federal Reserve that allows a depository institution to place a bid for an advance from its local Federal Reserve Bank at an interest rate that is determined as the result of an auction and is aimed to help ensure that liquidity provisions can be disseminated efficiently even when the unsecured interbank markets are under stress. The TAF typically auctions term funds with 28-day or 84-day maturities and is available to all depository institutions that are judged to be in generally sound financial condition by their local Federal Reserve Bank. Additionally, all TAF credit must be fully collateralized.

Term Securities Lending Facility (TSLF) A weekly loan facility established and announced by the Federal Reserve on March 11, 2008 to promote liquidity in U.S. Treasury and other collateral markets and foster the functioning of financial markets by offering U.S. Treasury securities held by the System Open Market Account (SOMA) for loan over a one-month term against other program-eligible general collateral. Loans are awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement. The Open Market Trading Desk of the Federal Reserve Bank of New York auctions general U.S. Treasury collateral (treasury bills, notes, bonds and inflation-indexed securities) held by SOMA for loan against all collateral currently eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk and separately against collateral and investment-grade corporate securities, municipal securities, MBS and ABS.

Tier 1 Common Capital Tier 1 capital including CES, less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries.

Troubled Asset Relief Program (TARP) A program established under the EESA by the U.S. Treasury to, among other things, invest in financial institutions through capital infusions and purchase mortgages, MBS and certain other financial instruments from financial institutions, in an aggregate amount up to $700 billion, for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

Troubled Debt Restructuring (TDR) Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. TDRs are reported as nonperforming loans and leases while on nonaccrual status. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives.

Unrecognized Tax Benefit (UTB) The difference between the benefit recognized for a tax position, which is measured as the largest dollar amount of the position that is more-likely-than-not to be sustained upon settlement, and the tax benefit claimed on a tax return.

Value-at-risk (VAR) A VAR model estimates a range of hypothetical scenarios to calculate a potential loss which is not expected to be exceeded with a specified confidence level. VAR is a key statistic used to measure and manage market risk.

Variable Interest Entity (VIE) A term for an entity whose equity investors do not have a controlling financial interest. The entity may not have sufficient equity at risk to finance its activities without additional subordinated financial support from third parties. The equity investors may lack the ability to make significant decisions about the entity s activities, or they may not absorb the losses or receive the residual returns generated by the assets and other contractual arrangements of the VIE. The entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary.

Acronyms

ABCP	Asset-backed commercial paper
ABS	Asset-backed securities
AFS	Available-for-sale
ALMRC	Asset and Liability Market Risk Committee
ALM	Asset and liability management
ARM	Adjustable-rate mortgage
ARS	Auction rate securities
ASF	American Securitization Forum
BPS	Basis points
CDO	Collateralized debt obligation
CES	Common Equivalent Securities
CMBS	Commercial mortgage-backed securities
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act
CRC	Credit Risk Committee
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICC	Fixed income, currencies and commodities
FNMA	Federal National Mortgage Association
FTE	Fully taxable-equivalent
GAAP	Generally accepted accounting principles in the United States of America
GNMA	Government National Mortgage Association
GRC	Global Markets Risk Committee
GSE	Government-sponsored enterprise
IPO	Initial public offering
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
MBS	Mortgage-backed securities
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan statistical area
OCI	Other comprehensive income

RMBS	Residential mortgage-backed securities
ROC	Risk Oversight Committee
ROTE	Return on average tangible shareholders equity
SBA	Small Business Administration
SBLCs	Standby letters of credit
SEC	Securities and Exchange Commission
SPE	Special purpose entity

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Market Risk Management in the MD&A beginning on page 79 which is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Internal Control

Over Financial Reporting

The management of Bank of America Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

The Corporation s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation s internal control over financial reporting as of December 31, 2009, based on the framework set forth by the Committee of Sponsoring Organizations of the

Treadway Commission in *Internal Control Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2009, the Corporation s internal control over financial reporting is effective based on the criteria established in *Internal Control Integrated Framework*.

The Corporation s internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Corporation s internal control over financial reporting as of December 31, 2009.

Brian T. Moynihan

Chief Executive Officer and President

Neil A. Cotty

Interim Chief Financial Officer

Chief Accounting Officer

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Report of Independent Registered Public Accounting Firm