BANK OF AMERICA CORP /DE/
Form 10-Q
May 07, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2010

or

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

EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:

1-6523

Exact Name of Registrant as Specified in its Charter:

Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:

Delaware

IRS Employer Identification Number:

56-0906609

Address of Principal Executive Offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant s telephone number, including area code:

(704) 386-5681

Former name, former address and former fiscal year, if changed since last report:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ü No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ü No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer ü	Accelerated filer	Non-accelerated filer (do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No ü

On April 30, 2010, there were 10,032,945,667 shares of Bank of America Corporation Common Stock outstanding.

Table of Contents

Bank of America Corporation

March 31, 2010 Form 10-Q
INDEX

Table of Contents

Part 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended March 31 2010	2009
Interest income		
Interest and fees on loans and leases	**$ 13,475**	$ 13,349
Interest on debt securities	**3,116**	3,830
Federal funds sold and securities borrowed or purchased under agreements to resell	**448**	1,155
Trading account assets	**1,743**	2,428
Other interest income	**1,097**	1,394
Total interest income	**19,879**	22,156
Interest expense		
Deposits	**1,122**	2,543
Short-term borrowings	**818**	2,221
Trading account liabilities	**660**	579
Long-term debt	**3,530**	4,316
Total interest expense	**6,130**	9,659
Net interest income	**13,749**	12,497
Noninterest income		
Card income	**1,976**	2,865
Service charges	**2,566**	2,533
Investment and brokerage services	**3,025**	2,963
Investment banking income	**1,240**	1,055
Equity investment income	**625**	1,202
Trading account profits	**5,236**	5,201
Mortgage banking income	**1,500**	3,314
Insurance income	**715**	688
Gains on sales of debt securities	**734**	1,498
Other income	**1,204**	2,313
Other-than-temporary impairment losses on available-for-sale debt securities:		
Total other-than-temporary impairment losses	**(1,819)**	(714)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	**1,218**	343
Net impairment losses recognized in earnings on available-for-sale debt securities	**(601)**	(371)
Total noninterest income	**18,220**	23,261
Total revenue, net of interest expense	**31,969**	35,758
Provision for credit losses	**9,805**	13,380
Noninterest expense		
Personnel	**9,158**	8,768
Occupancy	**1,172**	1,128
Equipment	**613**	622
Marketing	**487**	521
Professional fees	**517**	405

Amortization of intangibles	**446**	520
Data processing	**648**	648
Telecommunications	**330**	327
Other general operating	**3,883**	3,298
Merger and restructuring charges	**521**	765
Total noninterest expense	**17,775**	17,002
Income before income taxes	**4,389**	5,376
Income tax expense	**1,207**	1,129
Net income	**$ 3,182**	$ 4,247
Preferred stock dividends	**348**	1,433
Net income applicable to common shareholders	**$ 2,834**	$ 2,814
Per common share information		
Earnings	**$ 0.28**	$ 0.44
Diluted earnings	**0.28**	0.44
Dividends paid	**0.01**	0.01
Average common shares issued and outstanding (in thousands)	**9,177,468**	6,370,815
Average diluted common shares issued and outstanding (in thousands)	**10,005,254**	6,393,407

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	March 31 2010	December 31 2009
Assets		
Cash and cash equivalents	**$ 144,794**	$ 121,339
Time deposits placed and other short-term investments	**20,256**	24,202
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$71,300** and $57,775 measured at fair value and **$191,346** and $189,844 pledged as collateral)	**197,038**	189,933
Trading account assets (includes **$39,131** and $30,921 pledged as collateral)	**206,018**	182,206
Derivative assets	**77,577**	80,689
Debt securities:		
Available-for-sale (includes **$141,111** and $122,708 pledged as collateral)	**316,020**	301,601
Held-to-maturity, at cost (fair value **$340** and $9,684)	**340**	9,840
Total debt securities	**316,360**	311,441
Loans and leases (includes **$4,087** and $4,936 measured at fair value and **$106,464** and $118,113 pledged as collateral)	**976,042**	900,128
Allowance for loan and lease losses	**(46,835)**	(37,200)
Loans and leases, net of allowance	**929,207**	862,928
Premises and equipment, net	**15,147**	15,500
Mortgage servicing rights (includes **$18,842** and $19,465 measured at fair value)	**19,146**	19,774
Goodwill	**86,305**	86,314
Intangible assets	**11,548**	12,026
Loans held-for-sale (includes **$25,387** and $32,795 measured at fair value)	**35,386**	43,874
Customer and other receivables	**83,636**	81,996
Other assets (includes **$63,070** and $55,909 measured at fair value)	**196,282**	191,077
Total assets	**$ 2,338,700**	$ 2,223,299
Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)		
Trading account assets	**$ 11,826**	
Derivative assets	**4,194**	
Available-for-sale debt securities	**12,074**	
Loans and leases	**129,432**	
Allowance for loan and lease losses	**(11,140)**	
Loans and leases, net of allowance	**118,292**	
Loans held-for-sale	**5,471**	
All other assets	**9,637**	
Total assets of consolidated VIEs	**$ 161,494**	

See accompanying Notes to Consolidated Financial Statements.

4

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet (continued)

(Dollars in millions)	March 31 2010	December 31 2009
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 255,470**	$ 269,615
Interest-bearing (includes **$1,717** and $1,663 measured at fair value)	**643,943**	640,789
Deposits in foreign offices:		
Noninterest-bearing	**5,614**	5,489
Interest-bearing	**71,075**	75,718
Total deposits	**976,102**	991,611
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$46,479** and $37,325 measured at fair value)	**270,601**	255,185
Trading account liabilities	**82,532**	65,432
Derivative liabilities	**46,927**	43,728
Commercial paper and other short-term borrowings (includes $**7,021** and $813 measured at fair value)	**85,406**	69,524
Accrued expenses and other liabilities (includes **$25,991** and $19,015 measured at fair value and **$1,521** and $1,487 of reserve for unfunded lending commitments)	**135,656**	127,854
Long-term debt (includes **$48,401** and $45,451 measured at fair value)	**511,653**	438,521
Total liabilities	**2,108,877**	1,991,855
Commitments and contingencies (*Note 8 Securitizations and Other Variable Interest Entities* and *Note 11 Commitments and Contingencies*)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized **100,000,000** shares; issued and outstanding **3,960,660** and 5,246,660 shares	**17,964**	37,208
Common stock and additional paid-in capital, $0.01 par value; authorized **11,300,000,000** and 10,000,000,000 shares; issued and outstanding **10,032,001,150** and 8,650,243,926 shares	**149,048**	128,734
Retained earnings	**67,811**	71,233
Accumulated other comprehensive income (loss)	**(4,929)**	(5,619)
Other	**(71)**	(112)
Total shareholders equity	**229,823**	231,444
Total liabilities and shareholders equity	**$ 2,338,700**	$ 2,223,299

Liabilities of consolidated VIEs included in total liabilities above	
Commercial paper and other short-term borrowings (includes **$14,490** of non-recourse liabilities)	**$ 21,631**
Long-term debt (includes **$86,023** of non-recourse debt)	**90,329**
All other liabilities (includes **$2,561** of non-recourse liabilities)	**5,135**
Total liabilities of consolidated VIEs	**$ 117,095**

See accompanying Notes to Consolidated Financial Statements.

5

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders Equity	Comprehensive Income (Loss)
Balance, December 31, 2008	$ 37,701	5,017,436	$ 76,766	$ 73,823	$ (10,825)	$ (413)	$ 177,052	
Cumulative adjustment for accounting change Other-than-temporary impairments on debt securities				71	(71)		-	
Net income				4,247			4,247	$ 4,247
Net change in available-for-sale debt and marketable equity securities					(811)		(811)	(811)
Net change in foreign currency translation adjustments					66		66	66
Net change in derivatives					412		412	412
Employee benefit plan adjustments					65		65	65
Dividends paid:								
Common				(64)			(64)	
Preferred				(1,033)			(1,033)	
Issuance of preferred stock and stock warrants	26,800		3,200				30,000	
Stock issued in acquisition	8,605	1,375,476	20,504				29,109	
Common stock issued under employee plans and related tax effects		8,038	394			108	502	
Other	171			(167)			4	
Balance, March 31, 2009	$ 73,277	6,400,950	$ 100,864	$ 76,877	$ (11,164)	$ (305)	$ 239,549	$ 3,979
Balance, December 31, 2009	**$ 37,208**	**8,650,244**	**$ 128,734**	**$ 71,233**	**$ (5,619)**	**$ (112)**	**$ 231,444**	
Cumulative adjustment for accounting change Consolidation of certain variable interest entities				**(6,154)**	**(116)**		**(6,270)**	**$ (116)**
Net income				**3,182**			**3,182**	**3,182**
Net change in available-for-sale debt and marketable equity securities					**944**		**944**	**944**
Net change in foreign currency translation adjustments					**(43)**		**(43)**	**(43)**
Net change in derivatives					**(161)**		**(161)**	**(161)**
Employee benefit plan adjustments					**66**		**66**	**66**
Dividends paid:								
Common				**(102)**			**(102)**	
Preferred				**(348)**			**(348)**	
Common stock issued under employee plans and related tax effects		**95,757**	**1,070**			**36**	**1,106**	
Common Equivalent Securities conversion	**(19,244)**	**1,286,000**	**19,244**				**-**	
Other						**5**	**5**	
Balance, March 31, 2010	**$ 17,964**	**10,032,001**	**$ 149,048**	**$ 67,811**	**$ (4,929)**	**$ (71)**	**$ 229,823**	**$ 3,872**

See accompanying Notes to Consolidated Financial Statements.

6

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Statement of Cash Flows

(Dollars in millions)	Three Months Ended March 31 2010	2009
Operating activities		
Net income	**$ 3,182**	$ 4,247
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses	**9,805**	13,380
Gains on sales of debt securities	**(734)**	(1,498)
Depreciation and premises improvements amortization	**566**	578
Amortization of intangibles	**446**	520
Deferred income tax expense	**736**	486
Net decrease in trading and derivative instruments	**6,770**	27,049
Net decrease in other assets	**5,723**	28,304
Net increase (decrease) in accrued expenses and other liabilities	**6,115**	(10,870)
Other operating activities, net	**(8,733)**	(7,399)
Net cash provided by operating activities	**23,876**	54,797
Investing activities		
Net decrease in time deposits placed and other short-term investments	**4,023**	19,336
Net (increase) decrease in federal funds sold and securities borrowed or purchased under agreements to resell	**(7,105)**	68,072
Proceeds from sales of available-for-sale debt securities	**35,022**	53,309
Proceeds from paydowns and maturities of available-for-sale debt securities	**18,690**	13,871
Purchases of available-for-sale debt securities	**(64,899)**	(6,576)
Proceeds from maturities of held-to-maturity debt securities	**-**	280
Proceeds from sales of loans and leases	**857**	565
Other changes in loans and leases, net	**12,990**	(6,636)
Net purchases of premises and equipment	**(213)**	(531)
Proceeds from sales of foreclosed properties	**751**	417
Cash received upon acquisition, net	**-**	31,804
Cash received due to impact of adoption of new consolidation guidance	**2,807**	-
Other investing activities, net	**2,884**	2,700
Net cash provided by investing activities	**5,807**	176,611
Financing activities		
Net decrease in deposits	**(15,509)**	(27,596)
Net increase (decrease) in federal funds purchased and securities loaned or sold under agreements to repurchase	**15,416**	(71,444)
Net decrease in commercial paper and other short-term borrowings	**(6,255)**	(10,135)
Proceeds from issuance of long-term debt	**23,280**	24,246
Retirement of long-term debt	**(22,750)**	(34,711)
Proceeds from issuance of preferred stock	**-**	30,000
Cash dividends paid	**(450)**	(1,097)
Excess tax benefits of share-based payments	**45**	-
Other financing activities, net	**(11)**	11
Net cash used in financing activities	**(6,234)**	(90,726)
Effect of exchange rate changes on cash and cash equivalents	**6**	(79)
Net increase in cash and cash equivalents	**23,455**	140,603
Cash and cash equivalents at January 1	**121,339**	32,857
Cash and cash equivalents at March 31	**$ 144,794**	$173,460

During the three months ended March 31, 2009, the Corporation transferred credit card loans of $8.5 billion and the related allowance for loan and lease losses of $750 million in exchange for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. credit card securitization trust and retained by the Corporation.

The fair values of noncash assets acquired and liabilities assumed in the Merrill Lynch acquisition were $619.0 billion and $626.7 billion as of March 31, 2009.

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

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 Summary of Significant Accounting Principles

Bank of America Corporation and its subsidiaries (the Corporation), a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. When used in this report, the meaning of the words the Corporation may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation s subsidiaries or affiliates. The Corporation conducts these activities through its banking and nonbanking subsidiaries. At March 31, 2010, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and FIA Card Services, N.A. In connection with certain acquisitions including Merrill Lynch & Co. Inc. (Merrill Lynch) and Countrywide Financial Corporation (Countrywide), the Corporation acquired banking subsidiaries that have been merged into Bank of America, N.A. with no impact on the Consolidated Financial Statements of the Corporation. On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion.

Principles of Consolidation and Basis of Presentation

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

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

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Corporation s 2009 Annual Report on Form 10-K. The nature of the Corporation s business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

On January 1, 2010, the Corporation adopted new Financial Accounting Standards Board (FASB) accounting guidance on transfers of financial assets and consolidation of VIEs. This new accounting guidance revises sale accounting criteria for transfers of financial assets, including elimination of the concept of and accounting for qualifying special purpose entities (QSPEs), and significantly changes the criteria for consolidation of a VIE. The adoption of this new accounting guidance resulted in the consolidation of certain VIEs that previously were QSPEs and VIEs that were not recorded on the Corporation s Consolidated Balance Sheet prior to January 1, 2010. The adoption of this new accounting guidance resulted in a net incremental increase in assets of $100.4 billion and a net increase in liabilities of $106.7 billion. These amounts are net of retained interests in securitizations held on the Consolidated Balance Sheet at December 31, 2009 and a $10.8 billion increase in the allowance for loan and lease losses. The Corporation recorded a $6.2 billion charge, net of tax, to retained earnings on January 1, 2010 for the cumulative effect of the adoption of this new accounting guidance, which resulted principally from the increase in the allowance for loan and lease losses, and a $116 million charge to accumulated other comprehensive income (OCI). Initial recording of these assets, related allowance and liabilities on the Corporation s Consolidated Balance Sheet had no impact at the date of adoption on consolidated results of operations.

Table of Contents

Application of the new consolidation guidance has been deferred indefinitely for certain investment funds managed on behalf of third parties if the Corporation does not have an obligation to fund losses that could potentially be significant to these funds. Application of the new consolidation guidance has also been deferred if the funds must comply with guidelines similar to those included in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. These funds, which include the cash funds managed within *Global Wealth & Investment Management (GWIM)*, will continue to be evaluated for consolidation in accordance with the prior guidance.

On January 1, 2010, the Corporation elected to early adopt, on a prospective basis new FASB accounting guidance stating that troubled debt restructuring (TDR) accounting cannot be applied to individual loans within purchased credit-impaired loan pools. The adoption of this guidance did not have a material impact on the Corporation s financial condition or results of operations.

On January 1, 2010, the Corporation adopted new FASB accounting guidance that requires disclosure of gross transfers into and out of Level 3 of the fair value hierarchy and adds a requirement to disclose significant transfers between Level 1 and Level 2 of the fair value hierarchy. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and inputs, and valuation techniques. The enhanced disclosures required under this new guidance are included in *Note 14 Fair Value Measurements.*

In March 2010, the FASB issued new accounting guidance on embedded credit derivatives. This new accounting guidance clarifies the scope exception for embedded credit derivatives and defines which embedded credit derivatives should be evaluated for bifurcation and separate accounting. The adoption of this new accounting guidance in the third quarter of 2010 is not expected to have a material impact on the Corporation s financial position or results of operations.

Significant Accounting Policies

Securities Financing Agreements

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase (securities financing agreements) are treated as collateralized financing transactions. These agreements are recorded at the amounts at which the securities were acquired or sold plus accrued interest, except for certain securities financing agreements that the Corporation accounts for under the fair value option. Changes in the value of securities financing agreements that are accounted for under the fair value option are recorded in other income. For more information on securities financing agreements that the Corporation accounts for under the fair value option, see *Note 14 Fair Value Measurements*.

The Corporation s policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Corporation may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

Substantially all securities financing agreements are transacted under master repurchase agreements which give the Corporation, in the event of default, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets securities financing agreements with the same counterparty on the Consolidated Balance Sheet where it has such a master agreement. In transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Consolidated Balance Sheet at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities.

Table of Contents

At the end of certain quarterly periods during the three years ended December 31, 2009, the Corporation had recorded certain sales of agency mortgage-backed securities (MBS) which, based on a more recent internal review and interpretation, should have been recorded as secured borrowings. These periods and amounts were as follows: March 31, 2009 $573 million; September 30, 2008 $10.7 billion; December 31, 2007 $1.8 billion; and March 31, 2007 $4.5 billion. As the transferred securities were recorded at fair value in trading account assets, the change would have had no impact on consolidated results of operations. Had the sales been recorded as secured borrowings, trading account assets and federal funds purchased and securities loaned or sold under agreements to repurchase would have increased by the amount of the transactions, however, the increase in all cases was less than 0.7 percent of total assets or total liabilities. Accordingly, the Corporation believes that these transactions did not have a material impact on the Corporation s Consolidated Balance Sheet.

In repurchase transactions, typically, the termination date for a repurchase agreement is before the maturity date of the underlying security. However, in certain situations, the Corporation may enter into repurchase agreements where the termination date of the repurchase transaction is the same as the maturity date of the underlying security and these transactions are referred to as repo-to-maturity (RTM) transactions. The Corporation enters into RTM transactions only for high quality, very liquid securities such as U.S. Treasury securities or securities issued by government-sponsored entities. The Corporation accounts for RTM transactions as sales in accordance with GAAP, and accordingly, de-recognizes the securities from the balance sheet and recognizes a gain or loss in the Consolidated Statement of Income. At March 31, 2010 and December 31, 2009, the Corporation had outstanding RTM transactions of $3.0 billion and $6.5 billion that had been accounted for as sales.

Variable Interest Entities

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. Prior to 2010, the primary beneficiary was the entity that would absorb a majority of the economic risks and rewards of the VIE based on an analysis of projected probability-weighted cash flows. In accordance with the new accounting guidance on consolidation of VIEs and transfers of financial assets (new consolidation guidance) effective January 1, 2010, the Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. On a quarterly basis, the Corporation reassesses whether it has a controlling financial interest in and is the primary beneficiary of a VIE. The quarterly reassessment process considers whether the Corporation has acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether the Corporation has acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which the Corporation is involved may change as a result of such reassessments.

Retained interests in securitized assets are initially recorded at fair value. Prior to 2010, retained interests were initially recorded at an allocated cost basis in proportion to the relative fair values of the assets sold and interests retained. In addition, the Corporation may invest in debt securities issued by unconsolidated VIEs. Quoted market prices are primarily used to obtain fair values of these debt securities, which are recorded in available-for-sale (AFS) debt securities or trading account assets. Generally, quoted market prices for retained residual interests are not available, therefore, the Corporation estimates fair values based on the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward interest yield curves, discount rates and other factors that impact the value of retained interests. Retained residual interests in unconsolidated securitization trusts are recorded in trading account assets or other assets with changes in fair value recorded in income. The Corporation may also purchase credit protection from unconsolidated VIEs in the form of credit default swaps or other derivatives, which are carried at fair value with changes in fair value recorded in income.

Table of Contents

NOTE 2 Merger and Restructuring Activity

Merrill Lynch

On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion. Under the terms of the merger agreement, Merrill Lynch common shareholders received 0.8595 of a share of Bank of America Corporation common stock in exchange for each share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock remains outstanding and is convertible into Bank of America Corporation common stock at an equivalent exchange ratio.

The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the Merrill Lynch acquisition date as summarized in the following table. Goodwill of $5.1 billion was calculated as the purchase premium after adjusting for the fair value of net assets acquired and represents the value expected from the synergies created from combining the Merrill Lynch wealth management and corporate and investment banking businesses with the Corporation s capabilities in consumer and commercial banking as well as the economies of scale expected from combining the operations of the two companies. No goodwill is deductible for federal income tax purposes. The goodwill was allocated principally to the *GWIM* and *Global Banking & Markets (GBAM)* business segments.

Merrill Lynch Purchase Price Allocation
(Dollars in billions, except per share amounts)

Purchase price	
Merrill Lynch common shares exchanged (in millions)	1,600
Exchange ratio	0.8595
The Corporation s common shares issued (in millions)	1,375
Purchase price per share of the Corporation s common stock[1]	$ 14.08
Total value of the Corporation s common stock and cash exchanged for fractional shares	$ 19.4
Merrill Lynch preferred stock	8.6
Fair value of outstanding employee stock awards	1.1
Total purchase price	**$ 29.1**
Allocation of the purchase price	
Merrill Lynch stockholders equity	19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Derivatives and securities	(1.9)
Loans	(6.1)
Intangible assets [2]	5.4
Other assets/liabilities	(0.8)
Long-term debt	16.0
Pre-tax total adjustments	12.6
Deferred income taxes	(5.9)
After-tax total adjustments	6.7
Fair value of net assets acquired	24.0
Goodwill resulting from the Merrill Lynch acquisition	**$ 5.1**

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

(2) Consists of trade name of $1.5 billion and customer relationship and core deposit intangibles of $3.9 billion. The amortization life is 10 years for the customer relationship and core deposit intangibles which are primarily amortized on a straight-line basis.

Countrywide

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

Table of Contents

Merger and Restructuring Charges and Reserves

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and its recent acquisitions. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. On January 1, 2009, the Corporation adopted new accounting guidance on business combinations, on a prospective basis, that requires that acquisition-related transaction and restructuring costs be charged to expense as incurred. Previously, these expenses were recorded as an adjustment to goodwill.

The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Severance and employee-related charges	**$ 151**	$ 491
Systems integrations and related charges	**310**	192
Other	**60**	82
Total merger and restructuring charges	**$ 521**	$ 765

For the three months ended March 31, 2010, merger and restructuring charges consisted of $408 million related to the Merrill Lynch acquisition and $113 million related to the Countrywide acquisition. For the three months ended March 31, 2009, merger and restructuring charges consisted primarily of $513 million related to the Merrill Lynch acquisition and $193 million related to the Countrywide acquisition.

For the three months ended March 31, 2010, $408 million of merger-related charges for the Merrill Lynch acquisition included $121 million for severance and other employee-related costs, $238 million of system integration costs, and $49 million of other merger-related costs.

The following table presents the changes in exit cost and restructuring reserves for the three months ended March 31, 2010 and 2009. Exit cost reserves were established in purchase accounting resulting in an increase in goodwill. Restructuring reserves are established by a charge to merger and restructuring charges, and the restructuring charges are included in the total merger and restructuring charges in the table above. Exit costs were not recorded in purchase accounting for the Merrill Lynch acquisition in accordance with new accounting guidance on business combinations which was effective January 1, 2009.

	Exit Cost Reserves		**Restructuring Reserves**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Balance, January 1	**$ 112**	$ 523	**$ 403**	$ 86
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**106**	382
Countrywide	**-**	-	**30**	60
Cash payments	**(22)**	(192)	**(294)**	(136)
Balance, March 31	**$ 90**	$ 331	**$ 245**	$ 392

n/a = not applicable

At December 31, 2009, there were $112 million of exit cost reserves related principally to the Countrywide acquisition, including $70 million for severance, relocation and other employee-related costs and $42 million for contract terminations. Cash payments of $22 million during the three months ended March 31, 2010 consisted of $7 million in severance, relocation and other employee-related costs, and $15 million in contract terminations. At March 31, 2010, exit cost reserves of $90 million related principally to Countrywide.

At December 31, 2009, there were $403 million of restructuring reserves related to the Merrill Lynch and Countrywide acquisitions for severance and other employee-related costs. For the three months ended March 31, 2010, $136 million was added to the restructuring reserves related to severance and other employee-related costs primarily associated with the Merrill Lynch acquisition. Cash payments of $294 million during the three months ended March 31, 2010 were all related to severance and other employee-related costs. Payments associated with the Countrywide and Merrill Lynch acquisitions will continue into 2011. At March 31, 2010, restructuring reserves of $245 million consisted of $169 million for Merrill Lynch and $76 million for Countrywide.

Table of Contents

NOTE 3 Trading Account Assets and Liabilities

The following table presents the components of trading account assets and liabilities at March 31, 2010 and December 31, 2009.

(Dollars in millions)	March 31 2010	December 31 2009
Trading account assets		
U.S. government and agency securities [1]	**$ 56,603**	$ 44,585
Corporate securities, trading loans and other	**61,384**	57,009
Equity securities	**32,014**	33,562
Foreign sovereign debt	**35,817**	28,143
Mortgage trading loans and asset-backed securities	**20,200**	18,907
Total trading account assets	**$ 206,018**	$ 182,206
Trading account liabilities		
U.S. government and agency securities	**$ 30,068**	$ 26,519
Equity securities	**20,419**	18,407
Foreign sovereign debt	**21,619**	12,897
Corporate securities and other	**10,426**	7,609
Total trading account liabilities	**$ 82,532**	$ 65,432

[1] Includes $28.2 billion and $23.5 billion at March 31, 2010 and December 31, 2009 of government-sponsored enterprise (GSE) obligations.

Table of Contents

NOTE 4 Derivatives

Derivative Balances

Derivatives are held for trading, as economic hedges, or as qualifying accounting hedges. The Corporation enters into derivatives to facilitate client transactions, for proprietary trading purposes and to manage risk exposures. For additional information on the Corporation s derivatives and hedging activities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K. The following table identifies derivative instruments included on the Corporation s Consolidated Balance Sheet in derivative assets and liabilities at March 31, 2010 and December 31, 2009. Balances are provided on a gross basis, prior to the application of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	March 31, 2010						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional (1)	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges (2)	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges (2)	Total
Interest rate contracts							
Swaps	$ 43,320.7	$ 1,128.4	$ 6.2	$ 1,134.6	$ 1,107.0	$ 1.2	$ 1,108.2
Futures and forwards	12,096.0	5.9	0.1	6.0	6.4	-	6.4
Written options	2,791.0	-	-	-	77.4	-	77.4
Purchased options	2,732.7	78.1	-	78.1	-	-	-
Foreign exchange contracts							
Swaps	646.7	21.6	5.8	27.4	26.0	1.7	27.7
Spot, futures and forwards	2,207.9	25.7	-	25.7	27.1	-	27.1
Written options	391.3	-	-	-	10.9	-	10.9
Purchased options	392.4	10.5	-	10.5	-	-	-
Equity contracts							
Swaps	72.3	7.6	-	7.6	7.5	-	7.5
Futures and forwards	95.7	3.1	-	3.1	2.3	-	2.3
Written options	430.9	-	-	-	23.3	0.4	23.7
Purchased options	391.4	24.5	-	24.5	-	-	-
Commodity contracts							
Swaps	101.4	8.8	0.2	9.0	8.4	-	8.4
Futures and forwards	435.0	10.2	-	10.2	9.4	-	9.4
Written options	65.1	-	-	-	4.8	-	4.8
Purchased options	60.0	4.5	-	4.5	-	-	-
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,525.8	88.1	-	88.1	38.7	-	38.7
Total return swaps/other	25.9	1.3	-	1.3	0.8	-	0.8
Written credit derivatives:							
Credit default swaps	2,534.1	37.7	-	37.7	82.4	-	82.4
Total return swaps/other	36.0	1.4	-	1.4	0.6	-	0.6
Gross derivative assets/liabilities		$ 1,457.4	$ 12.3	1,469.7	$ 1,433.0	$ 3.3	1,436.3
Less: Legally enforceable master netting agreements				(1,334.0)			(1,334.0)
Less: Cash collateral applied				(58.1)			(55.4)

Total derivative assets/liabilities	**$ 77.6**	**$ 46.9**

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

[2] Excludes $4.1 billion of long-term debt designated as a hedge of foreign currency risk.

14

Table of Contents

	December 31, 2009						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional (1)	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges (2)	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges (2)	Total
Interest rate contracts							
Swaps	$ 45,261.5	$ 1,121.3	$ 5.6	$ 1,126.9	$ 1,105.0	$ 0.8	$ 1,105.8
Futures and forwards	11,842.1	7.1	-	7.1	6.1	-	6.1
Written options	2,865.5	-	-	-	84.1	-	84.1
Purchased options	2,626.7	84.1	-	84.1	-	-	-
Foreign exchange contracts							
Swaps	661.9	23.7	4.6	28.3	27.3	0.5	27.8
Spot, futures and forwards	1,750.8	24.6	0.3	24.9	25.6	0.1	25.7
Written options	383.6	-	-	-	13.0	-	13.0
Purchased options	355.3	12.7	-	12.7	-	-	-
Equity contracts							
Swaps	58.5	2.0	-	2.0	2.0	-	2.0
Futures and forwards	79.0	3.0	-	3.0	2.2	-	2.2
Written options	283.4	-	-	-	25.1	0.4	25.5
Purchased options	273.7	27.3	-	27.3	-	-	-
Commodity contracts							
Swaps	65.3	6.9	0.1	7.0	6.8	-	6.8
Futures and forwards	387.8	10.4	-	10.4	9.6	-	9.6
Written options	54.9	-	-	-	7.9	-	7.9
Purchased options	50.9	7.6	-	7.6	-	-	-
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,800.5	105.5	-	105.5	45.2	-	45.2
Total return swaps/other	21.7	1.5	-	1.5	0.4	-	0.4
Written credit derivatives:							
Credit default swaps	2,788.8	44.1	-	44.1	98.4	-	98.4
Total return swaps/other	33.1	1.8	-	1.8	1.1	-	1.1
Gross derivative assets/liabilities		$ 1,483.6	$ 10.6	1,494.2	$ 1,459.8	$ 1.8	1,461.6
Less: Legally enforceable master netting agreements				(1,355.1)			(1,355.1)
Less: Cash collateral applied				(58.4)			(62.8)
Total derivative assets/liabilities				$ 80.7			$ 43.7

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

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

ALM and Risk Management Derivatives

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

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, to minimize significant fluctuations in earnings that are caused by interest rate volatility. Interest rate contracts are used by the Corporation in the management of its interest rate risk position. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in fair value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Table of Contents

Interest rate and market risk can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and euro-dollar futures as economic hedges of the fair value of mortgage servicing rights (MSRs). For additional information on MSRs, see *Note 16 Mortgage Servicing Rights*.

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

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

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

Derivatives Designated as Accounting Hedges

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

The following table summarizes certain information related to the Corporation s derivatives designated as fair value hedges for the three months ended March 31, 2010 and 2009.

	Amounts Recognized in Income for the Three Months Ended					
	March 31, 2010			March 31, 2009		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt [(1)]	**$ 885**	**$ (1,013)**	**$ (128)**	$ (765)	$ 636	$ (129)
Interest rate and foreign currency risk on long-term debt [(1)]	**(1,375)**	**1,251**	**(124)**	(951)	1,009	58
Interest rate risk on available-for-sale securities [(2, 3)]	**(30)**	**19**	**(11)**	53	(81)	(28)
Commodity price risk on commodity inventory [(4)]	**57**	**(61)**	**(4)**	56	(58)	(2)
Total	**$ (463)**	**$ 196**	**$ (267)**	$ (1,607)	$ 1,506	$ (101)

[(1)] Amounts are recorded in interest expense on long-term debt.

(2) Amounts are recorded in interest income on AFS securities.

(3) Measurement of ineffectiveness in the three months ended March 31, 2010 and 2009 includes $4 million and $28 million of interest costs on short forward contracts. The Corporation considers this as part of the cost of hedging, and it is offset by the fixed coupon receipt on the AFS security that is recognized in interest income on securities.

(4) Amounts are recorded in trading account profits.

Table of Contents

The following table summarizes certain information related to the Corporation s derivatives designated as cash flow hedges and net investment hedges for the three months ended March 31, 2010 and 2009. During the next 12 months, net losses in accumulated OCI of approximately $1.2 billion ($739 million after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

	Three Months Ended March 31					
	2010			2009		
(Dollars in millions, amounts pre-tax)	**Amounts Recognized in OCI on Derivatives**	**Amounts Reclassified from OCI into Income**	**Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [1]**	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [1]
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios [2,3,4]	**$ (502)**	**$ (81)**	**$ (13)**	$ 154	$ (484)	$ 4
Commodity price risk on forecasted purchases and sales	**32**	**3**	**-**	48	-	-
Price risk on restricted stock awards [5]	**144**	**11**	**-**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**6**	**-**	**-**	(44)	-	-
Total	**$ (320)**	**$ (67)**	**$ (13)**	$ 158	$ (484)	$ 4
Net investment hedges						
Foreign exchange risk [6]	**$ 978**	**$ -**	**$ (65)**	$ 1,016	$ -	$ (80)

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

(2) Amounts reclassified from OCI increased interest income on assets by $47 million and reduced interest income on assets by $44 million, and increased interest expense on liabilities by $128 million and $440 million during the three months ended March 31, 2010 and 2009.

(3) Hedge ineffectiveness of $(1) million and $4 million was recorded in interest income and $(12) million and $0 was recorded in interest expense during the three months ended March 31, 2010 and 2009.

(4) Amounts reclassified from OCI exclude amounts related to derivative interest accruals which increased interest income by $62 million and $3 million for the three months ended March 31, 2010 and 2009.

(5) Gains reclassified from OCI are recorded in personnel expense.

(6) Amounts recognized in OCI on derivatives exclude gains of $262 million and $33 million related to long-term debt designated as a net investment hedge for the three months ended March 31, 2010 and 2009.

n/a = not applicable

The Corporation entered into total return swaps to hedge a portion of cash-settled restricted stock units (RSUs) granted to certain employees in the three months ended March 31, 2010 as part of their 2009 compensation. These cash-settled RSUs are accrued as liabilities over the vesting period and adjusted to fair value based on changes in the share price of the Corporation s common stock. The Corporation entered into the derivatives to minimize the change in the expense to the Corporation driven by fluctuations in the share price of the Corporation s common stock during the vesting period of the restricted stock units. Certain of these derivatives are designated as cash flow hedges of unrecognized non-vested awards with the changes in fair value of the hedge recorded in OCI and reclassified into income in the same period as the RSUs affect earnings. The remaining derivatives are accounted for as economic hedges and changes in fair value are recorded in personnel expense. For more information on restricted stock units, see *Note 13 Pension, Postretirement and Other Employee Plans*.

Table of Contents

Economic Hedges

Derivatives designated as economic hedges are used by the Corporation to reduce certain risk exposures but are not accounted for as accounting hedges. The following table presents gains (losses) on these derivatives for the three months ended March 31, 2010 and 2009. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Price risk on mortgage banking production income [1, 2]	**$ 1,356**	$ 2,157
Interest rate risk on mortgage banking servicing income [1]	**798**	150
Credit risk on loans [3]	**(56)**	75
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [4]	**(3,988)**	(546)
Other [4]	**96**	15
Total	**$ (1,794)**	$ 1,851

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

(2) Includes gains on interest rate lock commitments related to the origination of mortgage loans that are held for sale, which are considered derivative instruments, of $1.9 billion and $2.5 billion for the three months ended March 31, 2010 and 2009.

(3) Gains (losses) on these derivatives and bonds are recorded in other income, trading account profits and net interest income.

(4) Gains (losses) on these derivatives are recorded in other income, trading account profits and personnel expense.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for proprietary trading purposes, and to manage risk exposures arising from trading assets and liabilities. It is the Corporation s policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation s *GBAM* business segment. The related sales and trading revenue generated within *GBAM* is recorded on various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the vast majority of income related to derivative instruments is recorded in trading account profits. The following table identifies the amounts in the income statement line items attributable to the Corporation s sales and trading revenue categorized by primary risk for the three months ended March 31, 2010 and 2009.

Three Months Ended March 31

(Dollars in millions)	2010 Trading Account Profits	2010 Other Revenues [(1)]	2010 Net Interest Income	2010 Total	2009 Trading Account Profits	2009 Other Revenues [(1)]	2009 Net Interest Income	2009 Total
Interest rate risk	**$ 1,057**	**$ 41**	**$ 183**	**$ 1,281**	$ 2,963	$ 15	$ 334	$ 3,312
Foreign exchange risk	**281**	**-**	**-**	**281**	274	1	7	282
Equity risk	**874**	**610**	**46**	**1,530**	786	622	81	1,489
Credit risk	**2,619**	**129**	**950**	**3,698**	197	(1,104)	1,507	600
Other risk	**224**	**8**	**(50)**	**182**	683	(39)	(191)	453
Total sales and trading revenue	**$ 5,055**	**$ 788**	**$ 1,129**	**$ 6,972**	$ 4,903	$ (505)	$ 1,738	$ 6,136

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

Credit Derivatives

The Corporation enters into credit derivatives primarily to facilitate client transactions and to manage credit risk exposures. Credit derivatives derive value based on an underlying third party-referenced obligation or a portfolio of referenced obligations and generally require the Corporation as the seller of credit protection to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit

Table of Contents

entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Corporation may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at March 31, 2010 and December 31, 2009 are summarized below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments.

			March 31, 2010 Carrying Value		
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	**$ 353**	**$ 5,887**	**$ 8,295**	**$ 25,256**	**$ 39,791**
Non-investment grade	**1,141**	**8,056**	**9,883**	**23,552**	**42,632**
Total	**1,494**	**13,943**	**18,178**	**48,808**	**82,423**
Total return swaps/other:					
Investment grade	**-**	**26**	**33**	**32**	**91**
Non-investment grade	**1**	**192**	**38**	**253**	**484**
Total	**1**	**218**	**71**	**285**	**575**
Total credit derivatives	**$ 1,495**	**$ 14,161**	**$ 18,249**	**$ 49,093**	**$ 82,998**
			Maximum Payout/Notional		
Credit default swaps:					
Investment grade	**$ 162,417**	**$ 453,420**	**$ 575,291**	**$ 390,296**	**$ 1,581,424**
Non-investment grade	**95,012**	**296,057**	**295,898**	**265,668**	**952,635**
Total	**257,429**	**749,477**	**871,189**	**655,964**	**2,534,059**
Total return swaps/other:					
Investment grade	**4**	**91**	**12,563**	**10,478**	**23,136**
Non-investment grade	**403**	**1,712**	**923**	**9,818**	**12,856**
Total	**407**	**1,803**	**13,486**	**20,296**	**35,992**
Total credit derivatives	**$ 257,836**	**$ 751,280**	**$ 884,675**	**$ 676,260**	**$ 2,570,051**

			December 31, 2009 Carrying Value		
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 454	$ 5,795	$ 5,831	$ 24,586	$ 36,666
Non-investment grade	1,342	14,012	16,081	30,274	61,709
Total	1,796	19,807	21,912	54,860	98,375
Total return swaps/other:					
Investment grade	1	20	5	540	566
Non-investment grade	-	194	3	291	488
Total	1	214	8	831	1,054
Total credit derivatives	$ 1,797	$ 20,021	$ 21,920	$ 55,691	$ 99,429
			Maximum Payout/Notional		
Credit default swaps:					

Investment grade	$ 147,501	$ 411,258	$ 596,103	$ 335,526	$ 1,490,388
Non-investment grade	123,907	417,834	399,896	356,735	1,298,372
Total	271,408	829,092	995,999	692,261	2,788,760
Total return swaps/other:					
Investment grade	31	60	1,081	8,087	9,259
Non-investment grade	2,035	1,280	2,183	18,352	23,850
Total	2,066	1,340	3,264	26,439	33,109
Total credit derivatives	$ 273,474	$ 830,432	$ 999,263	$ 718,700	$ 2,821,869

The notional amount represents the maximum amount payable by the Corporation for most credit derivatives. However, the Corporation does not solely monitor its exposure to credit derivatives based on notional amount because this measure does not take into consideration the probability of occurrence. As such, the notional amount is not a reliable

Table of Contents

indicator of the Corporation s exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names at March 31, 2010 was $58.9 billion and $1.8 trillion compared to $79.4 billion and $2.3 trillion at December 31, 2009.

Credit Risk Management of Derivatives and Credit-related Contingent Features

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

Substantially all of the Corporation s derivative contracts contain credit risk-related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master agreements that enhance the creditworthiness of these instruments as compared to other obligations of the respective counterparty with whom the Corporation has transacted (e.g., other debt or equity). These contingent features may be for the benefit of the Corporation, as well as its counterparties with respect to changes in the Corporation s creditworthiness. At March 31, 2010 and December 31, 2009, the Corporation received cash and securities collateral of $74.1 billion and $74.6 billion, and posted cash and securities collateral of $62.6 billion and $69.1 billion in the normal course of business under derivative agreements.

In connection with certain over-the-counter derivatives contracts and other trading agreements, the Corporation could be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of Bank of America Corporation and its subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure. At March 31, 2010 and December 31, 2009, the amount of additional collateral and termination payments that would be required for such derivatives and trading agreements was approximately $1.8 billion and $2.1 billion if the long-term credit rating of Bank of America Corporation and its subsidiaries was incrementally downgraded by one level by all ratings agencies. At both March 31, 2010 and December 31, 2009, a second incremental one level downgrade by the ratings agencies would require approximately $1.2 billion in additional collateral.

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments can be reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty. During the three months ended March 31, 2010 and 2009, credit valuation gains (losses) of $326 million and $70 million ($(69) million and $(41) million, net of hedges) for counterparty credit risk related to derivative assets were recognized in trading account profits. At March 31, 2010 and December 31, 2009, the cumulative counterparty credit risk valuation adjustment that was included in the derivative assets balance was $7.4 billion and $7.6 billion.

In addition, the fair value of the Corporation s or its subsidiaries derivative liabilities is adjusted to reflect the impact of the Corporation s credit quality. During the three months ended March 31, 2010 and 2009, credit valuation gains of $171 million and $1.7 billion were recognized in trading account profits for changes in the Corporation s or its subsidiaries credit risk. At March 31, 2010 and December 31, 2009, the Corporation s cumulative credit risk valuation adjustment that was included in the derivative liabilities balance was $950 million and $608 million.

Table of Contents

NOTE 5 Securities

The following table presents the amortized cost, gross unrealized gains and losses in accumulated OCI, and fair value of AFS debt and marketable equity securities at March 31, 2010 and December 31, 2009.

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, March 31, 2010				
U.S. Treasury and agency securities	**$ 40,664**	**$ 291**	**$ (212)**	**$ 40,743**
Mortgage-backed securities:				
Agency	**150,356**	**2,791**	**(578)**	**152,569**
Agency collateralized mortgage obligations	**43,403**	**320**	**(250)**	**43,473**
Non-agency residential [(1)]	**35,008**	**655**	**(2,685)**	**32,978**
Non-agency commercial	**6,971**	**947**	**(48)**	**7,870**
Foreign securities	**3,826**	**41**	**(744)**	**3,123**
Corporate bonds	**6,780**	**162**	**(85)**	**6,857**
Other taxable securities [(2)]	**19,914**	**84**	**(539)**	**19,459**
Total taxable securities	**306,922**	**5,291**	**(5,141)**	**307,072**
Tax-exempt securities	**9,041**	**74**	**(167)**	**8,948**
Total available-for-sale debt securities	**$ 315,963**	**$ 5,365**	**$ (5,308)**	**$ 316,020**
Available-for-sale marketable equity securities [(3)]	**$ 2,937**	**$ 3,679**	**$ (42)**	**$ 6,574**
Available-for-sale debt securities, December 31, 2009				
U.S. Treasury and agency securities	$ 22,648	$ 414	$ (37)	$ 23,025
Mortgage-backed securities:				
Agency	164,677	2,415	(846)	166,246
Agency collateralized mortgage obligations	25,330	464	(13)	25,781
Non-agency residential [(1)]	37,940	1,191	(4,028)	35,103
Non-agency commercial	6,354	671	(116)	6,909
Foreign securities	4,732	61	(896)	3,897
Corporate bonds	6,136	182	(126)	6,192
Other taxable securities [(2)]	25,469	260	(478)	25,251
Total taxable securities	293,286	5,658	(6,540)	292,404
Tax-exempt securities	9,340	100	(243)	9,197
Total available-for-sale debt securities	$ 302,626	$ 5,758	$ (6,783)	$ 301,601
Available-for-sale marketable equity securities [(3)]	$ 6,020	$ 3,895	$ (507)	$ 9,408

(1) At both March 31, 2010 and December 31, 2009, includes approximately 85 percent of prime bonds, 10 percent of Alt-A bonds, and five percent of subprime bonds.

(2) Substantially all asset-backed securities (ABS).

(3) Recorded in other assets on the Corporation s Consolidated Balance Sheet.

At March 31, 2010, the accumulated net unrealized gains on AFS debt and marketable equity securities included in accumulated OCI were $36 million and $2.3 billion, net of the related income tax expense of $21 million and $1.3 billion. At March 31, 2010 and December 31, 2009, the

Corporation had nonperforming AFS debt securities of $550 million and $467 million.

At March 31, 2010, both the amortized cost and fair value of held-to-maturity (HTM) debt securities were $340 million. At December 31, 2009, the amortized cost and fair value of HTM debt securities were $9.8 billion and $9.7 billion, which included ABS that were issued by the Corporation s credit card securitization trust and retained by the Corporation with an amortized cost of $6.6 billion and a fair value of $6.4 billion. Additionally, $2.9 billion of HTM debt securities held in consolidated commercial paper conduits were reclassified to AFS as a result of changes in regulatory capital requirements. Also, as a result of the adoption of new consolidation guidance, the Corporation consolidated the credit card securitization trusts on January 1, 2010 and the ABS were eliminated in consolidation and the related consumer credit card loans are included in loans and leases on the Corporation s Consolidated Balance Sheet.

Table of Contents

During the three months ended March 31, 2010 and 2009, the Corporation recorded other-than-temporary impairment losses on AFS debt securities as presented in the table below.

	Three Months Ended March 31, 2010					
(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Foreign Securities	Corporate Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized)	**$ (720)**	**$ (29)**	**$ (716)**	**$ (22)**	**$ (332)**	**$ (1,819)**
Unrealized other-than-temporary impairment losses recognized in OCI [1]	**445**	**23**	**539**	**18**	**193**	**1,218**
Net impairment losses recognized in earnings [2]	**$ (275)**	**$ (6)**	**$ (177)**	**$ (4)**	**$ (139)**	**$ (601)**

	Three Months Ended March 31, 2009					
(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Foreign Securities	Corporate Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized)	$ (432)	$ -	$ (133)	$ (17)	$ (132)	$ (714)
Unrealized other-than-temporary impairment losses recognized in OCI [1]	343	-	-	-	-	343
Net impairment losses recognized in earnings [2]	$ (89)	$ -	$ (133)	$ (17)	$ (132)	$ (371)

(1) Represents the non-credit component of other-than-temporary impairment losses on AFS debt securities. For the three months ended March 31, 2010, for certain securities, the Corporation recognized credit losses in excess of unrealized losses in OCI. In these instances, a portion of the credit losses recognized in earnings has been offset by an unrealized gain. Balances above exclude $93 million of gross gains recorded in OCI related to these securities for the three months ended March 31, 2010. No gross gains were recorded in OCI related to these securities for the three months ended March 31, 2009.

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

The following table presents activity for the three months ended March 31, 2010 and 2009 related to the credit component recognized in earnings on debt securities held by the Corporation for which a portion of the other-than-temporary impairment loss remains in OCI.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	**2009**
Balance, January 1	**$ 442**	$ -
Credit component of other-than-temporary impairment not reclassified to OCI in connection with the cumulative effect transition adjustment [1]	**-**	22
Additions for the credit component on debt securities on which other-than-temporary impairment losses were not previously recognized [2]	**131**	18
	302	-

Additions for the credit component on debt securities on which other-than-temporary impairment losses were previously recognized		
Balance, March 31	**$ 875**	$ 40

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

(2) During the three months ended March 31, 2010 and 2009, the Corporation recognized $168 million and $331 million of other-than-temporary impairment losses on debt securities on which no portion of other-than-temporary impairment loss remained in OCI. Other-than-temporary impairment losses related to these securities are excluded from these amounts.

As of March 31, 2010, those debt securities with other-than-temporary impairment for which a portion of the other-than-temporary impairment loss remains in OCI primarily consisted of non-agency residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs). The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model. The Corporation estimates the expected cash flows of the underlying collateral using internal credit risk, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on an impaired debt security are discounted using the book yield of each individual impaired debt security.

Table of Contents

Based on the expected cash flows derived from the model, the Corporation expects to recover the unrealized losses in accumulated OCI on non-agency RMBS. Significant assumptions used in the valuation of non-agency RMBS were as follows at March 31, 2010.

		Range (1)	
	Weighted-average	10th Percentile (2)	90th Percentile (2)
Prepayment speed (3)	**10.5%**	**3.0%**	**23.0%**
Loss severity (4)	**43.6**	**17.4**	**52.3**
Life default rate (5)	**46.6**	**2.7**	**98.9**

(1) Represents the range of inputs/assumptions based upon the underlying collateral.

(2) The value of a variable below which the indicated percentile of observations will fall.

(3) Annual constant prepayment speed.

(4) Loss severity rates are projected considering collateral characteristics such as LTV, creditworthiness of borrowers (FICO score) and geographic concentration. Weighted-average severity by collateral type was 40 percent for prime bonds, and 45 percent for both Alt-A bonds and subprime bonds.

(5) Default rates are projected by considering collateral characteristics including, but not limited to LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 39 percent for prime bonds, 53 percent for Alt-A bonds and 45 percent for subprime bonds.

Additionally, based on the expected cash flows derived from the model, the Corporation expects to recover the unrealized losses in accumulated OCI on CDOs. Certain assumptions used in the valuation of CDOs were an annual constant prepayment speed, loss severities and default rates which take into consideration various collateral characteristics including but not limited to asset type, subordination and vintages. For CDOs these assumptions were a maximum prepayment speed of 26 percent, a maximum default rate of 58 percent and a maximum loss severity of 100 percent. Due to the structure and variability of the underlying collateral for the CDOs, the minimum end of the ranges and a weighted-average for each of these assumptions are not meaningful.

Table of Contents

The following table presents the current fair value and the associated gross unrealized losses on investments in securities with gross unrealized losses at March 31, 2010 and December 31, 2009. The table also discloses whether these securities have had gross unrealized losses for less than twelve months, or for twelve months or longer.

(Dollars in millions)	Less than Twelve Months Fair Value	Less than Twelve Months Gross Unrealized Losses	Twelve Months or Longer Fair Value	Twelve Months or Longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
Temporarily-impaired available-for-sale debt securities at March 31, 2010						
U.S. Treasury and agency securities	**$ 31,888**	**$ (212)**	**$ -**	**$ -**	**$ 31,888**	**$ (212)**
Mortgage-backed securities:						
Agency	**29,886**	**(552)**	**685**	**(26)**	**30,571**	**(578)**
Agency-collateralized mortgage obligations	**28,950**	**(250)**	**-**	**-**	**28,950**	**(250)**
Non-agency residential	**5,623**	**(322)**	**9,601**	**(1,987)**	**15,224**	**(2,309)**
Non-agency commercial	**223**	**(3)**	**210**	**(22)**	**433**	**(25)**
Foreign securities	**33**	**(3)**	**1,244**	**(202)**	**1,277**	**(205)**
Corporate bonds	**1,264**	**(15)**	**7,020**	**(52)**	**8,284**	**(67)**
Other taxable securities	**6,138**	**(195)**	**194**	**(151)**	**6,332**	**(346)**
Total taxable securities	**104,005**	**(1,552)**	**18,954**	**(2,440)**	**122,959**	**(3,992)**
Tax-exempt securities	**1,712**	**(51)**	**1,720**	**(116)**	**3,432**	**(167)**
Total temporarily-impaired available-for-sale debt securities	**105,717**	**(1,603)**	**20,674**	**(2,556)**	**126,391**	**(4,159)**
Temporarily-impaired available-for-sale marketable equity securities	**31**	**(14)**	**60**	**(28)**	**91**	**(42)**
Total temporarily-impaired available-for-sale securities	**105,748**	**(1,617)**	**20,734**	**(2,584)**	**126,482**	**(4,201)**
Other-than-temporarily impaired available-for-sale debt securities [(1)]						
Mortgage-backed securities:						
Non-agency residential	**736**	**(66)**	**1,682**	**(310)**	**2,418**	**(376)**
Non-agency commercial	**-**	**-**	**59**	**(23)**	**59**	**(23)**
Foreign securities	**-**	**-**	**835**	**(539)**	**835**	**(539)**
Corporate bonds	**-**	**-**	**81**	**(18)**	**81**	**(18)**
Other taxable securities	**-**	**-**	**831**	**(193)**	**831**	**(193)**
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities	**$ 106,484**	**$ (1,683)**	**$ 24,222**	**$ (3,667)**	**$ 130,706**	**$ (5,350)**
Temporarily-impaired available-for-sale debt securities at December 31, 2009						
U.S. Treasury and agency securities	$ 4,655	$ (37)	$ -	$ -	$ 4,655	$ (37)
Mortgage-backed securities:						
Agency	53,979	(817)	740	(29)	54,719	(846)
Agency-collateralized mortgage obligations	965	(10)	747	(3)	1,712	(13)
Non-agency residential	6,907	(557)	13,613	(3,370)	20,520	(3,927)
Non-agency commercial	1,263	(35)	1,711	(81)	2,974	(116)
Foreign securities	169	(27)	3,355	(869)	3,524	(896)
Corporate bonds	1,157	(71)	294	(55)	1,451	(126)
Other taxable securities	3,779	(70)	932	(408)	4,711	(478)

Total taxable securities	72,874	(1,624)	21,392	(4,815)	94,266	(6,439)
Tax-exempt securities	4,716	(93)	1,989	(150)	6,705	(243)
Total temporarily-impaired available-for-sale debt securities	77,590	(1,717)	23,381	(4,965)	100,971	(6,682)
Temporarily-impaired available-for-sale marketable equity securities	338	(113)	1,554	(394)	1,892	(507)
Total temporarily-impaired available-for-sale securities	77,928	(1,830)	24,935	(5,359)	102,863	(7,189)
Other-than-temporarily impaired available-for-sale debt securities [(1)]						
Mortgage-backed securities:						
Non-agency residential	51	(17)	1,076	(84)	1,127	(101)
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities	$ 77,979	$ (1,847)	$ 26,011	$ (5,443)	$ 103,990	$ (7,290)

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

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 fair value has been less than cost, the financial condition of the issuer of the security, and the Corporation s intent and ability to hold the security to recovery.

At March 31, 2010, the amortized cost of approximately 9,000 AFS securities exceeded their fair value by $5.4 billion. The gross unrealized losses include $2.7 billion on non-agency RMBS, $1.3 billion on foreign securities and other taxable securities, which are primarily CDOs, and $828 million on agency RMBS. Combined, these securities represented 89 percent of the $5.4 billion in gross unrealized losses. Of the $5.4 billion, $1.7 billion of gross unrealized losses have existed for less than twelve months and $3.7 billion of gross unrealized losses have existed for a period of twelve months or longer. Of the gross unrealized losses existing for twelve months or longer, $2.3 billion related to approximately 400 non-agency RMBS, an additional $1.1 billion related to foreign securities and other taxable securities, and $28 million related to 400 AFS marketable equity securities. Combined, these securities represented 94 percent of the gross unrealized losses that have existed for a period of twelve months or longer. Gross unrealized losses are principally the result of ongoing illiquidity in the markets and lower interest rates.

The Corporation considers the length of time and extent to which the fair value of AFS debt and marketable equity securities have been less than cost to conclude that such securities were not other-than-temporarily impaired. The Corporation also considers other factors such as the financial condition of the issuer including credit ratings and specific events affecting the operations of the issuer, volatility of the security, underlying assets that collateralize the debt security, and other industry and macroeconomic conditions. As the Corporation has no intent to sell securities with unrealized losses and it is not more-likely-than-not that the Corporation will be required to sell these securities before recovery of amortized cost, the Corporation has concluded that the securities are not impaired on an other-than-temporary basis.

The amortized cost and fair value of the Corporation s investment in AFS debt securities from the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) where the investment exceeded 10 percent of consolidated shareholders equity at March 31, 2010 and December 31, 2009 are presented in the following table.

	March 31, 2010		December 31, 2009	
(Dollars in millions)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Federal National Mortgage Association	**$ 93,536**	**$ 94,684**	$ 100,321	$ 101,096
Government National Mortgage Association	**71,763**	**72,103**	60,610	61,121
Federal Home Loan Mortgage Corporation	**28,460**	**29,255**	29,076	29,810

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $141.1 billion and $122.7 billion at March 31, 2010 and December 31, 2009.

The expected maturity distribution of the Corporation s MBS and the contractual maturity distribution of the Corporation s other debt securities, and the yields on the Corporation s AFS debt securities portfolio at March 31, 2010 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

	March 31, 2010									
	Due in One Year or Less		**Due after One Year through Five Years**		**Due after Five Years through Ten Years**		**Due after Ten Years**		**Total**	
(Dollars in millions)	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**

Fair value of available-for-sale debt securities										
U.S. Treasury and agency securities	$ 101	3.5 %	$ 1,728	3.1 %	$ 8,326	4.0 %	$ 30,588	4.6 %	**$ 40,743**	**4.4 %**
Mortgage-backed securities:										
Agency	27	5.3	98,530	4.6	24,172	4.5	29,840	4.4	**152,569**	**4.5**
Agency-collateralized mortgage obligations	485	1.3	17,262	2.7	19,602	3.3	6,124	3.3	**43,473**	**3.1**
Non-agency residential	593	16.6	11,696	5.7	4,055	5.4	16,634	3.8	**32,978**	**4.9**
Non-agency commercial	250	5.2	4,727	6.8	2,379	12.8	514	5.0	**7,870**	**8.4**
Foreign securities	38	1.4	2,043	6.0	138	4.4	904	1.4	**3,123**	**4.5**
Corporate bonds	347	2.2	4,699	2.9	1,487	4.8	324	2.7	**6,857**	**3.2**
Other taxable securities	5,995	2.3	5,156	5.8	513	6.8	7,795	2.7	**19,459**	**3.4**
Total taxable securities	7,836	3.4	145,841	4.5	60,672	4.5	92,723	4.1	**307,072**	**4.4**
Tax-exempt securities	199	4.3	1,816	4.2	3,805	3.6	3,128	4.1	**8,948**	**3.9**
Total available-for-sale debt securities	**$ 8,035**	**3.4**	**$ 147,657**	**4.5**	**$ 64,477**	**4.4**	**$ 95,851**	**4.1**	**$ 316,020**	**4.3**
Amortized cost of available-for-sale debt securities	**$ 8,298**		**$ 146,452**		**$ 63,539**		**$ 97,674**		**$ 315,963**	

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

25

Table of Contents

The components of realized gains and losses on sales of debt securities for the three months ended March 31, 2010 and 2009 are presented in the following table.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Gross gains	**$ 906**	$ 1,537
Gross losses	**(172)**	(39)
Net gains on sales of debt securities	**$ 734**	$ 1,498

The income tax expense attributable to realized net gains on sales of debt securities was $272 million and $554 million for the three months ended March 31, 2010 and 2009.

Certain Corporate and Strategic Investments

At both March 31, 2010 and December 31, 2009, the Corporation owned approximately 11 percent, or 25.6 billion common shares of China Construction Bank (CCB). During 2009, the Corporation sold its initial investment of 19.1 billion common shares in CCB for a pre-tax gain of $7.3 billion. The remaining investment of 25.6 billion common shares is accounted for at cost, is recorded in other assets and is non-transferable until August 2011. At March 31, 2010 and December 31, 2009, both the cost and the carrying value of the CCB investment were $9.2 billion, and the fair value was $21.0 billion and $22.0 billion. Dividend income on this investment is recorded in equity investment income. The Corporation remains a significant shareholder in CCB and intends to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, the Corporation expects to continue to provide advice and assistance to CCB.

At both March 31, 2010 and December 31, 2009, the Corporation owned approximately 188.4 million preferred shares and 56.5 million common shares of Itaú Unibanco Holding S.A. (Itaú Unibanco). The Itaú Unibanco investment is accounted for at fair value and recorded as AFS marketable equity securities in other assets with unrealized gains recorded, net-of-tax, in accumulated OCI. At both March 31, 2010 and December 31, 2009, the cost of this investment was $2.6 billion and the fair value of this investment was $5.4 billion. Dividend income on this investment is recorded in equity investment income.

At both March 31, 2010 and December 31, 2009, the Corporation had a 24.9 percent investment in Grupo Financiero Santander, S.A., the subsidiary of Grupo Santander, S.A. Both the carrying value and fair value of this investment were $2.7 billion at March 31, 2010 compared to $2.5 billion at December 31, 2009. This investment is recorded in other assets and is accounted for under the equity method of accounting with income recorded in equity investment income.

At both March 31, 2010 and December 31, 2009, the Corporation had an approximate 34 percent economic ownership in BlackRock Inc. (BlackRock), a publicly traded investment company. The carrying value of this investment at both March 31, 2010 and December 31, 2009 was $10.0 billion, and the fair value was $14.1 billion and $15.0 billion. This investment is recorded in other assets and is accounted for under the equity method of accounting with income recorded in equity investment income.

On June 26, 2009, the Corporation entered into a joint venture agreement with First Data Corporation (First Data) creating Banc of America Merchant Services, LLC. Under the terms of the agreement, the Corporation contributed its merchant processing business to the joint venture and First Data contributed certain merchant processing contracts and personnel resources. During 2009, the Corporation recorded in other income a pre-tax gain of $3.8 billion related to this transaction. The Corporation owns approximately 46.5 percent of this joint venture, 48.5 percent is owned by First Data, with the remaining stake held by a third party investor. 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. The investment in the joint venture, which was initially recorded at a fair value of $4.7 billion, is accounted for under the equity method of accounting with income recorded in equity investment income. The carrying value at both March 31, 2010 and December 31, 2009 was $4.7 billion.

26

Table of Contents

NOTE 6 Outstanding Loans and Leases

The table below presents outstanding loans and leases at March 31, 2010 and December 31, 2009.

(Dollars in millions)	**March 31 2010 [1]**	December 31 2009
Consumer		
Residential mortgage [2]	**$ 245,007**	$ 242,129
Home equity	**149,907**	149,126
Discontinued real estate [3]	**14,211**	14,854
Credit card domestic	**120,783**	49,453
Credit card foreign	**28,772**	21,656
Direct/Indirect consumer [4]	**99,372**	97,236
Other consumer [5]	**3,022**	3,110
Total consumer	**661,074**	577,564
Commercial		
Commercial domestic [6]	**195,862**	198,903
Commercial real estate [7]	**66,649**	69,447
Commercial lease financing	**21,465**	22,199
Commercial foreign	**26,905**	27,079
Total commercial loans	**310,881**	317,628
Commercial loans measured at fair value [8]	**4,087**	4,936
Total commercial	**314,968**	322,564
Total loans and leases	**$ 976,042**	$ 900,128

(1) March 31, 2010 balances are presented in accordance with new consolidation guidance.

(2) Includes foreign residential mortgages of $511 million and $552 million at March 31, 2010 and December 31, 2009.

(3) Includes $12.8 billion and $13.4 billion of pay option loans, and $1.4 billion and $1.5 billion of subprime loans at March 31, 2010 and December 31, 2009. The Corporation no longer originates these products.

(4) Includes dealer financial services loans of $45.3 billion and $41.6 billion, consumer lending of $17.7 billion and $19.7 billion, domestic securities-based lending margin loans of $13.5 billion and $12.9 billion, student loans of $11.1 billion and $10.8 billion, foreign consumer loans of $7.9 billion and $8.0 billion and other loans of $3.9 billion and $4.2 billion at March 31, 2010 and December 31, 2009.

(5) Includes consumer finance loans of $2.2 billion and $2.3 billion, other foreign consumer loans of $680 million and $709 million and consumer overdrafts of $173 million and $144 million at March 31, 2010 and December 31, 2009.

(6) Includes small business commercial domestic loans, including card related products, of $16.6 billion and $17.5 billion at March 31, 2010 and December 31, 2009.

(7) Includes domestic commercial real estate loans of $63.9 billion and $66.5 billion and foreign commercial real estate loans of $2.7 billion and $3.0 billion at March 31, 2010 and December 31, 2009.

(8) Certain commercial loans are accounted for under the fair value option and include commercial domestic loans of $2.5 billion and $3.0 billion, commercial foreign loans of $1.5 billion and $1.9 billion and commercial real estate loans of $101 million and $90 million at March 31, 2010 and December 31, 2009. See *Note 14 Fair Value Measurements* for additional information on the fair value option.

The Corporation mitigates a portion of its credit risk through synthetic securitizations which are cash collateralized and provided mezzanine risk protection on residential mortgages of $2.4 billion and $2.5 billion at March 31, 2010 and December 31, 2009 which will reimburse the Corporation in the event that losses exceed 10 basis points (bps) of the original pool balance. As of March 31, 2010 and December 31, 2009, $65.5 billion and $70.7 billion of mortgage loans were protected under these agreements. The decrease in these credit protected pools was due to approximately $3.4 billion in principal payments and loan sales of $1.8 billion. At both March 31, 2010 and December 31, 2009, the Corporation had a receivable of $1.0 billion from these synthetic securitizations for reimbursement of losses. In addition, the Corporation has entered into credit protection agreements with FNMA and FHLMC totaling $6.9 billion and $6.6 billion as of March 31, 2010 and December 31, 2009, providing full protection on conforming residential mortgage loans that become severely delinquent.

Table of Contents

Nonperforming Loans and Leases

The following table presents the Corporation s nonperforming loans and leases, including nonperforming troubled debt restructurings (TDRs), at March 31, 2010 and December 31, 2009. This table excludes performing TDRs and loans accounted for under the fair value option. Nonperforming loans held-for-sale (LHFS) are excluded from nonperforming loans and leases as they are recorded at the lower of cost or fair value. In addition, purchased credit-impaired loans and past due consumer credit card, consumer non-real estate-secured loans, unsecured consumer loans and business card loans are not considered nonperforming and are therefore excluded from nonperforming loans and leases in the table. Real estate-secured, past due consumer loans that are insured by the Federal Housing Administration (FHA), including repurchased loans pursuant to the Corporation s servicing agreements with GNMA, are not reported as nonperforming as principal repayments are insured by the FHA.

(Dollars in millions)	**March 31 2010**	December 31 2009
Consumer		
Residential mortgage	**$ 17,763**	$ 16,596
Home equity	**3,335**	3,804
Discontinued real estate	**279**	249
Direct/Indirect consumer	**91**	86
Other consumer	**89**	104
Total consumer	**21,557**	20,839
Commercial		
Commercial domestic [1]	**4,586**	5,125
Commercial real estate	**7,177**	7,286
Commercial lease financing	**147**	115
Commercial foreign	**150**	177
Total commercial	**12,060**	12,703
Total nonperforming loans and leases [2]	**$ 33,617**	$ 33,542

(1) Includes small business commercial domestic loans of $179 million and $200 million at March 31, 2010 and December 31, 2009.

(2) Balances exclude nonaccruing TDRs in the consumer real estate portfolio that were removed from the purchased credit-impaired loan portfolio of $301 million and $395 million at March 31, 2010 and December 31, 2009.

Included in certain loan categories in the nonperforming table above are TDRs that were classified as nonperforming. At March 31, 2010 and December 31, 2009, the Corporation had $3.0 billion and $2.9 billion of residential mortgages, $1.1 billion and $1.7 billion of home equity, $516 million and $486 million of commercial domestic loans and $53 million and $43 million of discontinued real estate loans that were TDRs and classified as nonperforming. In addition to these amounts, at March 31, 2010 and December 31, 2009, the Corporation had performing TDRs that were on accrual status of $3.6 billion and $2.3 billion of residential mortgages, $795 million and $639 million of home equity, $102 million and $91 million of commercial domestic loans and $36 million and $35 million of discontinued real estate.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, commercial performing TDRs and both performing and nonperforming consumer real estate TDRs. Additionally, the Corporation seeks to assist customers that are experiencing financial difficulty through renegotiating credit card, consumer lending and small business loans (the renegotiated portfolio) while ensuring compliance with Federal Financial Institutions Examination Council (FFIEC) guidelines. As defined in applicable accounting guidance, impaired loans exclude smaller balance homogeneous loans that are collectively evaluated for impairment, all commercial leases and those commercial loans accounted for under the fair value option. Purchased credit-impaired loans are reported and discussed separately below.

At March 31, 2010 and December 31, 2009, the Corporation had $12.0 billion and $12.7 billion of commercial impaired loans and $8.6 billion and $7.7 billion of consumer real estate impaired loans. The average recorded investment in commercial and consumer real estate impaired loans for the three months ended March 31, 2010 and 2009 was $20.9 billion and $9.0 billion. At March 31, 2010 and December 31, 2009, the recorded investment in impaired loans requiring an allowance for loan and lease losses was $18.7 billion and $18.6 billion, and the related allowance for loan and lease

Table of Contents

losses was $2.4 billion and $3.0 billion. For the three months ended March 31, 2010 and 2009, interest income on these impaired loans totaled $111 million and $15 million. At March 31, 2010 and December 31, 2009, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial or consumer TDR were immaterial.

At March 31, 2010 and December 31, 2009, the Corporation had a renegotiated portfolio of $15.5 billion and $8.1 billion and the related allowance was $8.0 billion at March 31, 2010. Current period amounts include the impact of new consolidation guidance which resulted in the consolidation of credit card securitization trusts. The average recorded investment in the renegotiated portfolio for the three months ended March 31, 2010 and 2009 was $15.6 billion and $5.0 billion. Interest income is accrued on outstanding balances with cash receipts first applied to interest and fees, then to outstanding principal balances. For the three months ended March 31, 2010 and 2009, interest income on the renegotiated portfolio totaled $210 million and $63 million. The renegotiated portfolio is excluded from nonperforming loans as the Corporation generally does not classify consumer loans not secured by real estate as nonperforming as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due.

Purchased Credit-impaired Loans

Purchased credit-impaired loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. In connection with the Countrywide acquisition in 2008, the Corporation acquired purchased credit-impaired loans, substantially all of which are residential mortgage, home equity and discontinued real estate loans, with a remaining unpaid principal balance at March 31, 2010 and December 31, 2009 of $46.3 billion and $47.7 billion and a carrying amount of $37.0 billion and $37.5 billion. In connection with the Merrill Lynch acquisition in 2009, the Corporation acquired purchased credit-impaired loans, substantially all of which are commercial and residential mortgage loans. At March 31, 2010, the unpaid principal balance of Merrill Lynch purchased credit-impaired consumer and commercial loans was $2.3 billion and $1.7 billion and the carrying amount of these loans was $2.0 billion and $604 million. At December 31, 2009, the unpaid principal balance of Merrill Lynch purchased credit-impaired consumer and commercial loans was $2.4 billion and $2.0 billion and the carrying amount of these loans was $2.1 billion and $692 million.

As a result of the adoption of new accounting guidance on purchased credit-impaired loans, beginning January 1, 2010, pooled loans that are modified subsequent to acquisition are not removed from the purchased credit-impaired loan pools. Prior to January 1, 2010, pooled loans that were modified subsequent to acquisition were reviewed to compare modified contractual cash flows to the purchased credit-impaired carrying value. If the present value of the modified cash flows was lower than the carrying value, the loan was removed from the purchased credit-impaired loan pool at its carrying value, as well as any related allowance for loan and lease losses, and was classified as a TDR. The carrying value of purchased credit-impaired loan TDRs that were removed from the purchased credit-impaired pool prior to January 1, 2010 totaled $2.2 billion at March 31, 2010 of which $1.9 billion were on accrual status. The carrying value of these modified loans, net of allowance, was approximately 68 percent of the unpaid principal balance.

The following table shows activity for the accretable yield on purchased credit-impaired loans. The increase in expected cash flows during the three months ended March 31, 2010 of $200 million is primarily attributable to slower forecasted prepayments.

(Dollars in millions)	
Accretable yield, January 1, 2009	$ 12,860
Merrill Lynch balance	627

Accretion	(2,859)
Disposals/transfers	(1,482)
Reclassifications to nonaccretable difference	(1,431)
Accretable yield, December 31, 2009	**$ 7,715**
Accretion	**(500)**
Disposals	**(47)**
Reclassifications from nonaccretable difference	**200**
Accretable yield, March 31, 2010	**$ 7,368**

Table of Contents

Loans Held-for-Sale

The Corporation had LHFS of $35.4 billion and $43.9 billion at March 31, 2010 and December 31, 2009. Proceeds from sales, securitizations and paydowns of LHFS were $76.5 billion and $80.4 billion for the three months ended March 31, 2010 and 2009. Proceeds used for originations and purchases of LHFS were $65.1 billion and $83.8 billion for the three months ended March 31, 2010 and 2009.

NOTE 7 Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Allowance for loan and lease losses, January 1, before effect of adoption of new consolidation guidance	**$ 37,200**	$ 23,071
Allowance related to adoption of new consolidation guidance	**10,788**	n/a
Allowance for loan and lease losses, January 1	**47,988**	23,071
Loans and leases charged off	**(11,501)**	(7,356)
Recoveries of loans and leases previously charged off	**704**	414
Net charge-offs	**(10,797)**	(6,942)
Provision for loan and lease losses	**9,599**	13,352
Other	**45**	(433)
Allowance for loan and lease losses, March 31	**46,835**	29,048
Reserve for unfunded lending commitments, January 1	**1,487**	421

Provision for unfunded lending commitments	**206**	28
Other	**(172)**	1,653
Reserve for unfunded lending commitments, March 31	**1,521**	2,102
Allowance for credit losses, March 31	**$ 48,356**	$ 31,150

n/a = not applicable

During the three months ended March 31, 2010 and 2009, the Corporation recorded $848 million and $853 million in provision for credit losses with a corresponding increase in the valuation reserve included as part of the allowance for loan and lease losses specifically for the purchased credit-impaired portfolio. The amount of the allowance for loan and lease losses associated with the purchased credit-impaired loan portfolio was $5.1 billion and $3.9 billion at March 31, 2010 and December 31, 2009. The increase in the allowance for loan and lease losses was a result of provision for credit losses and the reclassification to the nonaccretable difference of previous write-downs recorded against the allowance.

The other amount under the reserve for unfunded lending commitments for the three months ended March 31, 2009 represents the fair value of the acquired Merrill Lynch reserve excluding those commitments accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded portions.

NOTE 8 Securitizations and Other Variable Interest Entities

The Corporation utilizes VIEs in the ordinary course of business to support its own and its customers financing and investing needs. The Corporation routinely securitizes loans and debt securities using VIEs as a source of funding for the Corporation and as a means of transferring the economic risk of the loans or debt securities to third parties. The Corporation also administers, structures or invests in other VIEs including multi-seller conduits, municipal bond trusts, CDOs and other entities as described in more detail below.

Table of Contents

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. In accordance with the new consolidation guidance effective January 1, 2010, the Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. As a result of this change in accounting, the Corporation consolidated certain VIEs and former QSPEs that were unconsolidated prior to January 1, 2010. The net incremental impact of this accounting change on the Corporation s Consolidated Balance Sheet is set forth in the following table. The net effect of the accounting change on January 1, 2010 shareholders equity was a $6.2 billion charge to retained earnings, net-of-tax, primarily from the increase in the allowance for loan and lease losses, as well as a $116 million charge to accumulated OCI, net-of-tax, for the net unrealized losses on AFS debt securities on newly consolidated VIEs.

(Dollars in millions)	Ending Balance Sheet December 31, 2009	Net Increase (Decrease) [1]	Beginning Balance Sheet January 1, 2010
Assets			
Cash and cash equivalents	$ 121,339	$ 2,807	$ 124,146
Trading assets	182,206	6,937	189,143
Derivative assets	80,689	556	81,245
Debt securities:			
Available-for-sale	301,601	(2,320)	299,281
Held-to-maturity	9,840	(6,572)	3,268
Total debt securities	311,441	(8,892)	302,549
Loans and leases	900,128	102,595	1,002,723
Allowance for loans and leases losses	(37,200)	(10,788)	(47,988)
Loans and leases, net of allowance	862,928	91,807	954,735
Loans held-for-sale	43,874	3,025	46,899

Deferred tax asset		27,279		3,498		30,777
All other assets		593,543		701		594,244
Total assets	$	2,223,299	$	100,439	$	2,323,738
Liabilities						
Commercial paper and other short-term borrowings	$	69,524	$	22,136	$	91,660
Long-term debt		438,521		84,356		522,877
All other liabilities		1,483,810		217		1,484,027
Total liabilities		1,991,855		106,709		2,098,564
Shareholders equity						
Retained earnings		71,233		(6,154)		65,079
Accumulated other comprehensive income (loss)		(5,619)		(116)		(5,735)
All other shareholders equity		165,830		-		165,830
Total shareholders equity		231,444		(6,270)		225,174
Total liabilities and shareholders equity	$	2,223,299	$	100,439	$	2,323,738

(1) The carrying amount of non-cash assets and liabilities consolidated as a result of the adoption of new consolidation guidance was $97.6 billion and $106.7 billion.

The following tables present the assets and liabilities of consolidated and unconsolidated VIEs if the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE as of March 31, 2010 and December 31, 2009. The tables also present the Corporation s maximum exposure to loss resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest as of March 31, 2010 and December 31, 2009. The Corporation s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation s Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation s maximum exposure to loss does not include losses previously recognized through write-downs of assets on the Corporation s Consolidated Balance Sheet.

The Corporation invests in asset-backed securities issued by third party VIEs with which it has no other form of involvement. These securities are included in *Note 3 Trading Account Assets and Liabilities* and *Note 5 Securities.* In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in *Note 13 Long-term Debt* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio as described in *Note 6 Outstanding Loans and Leases*. The

Table of Contents

Corporation has also provided support to certain cash funds managed within *GWIM*. These VIEs, which are not consolidated by the Corporation, are not included in the tables below. For additional information on these transactions, see *Note 3 Trading Account Assets and Liabilities, Note 5 Securities, Note 6 Outstanding Loans and Leases, Note 13 Long-term Debt* and *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

Except as described below and in *Note 11 Commitments and Contingencies,* as of March 31, 2010, the Corporation has not provided financial support to consolidated or unconsolidated VIEs that it was not previously contractually required to provide, nor does it intend to do so.

First-Lien Mortgage-related Securitizations

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originated or purchased from third parties in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages originated or purchased from other entities. The Corporation also typically has continuing involvement with the securitized loans as servicer of the loans. Further, the Corporation may retain beneficial interests in the securitization vehicles including senior and subordinate securities and the equity tranche. Except as described below, the Corporation does not provide guarantees or recourse to the securitization vehicles other than standard representations and warranties.

The following table summarizes select information related to first-lien mortgage securitizations for the three months ended March 31, 2010 and 2009.

	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
	Three Months Ended March 31									
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Cash proceeds from new securitizations [1]	**$ 69,909**	$ 74,858	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 1,021**	$ 3,557
Gain (loss) on securitizations [2, 3]	**(49)**	-	**-**	-	**-**	-	**-**	-	**20**	29
Cash flows received on residual interests	**-**	-	**6**	6	**20**	16	**1**	2	**5**	6
Initial fair value of assets acquired [4]	**25,148**	n/a	**-**	n/a	**-**	n/a	**9**	n/a	**-**	n/a

(1) The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third-party investors for cash proceeds.

(2) Net of hedges

(3) Substantially all of the residential mortgages securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. During the three months ended March 31, 2010 and 2009, the Corporation recognized $1.3 billion and $954 million of gains on these LHFS which were substantially offset by hedges.

(4) All of the securities and other retained interests acquired from securitizations are initially classified as Level 2 assets within the fair value hierarchy. During the three months ended March 31, 2010, there were no changes to the initial classification within the fair value hierarchy.

n/a = not applicable

The Corporation recognizes consumer MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $1.6 billion and $1.5 billion during the three months ended March 31, 2010 and 2009. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $20.6 billion and $19.3 billion at March 31, 2010 and December 31, 2009. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $4 million and $11 million during the three months ended March 31, 2010 and 2009. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $109 million at both March 31, 2010 and December 31, 2009. For more information on MSRs, see *Note 16 Mortgage Servicing Rights*.

Table of Contents

The following table summarizes select information related to first-lien mortgage securitization trusts in which the Corporation holds a variable interest as of March 31, 2010 and December 31, 2009.

	Residential Mortgage									
					Non-Agency					
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	**March 31 2010**	December 31 2009	**March 31 2010**	December 31 2009	**March 31 2010**	December 31 2009	**March 31 2010**	December 31 2009	**March 31 2010**	December 31 2009
Maximum loss exposure [1]	**$ 50,928**	$ 16,081	**$ 3,565**	$ 4,068	**$ 309**	$ 224	**$ 791**	$ 996	**$ 1,941**	$ 1,877
Unconsolidated VIEs										
Senior securities held [2]										
Trading account assets	**$ 9,248**	$ 2,295	**$ 169**	$ 201	**$ 3**	$ 12	**$ 426**	$ 431	**$ 1**	$ 469
AFS debt securities	**41,680**	13,786	**3,356**	3,845	**216**	188	**346**	561	**1,346**	1,215
Subordinate securities held [2]										
Trading account assets	**-**	-	**21**	-	**16**	-	**13**	-	**542**	122
AFS debt securities	**-**	-	**12**	13	**63**	22	**2**	4	**5**	23
Residual interests held	**-**	-	**7**	9	**11**	2	**4**	-	**47**	48
Total retained positions	**$ 50,928**	$ 16,081	**$ 3,565**	$ 4,068	**$ 309**	$ 224	**$ 791**	$ 996	**$ 1,941**	$ 1,877
Principal balance outstanding [3]	**$ 1,274,074**	$ 1,255,650	**$ 75,779**	$ 81,012	**$ 74,882**	$ 83,065	**$ 142,947**	$ 147,072	**$ 101,132**	$ 65,397
Maximum loss exposure [1]	**$ 900**	$ -	**$ 53**	$ 472	**$ 1,442**	$ 1,261	**$ -**	$ -	**$ -**	$ -

Consolidated VIEs										
Loans and leases	**$ 900**	$ -	**$ -**	$ -	**$ 413**	$ 450	**$ -**	$ -	**$ -**	$ -
Loans held-for-sale	**-**	-	**106**	436	**2,942**	2,030	**-**	-	**1,170**	-
Other assets	**-**	-	**59**	86	**278**	271	**-**	-	**-**	-
Total assets	**$ 900**	$ -	**$ 165**	$ 522	**$ 3,633**	$ 2,751	**$ -**	$ -	**$ 1,170**	$ -
Long-term debt	**$ -**	$ -	**$ -**	$ 48	**$ 1,482**	$ 1,737	**$ -**	$ -	**$ 1,170**	$ -
Other liabilities	**-**	-	**112**	3	**709**	3	**-**	-	**-**	-
Total liabilities	**$ -**	$ -	**$ 112**	$ 51	**$ 2,191**	$ 1,740	**$ -**	$ -	**$ 1,170**	$ -

(1) Maximum loss exposure excludes liability for representations and warranties and corporate guarantees.

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three months ended March 31, 2010 and 2009, there were no significant other-than-temporary impairment losses recorded on those securities classified as AFS debt securities.

(3) Principal balance outstanding includes loans the Corporation transferred and has continuing involvement with, which may include servicing the loans. However, these amounts do not merely represent loans transferred by the Corporation where servicing is retained.

In accordance with the new consolidation guidance, on January 1, 2010, the Corporation consolidated $2.5 billion of commercial mortgage securitization trusts in which it has a controlling financial interest. When the Corporation is the servicer of the loans in a non-agency trust and also holds a financial interest that could potentially be significant to the trust, the Corporation is the primary beneficiary of and consolidates the trust. If the Corporation is not the servicer of a trust or does not hold a financial interest that could be significant to the trust, the Corporation does not have a controlling financial interest and does not consolidate the trust. The Corporation does not have a controlling financial interest in and therefore does not consolidate agency trusts unless the Corporation holds substantially all of the issued securities and has the unilateral right to liquidate the trust. Prior to 2010, substantially all of the securitization trusts met the definition of a QSPE and, as such, were not subject to consolidation.

The Corporation sells mortgage loans and, in the past, sold home equity loans with various representations and warranties related to, among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, the process used in selecting the loans for inclusion in a transaction, the loan s compliance with any applicable loan criteria established by the buyer, including conformity with applicable underwriting standards, and the loan s compliance with applicable federal, state and local laws. Based upon these representations and warranties, the Corporation may be required to repurchase the mortgage loans with identified defects, indemnify or provide other recourse to the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. These representations and warranties are generally not subject to stated limits and extend over the life of the loan; however, most of the historical repurchase activity has involved loans which defaulted within the first few years after the origination. Importantly, the contractual liability arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor or pursuant to such other standards established by the terms of the related sale agreement. The Corporation attempts to limit the risk of incurring these losses by structuring operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain securitizations include guarantees that are contracts written to protect purchasers of the loans from credit losses up to a specified amount. The probable losses to be absorbed under the guarantees are recorded when the Corporation sells the loans with guarantees and updated as necessary when additional relevant information becomes available. The methodology used to estimate the liability for representations and warranties is a function of the representations and

warranties given and considers a variety of factors, which include estimated defaults, historical loss experience and probability that a loan will be required to be repurchased.

In accordance with applicable accounting guidance on contingencies, a liability has been established for representations and warranties when those obligations are both probable and reasonably estimable. The Corporation has experienced increasing repurchase and similar requests from, and disputes with, buyers and insurers including monoline financial guarantors. The Corporation has and will continue to contest such demands that it does not believe are valid. The liability for representations and warranties, and corporate guarantees, which has been established primarily for the third party buyers, and for FNMA and FHLMC, is included in accrued expenses and other liabilities and the related expense is included in mortgage banking income. At March 31, 2010 and December 31, 2009, the liability was $3.3 billion and $3.5 billion. For the three months ended March 31, 2010 and 2009, the representations and warranties expense was $526 million and $434 million, loans repurchased from investors and securitization trusts (including those in which the monoline financial guarantors insured some or all of the related bonds) amounted to $654 million and $359 million, and the amount paid to satisfy claims (including those in which the monoline financial guarantors insured some or all of the related bonds) was $297 million and $63 million.

The Corporation has repurchased loans or has provided a liability for representations and warranties for monoline financial guarantors repurchase requests where, in its view, valid identified defects exist. A liability has also been established for monoline financial guarantors repurchase requests that are in process of review based on historical repurchase experience with each monoline financial guarantor to the extent such experience is believed to provide a reliable basis on which to estimate incurred losses from future repurchase activity. At March 31, 2010, the unpaid principal balance of loans related to unresolved repurchase requests previously received from monoline financial guarantors was approximately $3.0 billion, including $2.1 billion that have been reviewed by the Corporation where, in its view, a valid defect has not been identified which would constitute an actionable breach of its representations and warranties and $900 million that are in the process of review. In view of the inherent difficulty of predicting the outcome of those repurchase requests where a valid defect was not identified and other unasserted requests to repurchase loans from the securitization trusts in which monoline financial guarantors have insured all or some of the related bonds, the Corporation cannot reasonably estimate what the eventual outcome will be, what the timing of the ultimate resolution of these matters will be, or what if any the eventual loss related to each pending matter may be. As a result, a liability has not been established related to repurchase requests where a valid defect has not been identified and other unasserted requests to repurchase loans from the securitization trusts in which the monoline financial guarantors have insured all or some of the related bonds. The exposure to loss on these requests will be determined by the number and amount of loans ultimately repurchased offset by the applicable underlying collateral value in the real estate securing these loans. In the unlikely event that the Corporation would be required to repurchase the entire amount of loans where a valid defect was not identified, assuming the underlying collateral has no value, the maximum amount of potential loss would be no greater than the unpaid principal balance of the loans.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation s continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (the seller s interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The securitization trusts legal documents require the Corporation to maintain a minimum seller s interest of four to five percent, and at March 31, 2010, the Corporation was in compliance with this requirement. The seller s interest in the trusts represents the Corporation s undivided interest in the receivables transferred to the trust and is pari passu to the investors interest. At December 31, 2009, prior to the consolidation of the trusts, the Corporation had $10.8 billion of seller s interest which was carried at historical cost and classified in loans.

In accordance with the new consolidation guidance, the Corporation consolidated all credit card securitization trusts as of January 1, 2010. In its role as administrator and servicer, the Corporation has the power to manage defaulted receivables, add and remove accounts within certain defined parameters, and manage the trusts liabilities. Through its retained residual and other interests, the Corporation has an obligation to absorb losses or the right to receive benefits that could potentially be significant to the trusts. Accordingly, the Corporation is the primary beneficiary of the trusts and therefore the trusts are subject to consolidation. Prior to 2010, the trusts met the definition of a QSPE and were not subject to consolidation.

Table of Contents

The following table summarizes select information related to credit card securitization trusts in which the Corporation held a variable interest as of March 31, 2010 and December 31, 2009.

(Dollars in millions)	**March 31, 2010 Consolidated VIEs**	December 31, 2009 Retained Interests in Unconsolidated VIEs
Maximum loss exposure [1]	**$ 26,667**	$ 32,167
On-balance sheet assets		
Trading account assets	**$ -**	$ 80
Available-for-sale debt securities [2]	**-**	8,501
Held-to-maturity securities [2]	**-**	6,573
Loans [3]	**99,313**	10,798
Allowance for loan and lease losses	**(10,588)**	(1,268)
Derivative assets	**2,624**	-
All other assets, including other subordinate or residual interests held at December 31, 2009 [4]	**4,081**	5,195
Total	**$ 95,430**	$ 29,879
On-balance sheet liabilities		
Long-term debt	**$ 68,441**	n/a
All other liabilities	**322**	n/a
Total	**$ 68,763**	n/a
Trust loans [5]	**$ 99,313**	$ 103,309

(1) At December 31, 2009, maximum loss exposure represents the total retained interests held by the Corporation and also includes $2.3 billion related to a liquidity support commitment the Corporation provided to the U.S. Credit Card Securitization Trust s commercial paper program.

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the year ended December 31, 2009, there were no other-than-temporary impairment losses recorded on those securities classified as AFS or HTM debt securities.

(3) At December 31, 2009, amount represents seller s interest which was classified as loans on the Corporation s Consolidated Balance Sheet.

(4) Other subordinate and residual interests include discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, cash reserve accounts and interest-only strips which are carried at fair value or amounts that approximate fair value.

(5) At December 31, 2009, Trust loans represent the principal balance of credit card receivables that have been legally isolated from the Corporation including those loans represented by the seller s interest that were held on the Corporation s Consolidated Balance Sheet. At March 31, 2010, Trust loans include accrued interest receivables of $1.4 billion. Prior to consolidation, subordinate accrued interest receivables were included in all other assets. These credit card receivables are legally assets of the Trust and not of the Corporation.

n/a = not applicable

There were no new debt securities issued to external investors from the credit card securitization trusts for the three months ended March 31, 2010 and 2009. Collections reinvested in revolving period securitizations were $35.6 billion and cash flows received on residual interests were $1.4 billion for the three months ended March 31, 2009.

At December 31, 2009, there were no recognized servicing assets or liabilities associated with any of the credit card securitization transactions. The Corporation recorded $504 million in servicing fees related to credit card securitizations for the three months ended March 31, 2009.

During the three months ended March 31, 2010, subordinate securities of $8.1 billion with a stated interest rate of zero percent were issued by the U.S. Credit Card Securitization Trusts to the Corporation. In addition, the Corporation extended its election of designating a specified percentage of new receivables transferred to the Trusts as discount receivables through September 30, 2010. As the U.S. Credit Card Securitization Trusts were consolidated in accordance with new consolidation guidance effective January 1, 2010, the additional subordinate securities issued and the extension of the discount receivables election had no impact on the Corporation s 2010 consolidated results. For additional information on these transactions, see *Note 8 Securitizations* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

During the three months ended March 31, 2010, similar actions were also taken with the U.K. Credit Card Securitization Trusts. Additional subordinate securities of $1.5 billion with a stated interest rate of zero percent were issued by the U.K. Credit Card Securitization Trusts to the Corporation and the Corporation specified that from February 22, 2010 through October 31, 2010, a percentage of new receivables transferred to the Trusts will be deemed discount receivables. Both actions were taken in an effort to address the decline in the excess spread of the U.K. Credit Card Securitization Trusts. As the U.K. Credit Card Securitization Trusts were consolidated in accordance with new consolidation guidance effective January 1,

Table of Contents

2010, the additional subordinate securities issued and the designation of discount receivables had no impact on the Corporation s results for the three months ended March 31, 2010.

During the three months ended March 31, 2010, the Corporation terminated the U. S. Credit Card Securitization Trusts commercial paper program and all outstanding notes were paid in full. As of March 31, 2010, there was no commercial paper outstanding and the associated liquidity support agreement between the Corporation and the U. S. Credit Card Securitization Trust has been terminated. For additional information on the Corporation s U.S. Credit Card Securitization Trust s commercial paper program, see *Note 8 Securitizations* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

Home Equity Securitizations

The Corporation maintains interests in home equity securitization trusts to which the Corporation transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. The Corporation also services the loans in the trusts. There were no securitizations of home equity loans during the three months ended March 31, 2010 and 2009. Collections reinvested in revolving period securitizations were $7 million and $73 million and cash flows received on residual interests were $3 million and $11 million for the three months ended March 31, 2010 and 2009. For the three months ended March 31, 2010 and 2009, $23 million and $27 million of loans were repurchased from home equity securitization trusts based upon representations and warranties and corporate guarantees and $40 million and $15 million were paid to indemnify the investors or insurers. Repurchases of loans from the trust for home equity loans are typically a result of representations and warranties, modifications or the exercise of an optional clean-up call. For further information regarding representations and warranties, and corporate guarantees, see First-Lien Mortgage-related Securitizations beginning on page 32.

In accordance with the new consolidation guidance, the Corporation consolidated home equity loan securitization trusts of $4.5 billion, which hold loans with principal balance outstandings of $5.1 billion net of an allowance of $573 million, in which it had a controlling financial interest on January 1, 2010. As the servicer of the trusts, the Corporation has the power to manage the loans held in the trusts. In addition, the Corporation may have a financial interest that could potentially be significant to the trusts through its retained interests in senior or subordinate securities or the trusts residual interest, through providing a guarantee to the trusts, or through providing subordinate funding to the trusts during a rapid amortization event. In these cases, the Corporation is the primary beneficiary of and consolidates these trusts. If the Corporation is not the servicer or does not hold a financial interest that could potentially be significant to the trust, the Corporation does not have a controlling financial interest and does not consolidate the trust. Prior to 2010, the trusts met the definition of a QSPE and, as such, were not subject to consolidation.

Table of Contents

The following table summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009
(Dollars in millions)	**Consolidated VIEs**	**Retained Interests in Unconsolidated VIEs**	**Total**	Retained Interests in Unconsolidated VIEs
Maximum loss exposure [1]	**$ 4,078**	**$ 9,842**	**$ 13,920**	$ 13,947
On-balance sheet assets				
Trading account assets [2, 3]	**$ -**	**$ 463**	**$ 463**	$ 16
Available-for-sale debt securities [3, 4]	**-**	**17**	**17**	147
Loans and leases	**4,527**	**-**	**4,527**	-
Allowance for loan and lease losses	**(449)**	**-**	**(449)**	-
Total	**$ 4,078**	**$ 480**	**$ 4,558**	$ 163
On-balance sheet liabilities				
Long-term debt	**$ 4,596**	**$ -**	**$ 4,596**	$ -
All other liabilities	**16**	**-**	**16**	-
Total	**$ 4,612**	**$ -**	**$ 4,612**	$ -
Principal balance outstanding	**$ 4,527**	**$ 26,654**	**$ 31,181**	$ 31,869

(1) For unconsolidated VIEs, the maximum loss exposure represents outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves.

(2) At March 31, 2010 and December 31, 2009, $173 million and $15 million of the debt securities classified as trading account assets were senior securities and $290 million and $1 million were subordinate securities.

(3) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three months ended March 31, 2010 and year ended December 31, 2009, there were no other-than-temporary impairment losses recorded on those securities classified as AFS debt securities.

(4) At March 31, 2010 and December 31, 2009, $1 million and $47 million represents subordinate debt securities held and $16 million and $100 million are residual interests classified as AFS debt securities.

Under the terms of the Corporation s home equity loan securitizations, advances are made to borrowers when they draw on their lines of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun a rapid amortization period, reimbursement of the Corporation s advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation s advances are outstanding. In particular, if loan losses requiring draws on monoline insurers policies, which protect the bondholders in the securitization, exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurers have priority for repayment.

The Corporation evaluates all of its home equity loan securitizations for their potential to experience a rapid amortization event by estimating the amount and timing of future losses on the underlying loans, the excess spread available to cover such losses and by evaluating any estimated shortfalls in relation to contractually defined triggers. A maximum funding obligation attributable to rapid amortization cannot be calculated as a home equity borrower has the ability to pay down and re-draw balances. At March 31, 2010 and December 31, 2009, home equity loan securitization transactions in rapid amortization, including both consolidated and unconsolidated trusts, had $14.1 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. At March 31, 2010, an additional $526 million of trust certificates outstanding pertain to home equity loan securitization transactions that are expected to enter rapid amortization during the next 24 months. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the performance of the loans, the amount of subsequent draws and the timing of related cash flows. At March 31, 2010 and December 31, 2009, the reserve for losses on expected future draw obligations on the home equity loan securitizations in or expected to be in rapid amortization was $156 million and $178 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $26 million and $35 million of servicing fee income related to home equity securitizations during the three months ended March 31, 2010 and 2009. For more information on MSRs, see *Note 16 Mortgage Servicing Rights*.

Table of Contents

Multi-seller Conduits

The Corporation administers four multi-seller conduits which provide a low-cost funding alternative to its customers by facilitating their access to the commercial paper market. These customers sell or otherwise transfer assets to the conduits, which in turn issue short-term commercial paper that is rated high-grade and is collateralized by the underlying assets. The Corporation receives fees for providing combinations of liquidity and standby letters of credit (SBLCs) or similar loss protection commitments to the conduits for the benefit of third party investors. The Corporation also receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. The Corporation s liquidity commitments, which had an aggregate notional amount outstanding of $24.3 billion and $34.5 billion at March 31, 2010 and December 31, 2009, are collateralized by various classes of assets and incorporate features such as overcollateralization and cash reserves that are designed to provide credit support to the conduits at a level equivalent to investment grade as determined in accordance with internal risk rating guidelines. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation.

The following table summarizes select information related to multi-seller conduits in which the Corporation holds a variable interest as of March 31, 2010 and December 31, 2009.

(Dollars in millions)	**March 31, 2010 Consolidated**	December 31, 2009 Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 24,326**	$ 9,388	$ 25,135	$ 34,523
On-balance sheet assets				
Available-for-sale debt securities	**$ 9,188**	$ 3,492	$ -	$ 3,492
Held-to-maturity debt securities	**-**	2,899	-	2,899
Loans and leases	**4,899**	318	318	636
Allowance for loan and lease losses	**(3)**	-	-	-
All other assets	**488**	4	60	64
Total	**$ 14,572**	$ 6,713	$ 378	$ 7,091
On-balance sheet liabilities				
Commercial paper and other short-term borrowings	**$ 14,490**	$ 6,748	$ -	$ 6,748
Total	**$ 14,490**	$ 6,748	$ -	$ 6,748
Total assets of VIEs	**$ 14,572**	$ 6,713	$ 13,893	$ 20,606

In accordance with the new consolidation guidance, the Corporation consolidated all previously unconsolidated multi-seller conduits as of January 1, 2010. In its role as administrator, the Corporation has the power to determine which assets will be held in the conduits and it has an obligation to monitor these assets for compliance with agreed-upon lending terms. In addition, the Corporation manages the issuance of commercial paper. Through the liquidity facilities and loss protection commitments with the conduits, the Corporation has an obligation to absorb losses that could potentially be significant to the VIE. Accordingly, the Corporation is the primary beneficiary of and therefore consolidates the conduits.

Prior to 2010, the Corporation determined whether it must consolidate a multi-seller conduit based on an analysis of projected cash flows using Monte Carlo simulations. The Corporation did not consolidate three of the four conduits as it did not expect to absorb a majority of the variability created by the credit risk of the assets held in the conduits. On a combined basis, these three conduits had issued approximately $147 million of capital notes and equity interests to third parties, $142 million of which were outstanding at December 31, 2009, which absorbed credit risk on a first loss basis. All of these capital notes and equity interests were redeemed during the three months ended March 31, 2010. The Corporation consolidated the fourth conduit which had not issued capital notes to third parties.

The assets of the conduits typically carry a risk rating of AAA to BBB based on the Corporation s current internal risk rating equivalent which reflects structural enhancements of the assets including third party insurance. Approximately 89 percent of commitments in the conduits are supported by senior exposures. At March 31, 2010, the assets of the consolidated conduits and the conduits unfunded liquidity commitments were mainly collateralized by $4.2 billion in trade receivables (17 percent), $4.2 billion in auto loans (17 percent), $2.8 billion in student loans (11 percent), $1.8 billion in credit card loans (eight percent) and $1.5 billion in equipment loans (six percent). In addition, $3.1 billion (13 percent) of the conduits assets and unfunded commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements will be repaid when cash flows due under the long-term contracts are received. Approximately 74 percent of this exposure is insured. In addition,

Table of Contents

$5.2 billion (22 percent) of the conduits assets and unfunded commitments were collateralized by the conduits short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls.

One of the previously unconsolidated conduits held CDO investments with aggregate funded amounts and unfunded commitments totaling $543 million at December 31, 2009. The conduit had transferred the investments to a subsidiary of the Corporation in accordance with existing contractual requirements, and the transfers were initially accounted for as financing transactions. After the capital notes issued by the conduit were redeemed in 2010, the conduit no longer had any continuing exposure to credit losses of the investments and the transfers were recharacterized by the conduit as sales to the subsidiary of the Corporation. At March 31, 2010, these CDO exposures were recorded on the Corporation s Consolidated Balance Sheet in trading account assets and derivative liabilities and are included in the Corporation s disclosure of variable interests in CDO vehicles below.

Assets of the Corporation are not available to pay creditors of the conduits except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the conduits are not available to pay creditors of the Corporation. At March 31, 2010 and December 31, 2009, the Corporation did not hold any commercial paper issued by the conduits other than incidentally and in its role as a commercial paper dealer.

The Corporation s liquidity, SBLCs and similar loss protection commitments obligate it to purchase assets from the conduits at the conduits cost. If a conduit is unable to re-issue commercial paper due to illiquidity in the commercial paper markets or deterioration in the asset portfolio, the Corporation is obligated to provide funding subject to the following limitations. The Corporation s obligation to purchase assets under the SBLCs and similar loss protection commitments is subject to a maximum commitment amount which is typically set at eight to 10 percent of total outstanding commercial paper. The Corporation s obligation to purchase assets under the liquidity agreements, which comprise the remainder of its exposure, is generally limited to the amount of non-defaulted assets. Although the SBLCs are unconditional, the Corporation is not obligated to fund under other liquidity or loss protection commitments if the conduit is the subject of a voluntary or involuntary bankruptcy proceeding. The Corporation has not provided support to the conduits that was not contractually required nor does it intend to provide support in the future that is not contractually required.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monoline financial guarantors. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. The Corporation is not obligated to purchase the certificates under the standby liquidity facilities if a bond s credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. In addition to standby liquidity facilities, the Corporation also provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by the Corporation. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the Corporation will make any required payments to the holders of the floating-rate certificates. The Corporation or a customer of the Corporation may hold the residual interest in the trust. If a customer holds the residual interest, that customer typically has the unilateral ability to liquidate the trust at any time, while the Corporation typically has the ability to trigger the liquidation of that trust if the market value of the bonds held in the trust declines below a specified threshold. This arrangement is designed to limit market losses to an amount that is less than the customer s residual interest, effectively preventing the Corporation from absorbing losses incurred on assets held within the trust when a customer holds the residual interest. The weighted-average remaining life of bonds held in the trusts at March 31, 2010 was 13.4 years. There were no material write-downs or downgrades of assets or issuers during the three months ended March 31, 2010.

39

Table of Contents

The following table summarizes select information related to municipal bond trusts in which the Corporation holds a variable interest at March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 4,684**	**$ 4,212**	**$ 8,896**	$ 241	$ 10,143	$ 10,384
On-balance sheet assets						
Trading account assets	**$ 4,684**	**$ 178**	**$ 4,862**	$ 241	$ 191	$ 432
Derivative assets	**-**	**-**	**-**	-	167	167
Total	**$ 4,684**	**$ 178**	**$ 4,862**	$ 241	$ 358	$ 599
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	**$ 4,931**	**$ -**	**$ 4,931**	$ -	$ -	$ -
All other liabilities	**-**	**-**	**-**	2	287	289
Total	**$ 4,931**	**$ -**	**$ 4,931**	$ 2	$ 287	$ 289
Total assets of VIEs	**$ 4,684**	**$ 6,073**	**$ 10,757**	$ 241	$ 12,247	$ 12,488

In accordance with the new consolidation guidance, on January 1, 2010, the Corporation consolidated $5.1 billion of municipal bond trusts in which it has a controlling financial interest. As transferor of assets into a trust, the Corporation has the power to determine which assets will be held in the trust and to structure the liquidity facilities, default protection and credit enhancement, if applicable. In some instances, the Corporation retains a residual interest in such trusts and has loss exposure that could potentially be significant to the trust through the residual interest, liquidity facilities and other arrangements. The Corporation is also the remarketing agent through which it has the power to direct the activities that most significantly impact economic performance. Accordingly, the Corporation is the primary beneficiary and consolidates these trusts. In other instances, one or more third party investors hold the residual interest and through that interest have the right to liquidate the trust. The Corporation does not consolidate these trusts.

Prior to 2010, some of the municipal bond trusts were QSPEs and, as such, were not subject to consolidation by the Corporation. The Corporation consolidated those trusts that were not QSPEs if it held the residual interests or otherwise expected to absorb a majority of the variability created by changes in fair value of assets in the trusts and changes in market rates of interest. The Corporation did not consolidate a trust if the customer held the residual interest and the Corporation was protected from loss in connection with its liquidity obligations.

During the three months ended March 31, 2010, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $413 million as compared to none during the same period in 2009. At March 31, 2010 and December 31, 2009, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was $1.6 billion and $6.9 billion.

The Corporation s liquidity commitments to unconsolidated municipal bond trusts totaled $4.2 billion and $9.8 billion at March 31, 2010 and December 31, 2009. At March 31, 2010 and December 31, 2009, the Corporation held $178 million and $155 million of floating-rate certificates issued by unconsolidated municipal bond trusts in trading account assets. At December 31, 2009, the Corporation also held residual interests of $203 million.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed-income securities, typically corporate debt or asset-backed securities, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of credit default swaps to synthetically create exposure to fixed-income securities. Collateralized loan obligations (CLOs) are a subset of CDOs which hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third party portfolio managers. The Corporation transfers assets to these CDOs, holds securities issued by the CDOs, and may be a derivative counterparty to the CDOs, including a credit default swap counterparty for synthetic

CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation will absorb the economic returns generated by specified assets held by the CDO. The Corporation receives fees for structuring CDOs

40

Table of Contents

and providing liquidity support for super senior tranches of securities issued by certain CDOs. No third parties provide a significant amount of similar commitments to these CDOs.

The following table summarizes select information related to CDO vehicles in which the Corporation holds a variable interest as of March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure [1]	**$ 3,709**	**$ 5,096**	**$ 8,805**	$ 3,863	$ 6,987	$ 10,850
On-balance sheet assets						
Trading account assets	**$ 2,877**	**$ 1,348**	**$ 4,225**	$ 2,785	$ 1,253	$ 4,038
Derivative assets	**237**	**1,234**	**1,471**	-	2,085	2,085
Available-for-sale debt securities	**1,089**	**218**	**1,307**	1,414	368	1,782
All other assets	**15**	**147**	**162**	-	166	166
Total	**$ 4,218**	**$ 2,947**	**$ 7,165**	$ 4,199	$ 3,872	$ 8,071
On-balance sheet liabilities						
Derivative liabilities	**$ -**	**$ 117**	**$ 117**	$ -	$ 781	$ 781
Long-term debt	**3,183**	**-**	**3,183**	2,753	-	2,753
Total	**$ 3,183**	**$ 117**	**$ 3,300**	2,753	$ 781	$ 3,534
Total assets of VIEs	**$ 4,218**	**$ 47,626**	**$ 51,844**	$ 4,199	$ 56,590	$ 60,789

(1) Maximum loss exposure has not been reduced to reflect the benefit of purchased insurance.

The Corporation s maximum loss exposure of $8.8 billion includes $2.5 billion of super senior CDO exposure, $2.5 billion of exposure to CDO financing facilities, and $3.8 billion of other non-super senior exposure. This exposure is calculated on a gross basis and does not reflect any benefit from purchased insurance. Net of purchased insurance but including securities retained from liquidations of CDOs, the Corporation s net exposure to super senior CDO-related positions was $1.5 billion at March 31, 2010. The CDO financing facilities, which are consolidated, obtain funding from third parties for CDO positions which are principally classified in trading account assets on the Corporation s Consolidated Balance Sheet. The CDO financing facilities long-term debt at March 31, 2010 totaled $2.6 billion, all of which has recourse to the general credit of the Corporation.

In accordance with the new consolidation guidance, the Corporation consolidated $220 million of CDOs on January 1, 2010. The Corporation does not routinely serve as collateral manager for CDOs and, therefore, does not typically have the power to direct the activities that most significantly impact the economic performance of a CDO. However, following an event of default, if the Corporation is a majority holder of senior securities issued by a CDO and acquires the power to manage the assets of the CDO, the Corporation consolidates the CDO. Generally, the creditors of the consolidated CDOs have no recourse to the general credit of the Corporation. Prior to 2010, the Corporation evaluated whether it must consolidate a CDO based principally on a determination as to which party was expected to absorb a majority of the credit risk created by the assets of the CDO.

At March 31, 2010, the Corporation had $3.1 billion notional amount of super senior liquidity exposure to CDO vehicles. This amount includes $1.8 billion notional amount of liquidity support provided to certain synthetic CDOs, including $289 million to a consolidated CDO, in the form of unfunded lending commitments related to super senior securities. The lending commitments obligate the Corporation to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. The Corporation also had $1.3 billion notional amount of liquidity exposure to non-SPE third parties that hold super senior cash positions on the Corporation s behalf.

Liquidity-related commitments also include $1.4 billion notional amount of derivative contracts with unconsolidated SPEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation s behalf. These derivatives are typically in the form of total return swaps which obligate the Corporation to purchase the securities at the SPE s cost to acquire the securities, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of the Corporation s exposures are insured. Accordingly, the Corporation s exposure to loss consists principally of counterparty risk to the insurers. These derivatives are included in the $1.5 billion notional amount of derivative contracts through which the Corporation obtains funding from third party SPEs, discussed in *Note 11 Commitments and Contingencies.*

Table of Contents

The Corporation s $4.5 billion of aggregate liquidity exposure to CDOs at March 31, 2010 is included in the above table to the extent that the Corporation sponsored the CDO vehicle or the liquidity exposure to the CDO vehicle is more than insignificant as compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

The Corporation s maximum exposure to loss is significantly less than the total assets of the CDO vehicles in the table above because the Corporation typically has exposure to only a portion of the total assets. The Corporation has also purchased credit protection from some of the same CDO vehicles in which it invested, thus reducing net exposure to future loss.

Customer Vehicles

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

The following table summarizes select information related to customer vehicles in which the Corporation holds a variable interest at March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 4,769**	**$ 3,612**	**$ 8,381**	$ 277	$ 10,229	$ 10,506
On-balance sheet assets						
Trading account assets	**$ 2,377**	**$ 262**	**$ 2,639**	$ 183	$ 1,334	$ 1,517
Derivative assets	**-**	**959**	**959**	78	4,815	4,893
Loans and leases	**-**	**-**	**-**	-	65	65
Loans held-for-sale	**960**	**-**	**960**	-	-	-
All other assets	**2,378**	**16**	**2,394**	16	-	16
Total	**$ 5,715**	**$ 1,237**	**$ 6,952**	$ 277	$ 6,214	$ 6,491
On-balance sheet liabilities						
Derivative liabilities	**$ -**	**$ 134**	**$ 134**	$ -	$ 267	$ 267
Commercial paper and other short-term borrowings	**25**	**-**	**25**	22	-	22
Long-term debt	**2,615**	**-**	**2,615**	50	74	124
All other liabilities	**-**	**204**	**204**	-	1,357	1,357
Total	**$ 2,640**	**$ 338**	**$ 2,978**	$ 72	$ 1,698	$ 1,770
Total assets of VIEs	**$ 5,715**	**$ 6,077**	**$ 11,792**	$ 277	$ 16,487	$ 16,764

In accordance with the new consolidation guidance, on January 1, 2010, the Corporation consolidated $5.9 billion of customer vehicles in which it has a controlling financial interest.

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. In certain instances, the Corporation has entered into derivative contracts, typically total return swaps, with vehicles which obligate the Corporation to purchase securities held as collateral at the vehicle s cost, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of the Corporation s exposures are insured. Accordingly, the Corporation s exposure to loss consists principally of counterparty risk to the insurers. At March 31, 2010, the notional amount of such derivative contracts with unconsolidated vehicles was $150 million. This amount is included in the $1.5 billion notional amount of derivative contracts through which the Corporation obtains funding from unconsolidated SPEs, described in *Note 11 Commitments and Contingencies*. The

Corporation also had approximately $493 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at March 31, 2010.

In accordance with the new consolidation guidance, the Corporation consolidates these vehicles when it has control over the initial design of the vehicle and also absorbs potentially significant gains or losses through derivative contracts or the collateral assets. The Corporation does not consolidate a vehicle if a single investor controlled the initial design of the vehicle or if the Corporation does not have a variable interest that could potentially be significant to the vehicle. Credit-linked and equity-linked note vehicles were not consolidated prior to 2010 because the Corporation did not absorb a majority of the economic risks and rewards of the vehicles.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured notes to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into total return swaps with the customer such that the economic returns of the asset are passed through to the customer. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swaps. The Corporation s risk may be mitigated by collateral or other arrangements. In accordance with the new consolidation guidance, the Corporation consolidates these vehicles because it has the power to manage the assets in the vehicles and owns all of the structured notes issued by the vehicles. These vehicles were not consolidated prior to 2010 because the variability created by the assets in the vehicles was considered to be absorbed by the Corporation s customers through the total return swaps.

Other VIEs

Other consolidated VIEs primarily include investment vehicles, leveraged lease trusts, automobile and other securitization trusts, and asset acquisition conduits. Other unconsolidated VIEs primarily include investment vehicles, real estate vehicles and resecuritization trusts.

The following table summarizes select information related to other VIEs in which the Corporation holds a variable interest at March 31, 2010 and December 31, 2009.

	March 31, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 16,864**	**$ 19,297**	**$ 36,161**	$ 13,111	$ 14,373	$ 27,484
On-balance sheet assets						
Trading account assets	**$ 1,888**	**$ 2,064**	**$ 3,952**	$ 269	$ 543	$ 812
Derivative assets	**1,128**	**213**	**1,341**	1,096	86	1,182
Available-for-sale debt securities	**1,797**	**5,134**	**6,931**	1,822	2,439	4,261
Loans and leases	**19,380**	**2,375**	**21,755**	16,112	1,200	17,312
Allowance for loan and lease losses	**(100)**	**(23)**	**(123)**	(130)	(10)	(140)
Loans held-for-sale	**293**	**786**	**1,079**	197	-	197
All other assets	**2,543**	**8,790**	**11,333**	1,310	8,875	10,185
Total	**$ 26,929**	**$ 19,339**	**$ 46,268**	$ 20,676	$ 13,133	$ 33,809
On-balance sheet liabilities						
Derivative liabilities	**$ 42**	**$ 16**	**$ 58**	$ -	$ 80	$ 80
Commercial paper and other short-term borrowings	**2,185**	**-**	**2,185**	965	-	965
Long-term debt	**8,842**	**74**	**8,916**	7,341	-	7,341
All other liabilities	**3,934**	**1,354**	**5,288**	3,123	1,626	4,749
Total	**$ 15,003**	**$ 1,444**	**$ 16,447**	$ 11,429	$ 1,706	$ 13,135
Total assets of VIEs	**$ 26,929**	**$ 30,651**	**$ 57,580**	$ 20,676	$ 28,182	$ 48,858

The increase in the Corporation s maximum loss exposure from December 31, 2009 to March 31, 2010 is principally attributable to resecuritizations (an increase of $6.5 billion) and investment vehicles (an increase of $2.6 billion), partially offset by net reductions in other VIEs.

Investment Vehicles

The Corporation sponsors, invests in or provides financing to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors. At March 31, 2010 and December 31, 2009, the Corporation s consolidated investment vehicles had total assets of $8.0 billion and $5.7 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $12.3 billion and $8.8 billion at March 31, 2010 and December 31, 2009. The Corporation s maximum exposure to loss associated with consolidated and unconsolidated investment vehicles totaled $13.3 billion and $10.7 billion at March 31, 2010 and December 31, 2009. The increase is due, in part, to real estate investment vehicles that were not previously considered to be VIEs but no longer have sufficient equity at risk and were therefore considered to be VIEs at March 31, 2010.

In accordance with the new consolidation guidance, the Corporation consolidated $2.5 billion of investment vehicles on January 1, 2010. This amount includes a real estate investment fund with $1.5 billion of assets which is designed to provide returns to clients through limited partnership holdings. Affiliates of the Corporation are the general partner and also have a limited partnership interest in the fund. Although it is without any obligation or commitment to do so, the Corporation anticipates that it may, in its sole discretion, elect to provide support to the entity, and therefore considers the entity to be a VIE. The Corporation consolidates an investment vehicle that meets the definition of a VIE if it manages the assets or otherwise controls the activities of the vehicle and also holds a variable interest that could potentially be significant to the vehicle. Prior to 2010, the Corporation consolidated an investment vehicle that met the definition of a VIE if the Corporation s investment or guarantee was expected to absorb a majority of the variability created by the assets of the funds.

Leveraged Lease Trusts

The Corporation s net investment in consolidated leveraged lease trusts totaled $5.5 billion and $5.6 billion at March 31, 2010 and December 31, 2009. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation consolidates these trusts in accordance with the new consolidation guidance because it structured the trusts, giving the Corporation power over the limited activities of the trusts, and holds a significant residual interest. Prior to 2010, the Corporation consolidated these trusts because the residual interest was expected to absorb a majority of the variability driven by credit risk of the lessee and, in some cases, by the residual risk of the leased property. The net investment represents the Corporation s maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Automobile and Other Securitization Trusts

At March 31, 2010 and December 31, 2009, the Corporation serviced asset-backed securitization trusts with outstanding unpaid principal balances of $12.2 billion and $14.1 billion, substantially all of which held automobile loans. The Corporation s maximum exposure to loss associated with these trusts totaled $2.9 billion and $3.5 billion at March 31, 2010 and December 31, 2009. The Corporation transferred $1.6 billion of automobile loans in the three months ended March 31, 2010 and $9.0 billion during 2009 to these trusts.

In accordance with the new consolidation guidance, on January 1, 2010, the Corporation consolidated one automobile securitization trust with $2.6 billion of assets in which it had a controlling financial interest. Prior to 2010, this trust met the definition of a QSPE and was therefore not subject to consolidation. The Corporation held $2.1 billion of senior securities, $195 million of subordinate securities and $83 million of residual interests issued by this trust at December 31, 2009. The remaining automobile trusts, which were not QSPEs, were previously consolidated and continue to be consolidated under the new guidance because the Corporation services the automobile loans and also holds a significant amount of beneficial interests issued by the trusts.

Asset Acquisition Conduits

The Corporation administers three asset acquisition conduits which acquire assets on behalf of the Corporation or its customers. These conduits had total assets of $2.2 billion as of both March 31, 2010 and December 31, 2009. Two of the conduits, which were unconsolidated prior to 2010, acquire assets at the request of customers who wish to benefit from the economic returns of the specified assets on a leveraged basis, which consist principally of liquid exchange-traded equity securities. The third conduit holds subordinate debt securities for the Corporation s benefit. The conduits obtain funding by issuing commercial paper and subordinate certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swaps between the Corporation and the conduits. When a conduit acquires assets for the benefit of the Corporation s customers, the Corporation enters into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. The Corporation s exposure to the counterparty credit risk of its customers is mitigated by the ability to liquidate an asset held in the conduit if the customer defaults on its obligation. The Corporation receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. At March 31, 2010 and December 31, 2009, the Corporation did not hold any commercial paper issued by the asset acquisition conduits other than incidentally and in its role as a commercial paper dealer.

In accordance with the new consolidation guidance, on January 1, 2010, the Corporation consolidated the two previously unconsolidated asset acquisition conduits with total assets of $1.4 billion. In its role as administrator, the Corporation has the power to determine which assets will be held in the conduits and to manage the issuance of commercial paper. Through the total return swaps with the conduits, the Corporation initially absorbs gains and losses

Table of Contents

incurred due to changes in market value of assets held in the conduits. Although the Corporation then transfers gains and losses to customers through the back-to-back total return swaps, its financial interest could potentially be significant to the VIE. Accordingly, the Corporation is the primary beneficiary of and consolidates all of the asset acquisition conduits.

Prior to 2010, the Corporation determined whether it must consolidate an asset acquisition conduit based on the design of the conduit and whether the third party investors are exposed to the Corporation s credit risk or the market risk of the assets. Interest rate risk was not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors who receive current rates of interest that are appropriate for the tenor and relative risk of their investments. When a conduit acquired assets for the benefit of the Corporation s customers, the Corporation entered into back-to-back total return swaps with the conduit and the customers such that the economic returns of the assets are passed through to the customers, none of whom has a variable interest in the conduit as a whole. The third party investors are exposed primarily to the credit risk of the Corporation. Accordingly, the Corporation did not consolidate the conduit. When a conduit acquires assets on the Corporation s behalf and the Corporation absorbs the market risk of the assets, it consolidates the conduit.

Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of $5.2 billion and $4.8 billion at March 31, 2010 and December 31, 2009, which consisted of limited partnership investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects. The Corporation s risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

In accordance with the new consolidation guidance, the Corporation determines whether it must consolidate these limited partnerships principally based on an identification of the party that has power over the activities of the partnership. Typically, an unrelated third party is the general partner and the Corporation does not consolidate the partnership.

Prior to 2010, the Corporation determined whether it must consolidate these limited partnerships based on a determination as to which party is expected to absorb a majority of the risk created by the real estate held in the vehicle, which may include construction, market and operating risk. Typically, the general partner in a limited partnership will absorb a majority of this risk due to the legal nature of the limited partnership structure and, accordingly, would consolidate the vehicle.

Resecuritization Trusts

During the three months ended March 31, 2010, the Corporation resecuritized $40.8 billion of MBS, including $34.7 billion of securities purchased from third parties, compared to $4.2 billion during the same period in 2009. Net gains or (losses), which include net interest income earned during the holding period, totaled $(33) million and $25 million for the three months ended March 31, 2010 and 2009. At March 31, 2010, the Corporation held $4.9 billion and $1.9 billion of senior securities classified in AFS debt securities and trading account assets, and $149 million of subordinate securities classified in trading account assets which were issued by unconsolidated resecuritization trusts which had total assets of $12.0 billion. At December 31, 2009, the Corporation held $543 million of senior securities classified in trading account assets which were issued by unconsolidated resecuritization trusts which had total assets of $7.4 billion. All of the retained interests were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy). In accordance with the new consolidation guidance, the Corporation consolidates a resecuritization trust if it has sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains a variable interest that could potentially be significant to the trust. If one or a limited number of third party investors purchase a significant portion of subordinate securities and share responsibility for the design of the trust, the Corporation does not consolidate the trust. Prior to 2010, these resecuritization trusts were typically QSPEs and as such were not subject to consolidation by the Corporation.

Table of Contents

Other Transactions

Prior to 2010, the Corporation transferred pools of securities to certain independent third parties and provided financing for approximately 75 percent of the purchase price under asset-backed financing arrangements. At March 31, 2010 and December 31, 2009, the Corporation s maximum loss exposure under these financing arrangements was $6.6 billion and $6.8 billion, substantially all of which was recorded as loans on the Corporation s Consolidated Balance Sheet. All principal and interest payments have been received when due in accordance with their contractual terms. These arrangements are not included in the table above because the purchasers are not VIEs.

NOTE 9 Goodwill and Intangible Assets

Goodwill

The following table presents goodwill at March 31, 2010 and December 31, 2009. As discussed in more detail in *Note 17 Business Segment Information,* on January 1, 2010 the Corporation realigned the former *Global Banking* and *Global Markets* business segments. There was no impact on the reporting units used in goodwill impairment testing. The reporting units utilized for goodwill impairment tests are the business segments or one level below the business segments.

(Dollars in millions)	**March 31 2010**	December 31 2009
Deposits	**$ 17,875**	$ 17,875
Global Card Services	**22,284**	22,292
Home Loans & Insurance	**4,797**	4,797
Global Commercial Banking	**20,656**	20,656
Global Banking & Markets	**10,252**	10,252
Global Wealth & Investment Management	**10,411**	10,411
All Other	**30**	31
Total goodwill	**$ 86,305**	$ 86,314

Based on the results of the annual impairment test at June 30, 2009, and due to continued stress on *Home Loans & Insurance* and *Global Card Services* as a result of current market conditions, the Corporation concluded that an additional impairment analysis should be performed for these two reporting units as of March 31, 2010. In performing the first step of the additional impairment analysis, the Corporation compared the fair value of each reporting unit to its carrying value, including goodwill. Consistent with the annual test, the Corporation utilized a combination of the market approach and the income approach for *Home Loans & Insurance* and the income approach for *Global Card Services*. For *Home Loans & Insurance,* the carrying value exceeded the fair value, and accordingly, the second step analysis of comparing the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill was performed. Although *Global Card Services* passed step one of the goodwill impairment analysis, to further substantiate the value of the goodwill balance, the Corporation also performed the step two analysis for this reporting unit. The results of the second step of the goodwill impairment test for *Global Card Services* and *Home Loans & Insurance* were consistent with the results of the annual impairment test, indicating that no goodwill was impaired as of March 31, 2010.

Intangible Assets

The following table presents the gross carrying values and accumulated amortization related to intangible assets at March 31, 2010.

	March 31, 2010		December 31, 2009	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 7,153**	**$ 3,611**	$ 7,179	$ 3,452
Core deposit intangibles	**5,394**	**3,816**	5,394	3,722
Customer relationships	**4,232**	**880**	4,232	760
Affinity relationships	**1,645**	**789**	1,651	751
Other intangibles	**3,438**	**1,218**	3,438	1,183
Total intangible assets	**$ 21,862**	**$ 10,314**	$ 21,894	$ 9,868

46

Table of Contents

Amortization of intangibles expense was $446 million and $520 million for the three months ended March 31, 2010 and 2009. The Corporation estimates aggregate amortization expense will be approximately $430 million for each of the remaining quarters of 2010. The Corporation estimates aggregate amortization expense will be approximately $1.5 billion, $1.3 billion, $1.2 billion, $1.0 billion and $900 million for 2011 through 2015, respectively.

NOTE 10 Short-term Borrowings and Long-term Debt

Short-term Borrowings

The following table presents the Corporation s commercial paper and other short-term borrowings at March 31, 2010 and December 31, 2009.

	March 31, 2010		December 31, 2009	
		Average		Average
(Dollars in millions)	**Amount**	**Rate**	Amount	Rate
Commercial paper	**$ 27,086**	**0.45%**	$ 13,131	0.65%
Other short-term borrowings	**58,320**	**1.99**	56,393	1.72
Total commercial paper and other short-term borrowings	**$ 85,406**	**1.39**	$ 69,524	1.47

At March 31, 2010, commercial paper issued by consolidated multi-seller conduits and asset acquisition conduits totaled $14.5 billion and $2.2 billion with a weighted-average maturity of 41 and 64 days.

Long-term Debt

The following table presents the Corporation s long-term debt at March 31, 2010 and December 31, 2009.

(Dollars in millions)	**March 31 2010**	December 31 2009
Long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries	**$ 138,716**	$ 154,951
Long-term debt issued by Bank of America Corporation and subsidiaries	**282,608**	283,570
Long-term debt issued by consolidated VIEs under new consolidation guidance	**90,329**	n/a
Total long-term debt	**$ 511,653**	$ 438,521

n/a = not applicable

At March 31, 2010, long-term debt issued by consolidated VIEs included credit card, auto, home equity and first mortgage securitization trusts of $68.4 billion, $8.5 billion, $4.6 billion and $2.7 billion, respectively, and $6.1 billion of other long-term debt issued by consolidated VIEs, and is collateralized by the assets of the VIEs.

The Corporation has not assumed or guaranteed long-term debt previously issued or guaranteed by Merrill Lynch & Co., Inc. or its subsidiaries. The Corporation has guaranteed certain structured securities issued by Merrill Lynch S.A. and Merrill Lynch International & Co. C.V. subsequent to September 16, 2009, structured securities issued by Merrill Lynch Canada Finance Company subsequent to October 1, 2009 and structured securities issued by Merrill Lynch Japan Finance Co., Ltd. subsequent to October 16, 2009. In addition, certain structured notes acquired in the acquisition of Merrill Lynch are accounted for under the fair value option. For more information on these structured notes, see *Note 14 Fair Value Measurements.*

Table of Contents

Aggregate annual maturities of long-term debt obligations at March 31, 2010 are summarized in the following table.

(Dollars in millions)	2010	2011	2012	2013	2014	Thereafter	Total
Bank of America Corporation	$ 16,095	$ 15,971	$ 40,199	$ 7,516	$ 15,309	$ 84,327	**$ 179,417**
Merrill Lynch & Co., Inc. and subsidiaries	21,625	19,390	18,381	17,941	16,427	44,952	**138,716**
Bank of America, N.A. and other subsidiaries	20,406	3,793	4,949	155	107	10,021	**39,431**
Other	20,598	21,029	12,513	5,131	1,776	2,713	**63,760**
Total long-term debt excluding consolidated VIEs	78,724	60,183	76,042	30,743	33,619	142,013	**421,324**
Long-term debt issued by consolidated VIEs	19,272	19,772	10,693	16,706	8,603	15,283	**90,329**
Total long-term debt	**$ 97,996**	**$ 79,955**	**$ 86,735**	**$ 47,449**	**$ 42,222**	**$ 157,296**	**$ 511,653**

Included in the above table are certain structured notes that contain provisions whereby the borrowings are redeemable at the option of the holder (put options) at specified dates prior to maturity. Other structured notes have coupon or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities and the maturity may be accelerated based on the value of a referenced index or security. In both cases, the Corporation or a subsidiary may be required to settle the obligation for cash or other securities prior to the contractual maturity date. These borrowings are reflected in the above table as maturing at their earliest put or redemption date.

NOTE 11 Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation s Consolidated Balance Sheet. For additional information on commitments and contingencies, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of $36.3 billion and $30.9 billion at March 31, 2010 and December 31, 2009. At March 31, 2010, the carrying amount of these commitments, excluding commitments accounted for under the fair value option, was $1.6 billion, including deferred revenue of $34 million and a reserve for unfunded lending commitments of $1.5 billion. At December 31, 2009, the comparable amounts were $1.5 billion, $34 million and $1.5 billion, respectively. The carrying amount of these commitments is recorded in accrued expenses and other liabilities.

Table of Contents

The table below also includes the notional amount of commitments of $27.3 billion and $27.0 billion at March 31, 2010 and December 31, 2009, that are accounted for under the fair value option. However, the table below excludes fair value adjustments of $746 million and $950 million on these commitments that were recorded in accrued expenses and other liabilities. For information regarding the Corporation s loan commitments accounted for under the fair value option, see *Note 14 Fair Value Measurements.*

(Dollars in millions)	Expires in 1 Year or Less	Expires after 1 Year through 3 Years	Expires after 3 Years through 5 Years	Expires after 5 Years	Total
Credit extension commitments, March 31, 2010					
Loan commitments	**$ 160,606**	**$ 161,559**	**$ 26,029**	**$ 25,163**	**$ 373,357**
Home equity lines of credit	**1,817**	**3,655**	**12,351**	**72,498**	**90,321**
Standby letters of credit and financial guarantees (1)	**31,694**	**19,713**	**4,235**	**13,791**	**69,433**
Commercial letters of credit	**1,971**	**30**	**-**	**1,438**	**3,439**
Legally binding commitments	**196,088**	**184,957**	**42,615**	**112,890**	**536,550**
Credit card lines (2)	**521,659**	**-**	**-**	**-**	**521,659**
Total credit extension commitments	**$ 717,747**	**$ 184,957**	**$ 42,615**	**$ 112,890**	**$ 1,058,209**
Credit extension commitments, December 31, 2009					
Loan commitments	$ 149,248	$ 187,585	$ 30,897	$ 28,489	$ 396,219
Home equity lines of credit	1,810	3,272	10,667	76,924	92,673
Standby letters of credit and financial guarantees (1)	29,794	21,285	4,923	13,740	69,742
Commercial letters of credit	2,020	40	-	1,465	3,525
Legally binding commitments	182,872	212,182	46,487	120,618	562,159
Credit card lines (2)	541,919	-	-	-	541,919
Total credit extension commitments	$ 724,791	$ 212,182	$ 46,487	$ 120,618	$ 1,104,078

(1) At March 31, 2010, the notional amounts of SBLCs and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $40.5 billion and $28.9 billion compared to $39.7 billion and $30.0 billion at December 31, 2009.

(2) Includes business card unused lines of credit.

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

Other Commitments

Global Principal Investments and Other Equity Investments

At March 31, 2010 and December 31, 2009, the Corporation had unfunded equity investment commitments of approximately $2.6 billion and $2.8 billion. These commitments generally relate to the Corporation s Global Principal Investments business which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund. Bridge equity commitments provide equity bridge financing to facilitate clients investment activities. These conditional commitments are generally retired prior to or shortly following funding via syndication or the client s decision to terminate. Where the

Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there is heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At March 31, 2010, the Corporation did not have any unfunded bridge equity commitments. The Corporation had funded equity bridges of $1.2 billion that were committed prior to the market disruption. These equity bridges were considered held for investment and recorded in other assets. During the fourth quarter of 2009, these equity bridges were written down to a zero balance. In the three months ended March 31, 2009, the Corporation recorded a total of $150 million in losses in equity investment income related to these investments.

Loan Purchases

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period ending June 30, 2010. Under this agreement, the Corporation purchased $3.6 billion of such loans in the three months ended March 31, 2010 and purchased $6.6 billion of such loans for the year ended December 31, 2009. At March 31,

Table of Contents

2010, the Corporation was committed for additional purchases of $3.0 billion over the remaining term of the agreement. All loans purchased under this agreement are subject to a comprehensive set of credit criteria. This agreement is accounted for as a derivative liability with a fair value of $73 million and $189 million at March 31, 2010 and December 31, 2009.

At March 31, 2010 and December 31, 2009, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $2.6 billion and $2.2 billion, which upon settlement will be included in loans or LHFS.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $2.3 billion, $2.8 billion, $2.3 billion, $1.9 billion and $1.4 billion for 2010 through 2014, respectively, and $7.6 billion for all years thereafter.

Other Commitments

At March 31, 2010 and December 31, 2009, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $78.2 billion and $51.8 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $89.9 billion and $58.3 billion. All of these commitments expire within the next 12 months.

In connection with federal and state securities regulators, the Corporation agreed to purchase at par auction rate securities (ARS) held by certain customers. During the first quarter of 2010, the buyback commitment period to repurchase ARS expired.

The Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At March 31, 2010 and December 31, 2009, the minimum fee commitments over the remaining terms of these agreements totaled $2.4 billion and $2.3 billion.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed-income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed. In addition, investment parameters of the underlying portfolio are restricted. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At both March 31, 2010 and December 31, 2009, the notional amount of these guarantees totaled $15.6 billion and the Corporation s maximum exposure related to these guarantees totaled $4.9 billion with estimated maturity dates between 2030 and 2040. As of March 31, 2010, the Corporation has not made a payment under these products. The probability of surrender has increased due to investment manager underperformance and the deteriorating financial health of policyholders, but remains a small percentage of total notional.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed-income securities and is intended to cover any shortfall in the event that plan participants continue to withdraw funds after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase high quality fixed-income securities, typically government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the

Table of Contents

investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At March 31, 2010 and December 31, 2009, the notional amount of these guarantees totaled $36.3 billion and $36.8 billion with estimated maturity dates between 2010 and 2014 if the exit option is exercised on all deals. As of March 31, 2010, the Corporation has not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

Merchant Services

On June 26, 2009, the Corporation contributed its merchant processing business to a joint venture in exchange for a 46.5 percent ownership interest in the joint venture. The Corporation indemnified the joint venture for any losses resulting from transactions processed through June 26, 2009 on the contributed merchant portfolio. For additional information on the joint venture agreement, see *Note 5 Securities.*

The Corporation, on behalf of the joint venture, provides credit and debit card processing services to various merchants by processing credit and debit card transactions on the merchants behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder s favor and the merchant defaults on its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the joint venture as the merchant processor. If the joint venture is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. The joint venture is primarily liable for any losses on transactions from the contributed portfolio that occur after June 26, 2009. However, if the joint venture fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation could be held liable for the disputed amount. For the three months ended March 31, 2010 and 2009, the Corporation processed $79.1 billion and $74.8 billion of transactions and recorded losses as a result of these chargebacks of $3 million and $7 million.

At March 31, 2010 and December 31, 2009, the Corporation, on behalf of the joint venture, held as collateral $22 million and $26 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants. The joint venture also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of March 31, 2010 and December 31, 2009, the maximum potential exposure totaled approximately $129.2 billion and $131.0 billion. The Corporation does not expect to make material payments in connection with these guarantees. The maximum potential exposure disclosed above does not include volumes processed by First Data contributed portfolios.

Brokerage Business

For a portion of the Corporation s brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation s clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in its issuing margin to the Corporation s clients. The maximum potential future payment under this indemnification was $700 million and $657 million at March 31, 2010 and December 31, 2009. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract which is expected to occur in the third quarter of 2010.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and SPEs that are not consolidated on the Corporation s Consolidated Balance Sheet. At March 31, 2010 and December 31, 2009, the total notional amount of these derivative contracts was approximately $3.9 billion and $4.9 billion with commercial banks and $1.5 billion and $2.8 billion with SPEs. The underlying securities are senior securities and substantially all of the Corporation s exposures are insured. Accordingly, the Corporation s exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Table of Contents

Other Guarantees

The Corporation sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At March 31, 2010 and December 31, 2009, the notional amount of these guarantees totaled $1.9 billion and $2.1 billion. These guarantees have various maturities ranging from two to five years. As of March 31, 2010 and December 31, 2009, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $3.7 billion and $3.6 billion at March 31, 2010 and December 31, 2009. The estimated maturity dates of these obligations are between 2010 and 2033. The Corporation has made no material payments under these guarantees.

In addition, the Corporation has guaranteed the payment obligations of certain subsidiaries of Merrill Lynch on certain derivative transactions. The aggregate notional amount of such derivative liabilities was approximately $2.9 billion and $2.5 billion at March 31, 2010 and December 31, 2009.

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Certain of these actions and proceedings are based on alleged violations of consumer protection, securities, environmental, banking, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority (FINRA), the New York Stock Exchange, the Financial Services Authority and other domestic, international and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation cannot state with confidence what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable, although there may be an exposure to loss in excess of any amounts accrued. When loss contingencies are not both probable and estimable, the Corporation does not establish reserves. As a litigation or regulatory matter develops, the Corporation, in conjunction with its outside counsel handling the matter, if any, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and/or estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish a reserve with respect to such loss contingency and continue to monitor the matter for further developments that could affect the amount of the reserve that has been previously established. Excluding fees paid to external legal service providers, litigation-related expenses of $558 million and $181 million were recognized during the three months ended March 31, 2010 and 2009.

In some of the matters described below, including but not limited to the Lehman Brothers Holdings, Inc. matters, loss contingencies are not both probable and estimable in the view of management, and accordingly, reserves have not been established for those matters. However, information is provided below or included in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K regarding the nature of the contingency and, where specified, the amount of the claim associated with the loss contingency. Based on current knowledge, management does not believe that loss contingencies arising from pending litigation and regulatory matters, including the litigation and regulatory matters described below, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation, but may be material to the Corporation s results of operations for any particular reporting period.

Auction Rate Securities (ARS) Claims

On March 1, 2010, plaintiffs in the *Mayor and City Council of Baltimore, Maryland v. Citigroup et al.*, and *Mayfield et al. v. Citigroup Inc. et al.* cases filed a notice of appeal from the order of the U.S. District Court for the Southern District of New York dismissing those cases.

On March 31, 2010, the U.S. District Court for the Southern District of New York dismissed the second amended consolidated complaint with prejudice in *Burton v. Merrill Lynch & Co., Inc., et al*. On April 22, 2010, plaintiff Colin Wilson filed a notice of appeal from the order of the U.S. District Court for the Southern District of New York dismissing the second amended consolidated complaint.

Countrywide Bond Insurance Litigation

On February 26, 2010, Countrywide Home Loans, Inc. (CHL) filed a motion to dismiss certain claims asserted in *Financial Guaranty Insurance Company v. Countrywide Home Loans, Inc*. On April 30, 2010, Financial Guaranty Insurance Company (FGIC) filed an amended complaint, which adds the Corporation, Countrywide Financial Corporation (CFC), Countrywide Securities Corporation (CSC) and Countrywide Bank F.S.B. as defendants.

On March 24, 2010, CHL, CSC and CFC filed a separate but related action against FGIC in New York Supreme Court seeking monetary damages of at least $100 million against FGIC in connection with FGIC s failure to pay claims under certain bond insurance policies provided by FGIC.

On March 24, 2010, CHL, CSC, CWHEQ, Inc. and CWABS, Inc. initiated a proceeding in New York Supreme Court under Article 78 of the New York Civil Practice Law and Rules challenging the November 24, 2009 order of the New York State Insurance Department, which directed FGIC to cease payment of claims under certain bond insurance policies. In the Article 78 proceeding, CHL, CSC, CWHEQ, Inc. and CWABS, Inc. assert that the New York State Insurance Department s November 24, 2009 order to FGIC to stop paying insurance proceeds was in excess of the Insurance Department s powers and violated New York Insurance law and related regulations. The parties are therefore seeking a declaration that the November 24, 2009 order is void.

On April 29, 2010, in the action in New York Supreme Court, entitled *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.,* the court issued an order granting in part and denying in part defendants motion to dismiss, declining to dismiss plaintiff s claims against the Corporation.

Countrywide Equity and Debt Securities Matters

On April 2, 2010, the plaintiffs and CFC in *In re Countrywide Financial Corp. Securities Litigation* reached an agreement in principle to settle the case for $600 million and dismiss all claims with prejudice. This amount was fully accrued as of March 31, 2010. The proposed settlement, which would settle claims against CFC and all other defendants (except for defendant KPMG LLP), is subject to negotiation and execution of a mutually acceptable settlement agreement and court approval.

In *Argent Classic Convertible Arbitrage Fund L.P. v. Countrywide Financial Corp. et al.*, CFC and Argent Classic, on its own behalf, have agreed to settle the matter in an amount that is not material to the Corporation s earnings and on May 4, 2010, filed with the U.S. District Court for the Central District of California a stipulation to dismiss the case with prejudice as to all parties.

Countrywide Mortgage-backed Securities Litigation

On March 15, 2010, the Federal Home Loan Bank of San Francisco (FHLB San Francisco) filed two complaints in the Superior Court of the State of California, County of San Francisco. The case entitled *Federal Home Loan Bank of San Francisco v. Deutsche Bank Securities Inc., et al.* was filed against CSC, Merrill Lynch, Pierce, Fenner & Smith, Inc. (MLPF&S) and other defendants. The case entitled *Federal Home Loan Bank of San Francisco v. Credit Suisse Securities (USA) LLC, et al.* was filed against Banc of America Securities LLC (BAS), Banc of America Funding Corp., Banc of America Mortgage Securities, Inc., CSC, CWALT, Inc., CFC and other defendants. The complaints allege violations of the California Corporate Securities Act, the Securities Act of 1933, the California Civil Code and common law in connection with various offerings of mortgage-backed securities. The complaints assert, among other things, misstatements and omissions concerning the credit quality of the mortgage loans underlying the securities and the loan origination practices associated with those loans. The complaints seek unspecified damages and rescission, among other relief.

In re Initial Public Offering Securities Litigation

On March 2, 2010, the objectors withdrew their discretionary appeal to certification of the settlement class and filed an appeal of the order by the U.S. District Court for the Southern District of New York approving the settlement.

Lehman Brothers Holdings, Inc. Litigation

BAS, MLPF&S and other defendants motion to dismiss the consolidated amended complaint was denied without prejudice on March 17, 2010 when plaintiffs advised the U.S. District Court for the Southern District of New York that they would seek to file a third amended complaint.

Lyondell Litigation

On March 11, 2010, the U.S. Bankruptcy Court for the Southern District of New York approved the settlement in principle, which is not material to the Corporation s earnings. The settlement became effective on April 30, 2010.

MBIA Insurance Corporation CDO Litigation

On April 9, 2010, the New York Superior Court, New York County, issued an order granting the motion to dismiss as to the fraud, negligent misrepresentation and rescission claims, and denying the motion to dismiss solely as to the breach of contract claim.

53

Table of Contents

Merrill Lynch Acquisition-related Matters

Other Acquisition-related Litigation

On March 25, 2010, the parties in *Catalano v. Bank of America* filed a stipulation and proposed order dismissing the action without prejudice to any rights plaintiff may have as a member of any putative class alleged in the consolidated securities action pending in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation.* On April 9, 2010, the U.S. District Court for the Southern District of New York consolidated two purported class actions, *Iron Workers of Western Pennsylvania Pension Plan v. Bank of America Corp., et al*. and *Dornfest v. Bank of America Corp., et al.,* with the consolidated securities actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation*, and ruled that the plaintiffs in the two purported class actions may pursue those actions as individual actions, but not as class actions.

Merrill Lynch Subprime-related Matters

Connecticut Carpenters Pension Fund, et al. v. Merrill Lynch & Co., Inc., et al.; Iron Workers Local No. 25 Pension Fund v. Credit-Based Asset Servicing and Securitization LLC, et al.; Public Employees Ret. System of Mississippi v. Merrill Lynch & Co. Inc. et al.; Wyoming State Treasurer v. Merrill Lynch & Co. Inc.

On March 31, 2010, the U.S. District Court for the Southern District of New York issued an order granting in part and denying in part defendants motion to dismiss the consolidated amended complaint.

Ocala Litigation

On March 17, 2010, each plaintiff filed an amended complaint in lieu of an opposition to the motion to dismiss filed by Bank of America, N.A. that restated the previously asserted claims and added claims for breach of fiduciary duty. On April 30, 2010, Bank of America, N.A. filed a motion to dismiss each of these amended complaints.

Parmalat Finanziaria S.p.A. Matters

Proceedings in the United States

On March 18, 2010, the Food Holdings Limited plaintiffs filed a notice of appeal from the opinion and order dismissing their claims to the U.S. Court of Appeals for the Second Circuit. On April 1, 2010, the Corporation filed a cross-appeal as to certain rulings.

As a result of an agreement among the parties to settle the matter in an amount that is not material to the Corporation s earnings, on March 11, 2010, the U.S. District Court for the Southern District of New York signed a stipulation of voluntary dismissal in *Hartford Life Insurance v. Bank of America Corporation, et al.* dismissing the case. Further to the agreement, on March 22, 2010, the U.S. District Court for the Southern District of New York signed a stipulation of voluntary dismissal in *Prudential Life Insurance Company of America and Hartford Life Insurance Company v. Bank of America Corporation, et al.* dismissing Hartford s claims from the case.

Pender Litigation

On April 7, 2010, the U.S. District Court for the Western District of North Carolina dismissed plaintiffs claim of age discrimination by The Bank of America Pension Plan and plaintiffs sole claim against PricewaterhouseCoopers LLP, and reserved judgment on the rest of defendants motion to dismiss.

Tribune PHONES Litigation

On March 5, 2010, an adversary proceeding, entitled *Wilmington Trust Company v. JP Morgan Chase Bank, N.A., et al.*, was filed in the U.S. Bankruptcy Court for the District of Delaware. This adversary proceeding, in which Bank of America, N.A., BAS, MLPF&S and Merrill Lynch Capital Corporation, among others, were named as defendants, relates to the pending Chapter 11 cases in *In re Tribune Company, et al*. The plaintiff in the adversary proceeding, Wilmington Trust Company (Wilmington Trust), is the indenture trustee for approximately $1.2 billion of Exchangeable Subordinated Debentures (the PHONES) issued by Tribune Company (Tribune). In its complaint, Wilmington Trust challenges certain financing transactions entered into among the defendants and Tribune and certain of its operating subsidiaries under certain credit agreements dated May 17, 2007 and December 20, 2007 (collectively known as the Credit Agreements). The complaint alleges that the defendants were only willing to enter into the Credit Agreements if they could subordinate the PHONES to Tribune s indebtedness under the Credit Agreements. Wilmington Trust seeks to: (i) equitably subordinate the defendants claims under the Credit Agreements to the PHONES; (ii) transfer any liens securing defendants claims under the Credit Agreements to Tribune s bankruptcy estate; and (iii) disallow all claims of the defendants against the Tribune debtors until the PHONES are paid in full.

The complaint also asserts a claim for breach of fiduciary duty against Citibank, N.A. (Citibank), as former indenture trustee for the PHONES, in an unspecified amount. For allegedly aiding and abetting Citibank s alleged breach of fiduciary duty, Wilmington Trust seeks damages in an unspecified amount from each of the defendants, equitable subordination of the defendants bankruptcy claims and the imposition of a constructive trust over the defendants legal interests in Tribune and its subsidiaries.

Table of Contents

On March 18, 2010, the Tribune debtors filed a motion, which the Bankruptcy Court heard on April 13, 2010, seeking a determination that Wilmington Trust has violated the automatic stay by filing the complaint and to halt all further proceedings regarding the complaint.

NOTE 12 Shareholders Equity and Earnings Per Common Share

Common Stock

In December 2009, the Corporation repurchased the non-voting perpetual preferred stock previously issued to the U.S. Treasury (TARP Preferred Stock) through use of $25.7 billion in excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion Common Equivalent Securities (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 contingent warrants to purchase an aggregate of 60 million shares of the Corporation s common stock. On February 23, 2010, the Corporation held a special meeting of shareholders at which it obtained stockholder approval of an amendment to the Corporation s amended and restated certificate of incorporation to increase the number of authorized shares of common stock, and accordingly, the Common Equivalent Stock automatically converted in full into 1.286 billion shares of common stock on February 24, 2010 following the filing of the amendment with the Delaware Secretary of State on February 23, 2010. In addition, as a result, the contingent warrants expired without having become exercisable and the CES ceased to exist. For additional information on preferred stock, see *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

Through a 2008 authorized share repurchase program, the Corporation had the ability to repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions. The 2008 authorized repurchase program expired on January 23, 2010. In the three months ended March 31, 2010, the Corporation did not repurchase any shares of common stock and issued approximately 95.8 million shares under employee stock plans. At March 31, 2010, the Corporation had reserved 1.1 billion of unissued common shares for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

In January 2010, the Board of Directors declared a regular quarterly cash dividend on common stock of $0.01 per share, which was paid on March 26, 2010 to common shareholders of record on March 5, 2010. In April 2010, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on June 25, 2010 to common shareholders of record on June 4, 2010.

Preferred Stock

During the first quarter of 2010, the aggregate dividends declared on preferred stock were $348 million.

Table of Contents

Accumulated OCI

The following table presents the changes in accumulated OCI for the three months ended March 31, 2010 and 2009, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities	Available-for-Sale Marketable Equity Securities	Derivatives	Employee Benefit Plans [(1)]	Foreign Currency [(2)]	Total
Balance, December 31, 2009	**$ (628)**	**$ 2,129**	**$ (2,535)**	**$ (4,092)**	**$ (493)**	**$ (5,619)**
Cumulative adjustment for new consolidation guidance	**(116)**	**-**	**-**	**-**	**-**	**(116)**
Net change in fair value recorded in accumulated OCI	**864**	**(19)**	**(203)**	**-**	**(43)**	**599**
Net realized (gains) losses reclassified into earnings	**(84)**	**183**	**42**	**66**	**-**	**207**
Balance, March 31, 2010	**$ 36**	**$ 2,293**	**$ (2,696)**	**$ (4,026)**	**$ (536)**	**$ (4,929)**
Balance, December 31, 2008	$ (5,956)	$ 3,935	$ (3,458)	$ (4,642)	$ (704)	$ (10,825)
Cumulative adjustment for accounting change - OTTI [(3)]	(71)	-	-	-	-	(71)
Net change in fair value recorded in accumulated OCI	1,002	(71)	108	-	66	1,105
Net realized (gains) losses reclassified into earnings	(717)	(1,025)	304	65	-	(1,373)
Balance, March 31, 2009	$ (5,742)	$ 2,839	$ (3,046)	$ (4,577)	$ (638)	$ (11,164)

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

(2) Net change in fair value represents only the impact of changes in foreign exchange rates on the Corporation s net investment in foreign operations.

(3) Effective January 1, 2009, the Corporation adopted new accounting guidance on the recognition of other-than-temporary impairment losses on debt securities. For additional information on the adoption of this accounting guidance, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K and *Note 5 Securities*.

Earnings Per Common Share

For the three months ended March 31, 2010 and 2009, average options to purchase 283 million and 324 million shares of common stock were outstanding but not included in the computation of earnings per common share (EPS) because they were antidilutive under the treasury stock method. For the three months ended March 31, 2010 and 2009, average warrants to purchase 122 million and 243 million shares of common stock were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method. For the three months ended March 31, 2010 and 2009, 117 million and 188 million average dilutive potential common shares associated with the 7.25 %

Non-cumulative Perpetual Convertible Preferred Stock, Series L and the Merrill Lynch & Co., Inc. Mandatory Convertible Preferred Stock Series 2 and Series 3 were excluded from the diluted share count because the result would have been antidilutive under the if-converted method. For purposes of computing basic EPS, CES were considered to be participating securities prior to February 24, 2010 and as such were allocated earnings as required by the two-class method. For purposes of computing diluted EPS prior to February 24, 2010, the dilutive effect of the CES was calculated using the if-converted method which was more dilutive than the two-class method for the three months ended March 31, 2010.

Table of Contents

The calculation of EPS and diluted EPS for the three months ended March 31, 2010 and 2009 is presented below.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended March 31 2010	2009
Earnings per common share		
Net income	**$ 3,182**	$ 4,247
Preferred stock dividends	**(348)**	(1,433)
Net income applicable to common shareholders	**$ 2,834**	$ 2,814
Income allocated to participating securities	**(247)**	(32)
Net income allocated to common shareholders	**$ 2,587**	$ 2,782
Average common shares issued and outstanding	**9,177,468**	6,370,815
Earnings per common share	**$ 0.28**	$ 0.44
Diluted earnings per common share		
Net income applicable to common shareholders	**$ 2,834**	$ 2,814
Income allocated to participating securities	**(38)**	(32)
Net income allocated to common shareholders	**$ 2,796**	$ 2,782
Average common shares issued and outstanding	**9,177,468**	6,370,815
Dilutive potential common shares (1)	**827,786**	22,592
Total diluted average common shares issued and outstanding	**10,005,254**	6,393,407
Diluted earnings per common share	**$ 0.28**	$ 0.44

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

NOTE 13 Pension, Postretirement and Other Employee Plans

The Corporation sponsors noncontributory trusteed pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. Additional information on these plans is presented in *Note 17 Employee Benefit Plans* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

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

In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from actual experience and investment performance of the annuity assets. The Corporation contributed $0 and $120 million for the three months ended March 31, 2010 and 2009, under this agreement. Additional contributions may be required in the future under this agreement.

Table of Contents

Net periodic benefit cost of the Corporation s plans for the three months ended March 31, 2010 and 2009 included the following components.

	Three Months Ended March 31					
	Qualified Pension Plans		Nonqualified and Other Pension Plans [1]		Postretirement Health and Life Plans	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
Components of net periodic benefit cost						
Service cost	**$ 103**	$ 107	**$ 8**	$ 7	**$ 4**	$ 5
Interest cost	**187**	188	**61**	60	**22**	23
Expected return on plan assets	**(316)**	(308)	**(57)**	(54)	**(2)**	(2)
Amortization of transition obligation	**-**	-	**-**	-	**8**	8
Amortization of prior service cost (credits)	**7**	9	**(2)**	(2)	**-**	-
Recognized net actuarial loss (gain)	**89**	99	**-**	2	**(8)**	(15)
Recognized termination benefit cost	**-**	-	**10**	-	**-**	-
Net periodic benefit cost	**$ 70**	$ 95	**$ 20**	$ 13	**$ 24**	$ 19

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

In 2010, the Corporation expects to contribute approximately $230 million to its nonqualified and other pension plans and $116 million to its postretirement health and life plans. For the three months ended March 31, 2010, the Corporation contributed $106 million and $29 million to these plans. The Corporation does not expect to be required to contribute to its qualified pension plans during the rest of 2010.

During the three months ended March 31, 2010, the Corporation issued approximately 191 million restricted stock units to certain employees under the Key Associate Stock Plan. These awards generally vest in three equal annual installments beginning one year from the grant date. Vested restricted stock units will be settled in cash unless the Corporation authorizes settlement in common shares. The awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances. The compensation cost for cash-settled awards and awards subject to certain clawback provisions is accrued over the vesting period and adjusted to fair value based upon changes in the share price of the Corporation s common stock. The compensation cost for the remaining awards is fixed and based on the share price of the common stock on the date of grant, or the date upon which settlement in common stock has been authorized. The Corporation hedges its exposure to variability in the expected cash flows for unvested awards using a combination of economic and cash flow hedges as described in *Note 4 Derivatives.*

NOTE 14 Fair Value Measurements

Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established 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. There are three levels of inputs that may be used to measure fair value. For more information regarding the fair value hierarchy and how the Corporation measures fair value, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K. The Corporation accounts for certain corporate loans and loan commitments, LHFS, structured reverse repurchase agreements, long-term deposits and long-term debt under the fair value option.

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and

Table of Contents

at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

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

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

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of AFS debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets and liabilities and AFS debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased. Some of these instruments are valued using a discounted cash flow model, which estimates the fair value of the securities using internal credit risk, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Principal and interest cash flows are discounted using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value for the specific security. Others are valued using a net asset value approach which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market s perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer s financial statements and changes in credit ratings made by one or more ratings agencies.

Derivative Assets and Liabilities

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

Corporate Loans and Loan Commitments

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

Mortgage Servicing Rights

The fair values of MSRs are determined using models that rely on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the option adjusted spread (OAS) levels. For more information on MSRs, see *Note 16 Mortgage Servicing Rights*.

Loans Held-for-Sale

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

Table of Contents

Other Assets

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

Securities Financing Agreements

The fair values of certain reverse repurchase agreements, repurchase agreements and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services.

Deposits, Commercial Paper and Other Short-term Borrowings

The fair values of deposits, commercial paper and other short-term borrowings are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. The Corporation considers the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market.

Long-term Borrowings

The Corporation issues structured notes that have coupons or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities. The fair value of structured notes is estimated using valuation models for the combined derivative and debt portions of the notes accounted for under the fair value option. These models incorporate observable and, in some instances, unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs. The impact of the Corporation s own credit spreads is also included based on the Corporation s observed secondary bond market spreads. Structured notes are classified as either Level 2 or Level 3 in the fair value hierarchy.

Asset-backed Secured Financings

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

Table of Contents

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at March 31, 2010, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the table below.

	March 31, 2010				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1 (1)	Level 2 (1)	Level 3	Netting Adjustments (2)	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 71,300	$ -	$ -	$ 71,300
Trading account assets:					
U.S. government and agency securities	24,478	32,125	-	-	56,603
Corporate securities, trading loans and other	2,946	47,792	10,646	-	61,384
Equity securities	22,454	8,839	721	-	32,014
Foreign sovereign debt	24,460	10,293	1,064	-	35,817
Mortgage trading loans and asset-backed securities	-	12,368	7,832	-	20,200
Total trading account assets	74,338	111,417	20,263	-	206,018
Derivative assets (3)	5,037	1,442,335	22,272	(1,392,067)	77,577
Available-for-sale debt securities:					
U.S. Treasury securities and agency debentures	37,328	3,415	-	-	40,743
Mortgage-backed securities:					
Agency	-	152,569	-	-	152,569
Agency-collateralized mortgage obligations	-	43,473	-	-	43,473
Non-agency residential	-	27,602	5,376	-	32,978
Non-agency commercial	-	7,732	138	-	7,870
Foreign securities	139	2,700	284	-	3,123
Corporate/Agency bonds	-	6,218	639	-	6,857
Other taxable securities	21	3,246	16,192	-	19,459
Tax-exempt securities	-	7,518	1,430	-	8,948
Total available-for-sale debt securities	37,488	254,473	24,059	-	316,020
Loans and leases	-	80	4,007	-	4,087
Mortgage servicing rights	-	-	18,842	-	18,842
Loans held-for-sale	-	19,403	5,984	-	25,387
Other assets	41,289	14,007	7,774	-	63,070
Total assets	**$ 158,152**	**$ 1,913,015**	**$ 103,201**	**$ (1,392,067)**	**$ 782,301**
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,717	$ -	$ -	$ 1,717
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	46,479	-	-	46,479
Trading account liabilities:					
U.S. government and agency securities	23,664	6,404	-	-	30,068
Equity securities	17,213	3,206	-	-	20,419
Foreign sovereign debt	20,565	685	369	-	21,619
Corporate securities and other	411	9,985	30	-	10,426
Total trading account liabilities	61,853	20,280	399	-	82,532
Derivative liabilities (3)	5,431	1,417,198	13,675	(1,389,377)	46,927
Commercial paper and other short-term borrowings	-	7,021	-	-	7,021
Accrued expenses and other liabilities	23,743	858	1,390	-	25,991
Long-term debt	-	43,841	4,560	-	48,401
Total liabilities	**$ 91,027**	**$ 1,537,394**	**$ 20,024**	**$ (1,389,377)**	**$ 259,068**

(1) Gross transfers between Level 1 and Level 2 were approximately $300 million during the three months ended March 31, 2010.

(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.

(3) For further disaggregation of derivative assets and liabilities, see *Note 4 - Derivatives*.

Table of Contents

Assets and liabilities carried at fair value on a recurring basis at December 31, 2009, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the table below.

	December 31, 2009				
	Fair Value Measurements Using			Netting	Assets/Liabilities
(Dollars in millions)	Level 1	Level 2	Level 3	Adjustments [1]	at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 57,775	$ -	$ -	$ 57,775
Trading account assets:					
U.S. government and agency securities	17,140	27,445	-	-	44,585
Corporate securities, trading loans and other	4,772	41,157	11,080	-	57,009
Equity securities	25,274	7,204	1,084	-	33,562
Foreign sovereign debt	18,353	8,647	1,143	-	28,143
Mortgage trading loans and asset-backed securities	-	11,137	7,770	-	18,907
Total trading account assets	65,539	95,590	21,077	-	182,206
Derivative assets	3,326	1,467,855	23,048	(1,413,540)	80,689
Available-for-sale debt securities:					
U.S. Treasury securities and agency debentures	19,571	3,454	-	-	23,025
Mortgage-backed securities:					
Agency	-	166,246	-	-	166,246
Agency-collateralized mortgage obligations	-	25,781	-	-	25,781
Non-agency residential	-	27,887	7,216	-	35,103
Non-agency commercial	-	6,651	258	-	6,909
Foreign securities	158	3,271	468	-	3,897
Corporate/Agency bonds	-	5,265	927	-	6,192
Other taxable securities	676	14,721	9,854	-	25,251
Tax-exempt securities	-	7,574	1,623	-	9,197
Total available-for-sale debt securities	20,405	260,850	20,346	-	301,601
Loans and leases	-	-	4,936	-	4,936
Mortgage servicing rights	-	-	19,465	-	19,465
Loans held-for-sale	-	25,853	6,942	-	32,795
Other assets	35,411	12,677	7,821	-	55,909
Total assets	$ 124,681	$ 1,920,600	$ 103,635	$ (1,413,540)	$ 735,376
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,663	$ -	$ -	$ 1,663
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	37,325	-	-	37,325
Trading account liabilities:					
U.S. government and agency securities	22,339	4,180	-	-	26,519
Equity securities	17,300	1,107	-	-	18,407
Foreign sovereign debt	12,028	483	386	-	12,897
Corporate securities and other	282	7,317	10	-	7,609
Total trading account liabilities	51,949	13,087	396	-	65,432
Derivative liabilities	2,925	1,443,494	15,185	(1,417,876)	43,728
Commercial paper and other short-term borrowings	-	813	-	-	813
Accrued expenses and other liabilities	16,797	620	1,598	-	19,015
Long-term debt	-	40,791	4,660	-	45,451
Total liabilities	$ 71,671	$ 1,537,793	$ 21,839	$ (1,417,876)	$ 213,427

[1] Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.

62

Table of Contents

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2010, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 Fair Value Measurements

	Three Months Ended March 31, 2010							
(Dollars in millions)	Balance January 1 2010 (1)	Consolidation of VIEs	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Gross Transfers into Level 3 (1)	Gross Transfers out of Level 3 (1)	Balance March 31 2010 (1)
Trading account assets:								
Corporate securities, trading loans and other	$ 11,080	$ 117	$ 406	$ -	$ (1,944)	$ 1,474	$ (487)	$ 10,646
Equity securities	1,084	-	6	-	(330)	34	(73)	721
Foreign sovereign debt	1,143	-	(82)	-	(28)	87	(56)	1,064
Mortgage trading loans and asset-backed securities	7,770	175	(25)	-	54	22	(164)	7,832
Total trading account assets	21,077	292	305	-	(2,248)	1,617	(780)	20,263
Net derivative assets (2)	7,863	-	1,403	-	(1,896)	1,288	(61)	8,597
Available-for-sale debt securities:								
Non-agency MBS:								
Residential	7,216	(96)	(233)	(375)	(2,235)	1,099	-	5,376
Commercial	258	-	(13)	(31)	(128)	52	-	138
Foreign securities	468	-	(121)	(10)	(53)	-	-	284
Corporate/Agency bonds	927	-	(3)	21	(325)	19	-	639
Other taxable securities	9,854	5,812	(9)	(63)	(40)	680	(42)	16,192
Tax-exempt securities	1,623	-	23	8	(492)	316	(48)	1,430
Total available-for-sale debt securities	20,346	5,716	(356)	(450)	(3,273)	2,166	(90)	24,059
Loans and leases (3)	4,936	-	116	-	(1,045)	-	-	4,007
Mortgage servicing rights	19,465	-	(698)	-	75	-	-	18,842
Loans held-for-sale (3)	6,942	-	(64)	-	(1,056)	162	-	5,984
Other assets (4)	7,821	-	539	-	(371)	-	(215)	7,774
Trading account liabilities:								
Foreign sovereign debt	(386)	-	21	-	(15)	-	11	(369)
Corporate securities and other	(10)	-	-	-	(17)	(6)	3	(30)
Total trading account liabilities	(396)	-	21	-	(32)	(6)	14	(399)
Accrued expenses and other liabilities (3)	(1,598)	-	62	-	146	-	-	(1,390)
Long-term debt (3)	(4,660)	-	202	-	(452)	(337)	687	(4,560)

(1) Assets (liabilities). For assets, increase/(decrease) to Level 3 and for liabilities, (increase)/decrease to Level 3.
(2) Net derivatives at March 31, 2010 include derivative assets of $22.3 billion and derivative liabilities of $13.7 billion.
(3) Amounts represent items which are accounted for under the fair value option.
(4) Other assets is primarily comprised of AFS marketable equity securities.

During the three months ended March 31, 2010, the more significant transfers into Level 3 included $1.1 billion of municipal ARS positions included in trading account assets, $1.3 billion of net derivative assets and $1.1 billion of non-agency RMBS in AFS securities. Transfers into Level 3 for ARS positions relate to reduced price transparency as a result of lower levels of trading activity. Transfers into Level 3 for net derivative contracts primarily relate to a lack of price observability for certain credit default swaps. Transfers into Level 3 for non-agency RMBS are due to an increase in the number of securities priced using a discounted cash flow model.

Table of Contents

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2009, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 Fair Value Measurements

(Dollars in millions)	Balance January 1 2009 (1)	Merrill Lynch Acquisition	Three Months Ended March 31, 2009 Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into /(out of) Level 3 (1)	Balance March 31 2009 (1)
Trading account assets:							
Corporate securities, trading loans and other	$ 4,540	$ 7,012	$ (397)	$ -	$ (2,186)	$ 1,489	$ 10,458
Equity securities	546	3,848	(177)	-	3,647	(193)	7,671
Foreign sovereign debt	-	30	(15)	-	(1)	587	601
Mortgage trading loans and asset-backed securities	1,647	7,294	(274)	-	(768)	1,126	9,025
Total trading account assets	6,733	18,184	(863)	-	692	3,009	27,755
Net derivative assets (2)	2,270	2,307	3,868	-	(1,411)	382	7,416
Available-for-sale debt securities:							
Non-agency MBS	6,096	2,509	(103)	173	1,832	(143)	10,364
Foreign securities	1,247	-	-	1	(29)	-	1,219
Corporate/Agency bonds	1,598	-	(39)	(41)	66	141	1,725
Other taxable securities	9,599	-	(19)	355	(951)	(284)	8,700
Tax-exempt securities	162	-	-	42	(34)	97	267
Total available-for-sale debt securities	18,702	2,509	(161)	530	884	(189)	22,275
Loans and leases (3)	5,413	2,452	(1,015)	-	105	-	6,955
Mortgage servicing rights	12,733	209	1,098	-	56	-	14,096
Loans held-for-sale (3)	3,382	3,872	(136)	-	244	-	7,362
Other assets (4)	4,157	2,696	(249)	-	49	-	6,653
Trading account liabilities:							
Foreign sovereign debt	-	-	-	-	18	(344)	(326)
Total trading account liabilities	-	-	-	-	18	(344)	(326)
Accrued expenses and other liabilities (3)	(1,940)	(1,337)	518	-	(24)	-	(2,783)
Long-term debt (3)	-	(7,481)	(492)	-	(421)	327	(8,067)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.

(2) Net derivatives at March 31, 2009 include derivative assets of $41.8 billion and derivative liabilities of $34.4 billion.

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

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

Table of Contents

The table below summarizes gains and losses due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during the three months ended March 31, 2010 and 2009. These amounts include gains (losses) on loans, LHFS, loan commitments and structured notes all of which are accounted for under the fair value option.

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

	Three Months Ended March 31, 2010				
(Dollars in millions)	**Equity Investment Income**	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss) [1]**	**Other Income (Loss)**	**Total**
Trading account assets:					
Corporate securities, trading loans and other	**$ -**	**$ 406**	**$ -**	**$ -**	**$ 406**
Equity securities	**-**	**6**	**-**	**-**	**6**
Foreign sovereign debt	**-**	**(82)**	**-**	**-**	**(82)**
Mortgage trading loans and asset-backed securities	**-**	**(25)**	**-**	**-**	**(25)**
Total trading account assets	**-**	**305**	**-**	**-**	**305**
Net derivative assets	**-**	**(527)**	**1,930**	**-**	**1,403**
Available-for-sale debt securities:					
Non-agency MBS:					
Residential	**-**	**-**	**(13)**	**(220)**	**(233)**
Commercial	**-**	**-**	**-**	**(13)**	**(13)**
Foreign securities	**-**	**-**	**-**	**(121)**	**(121)**
Corporate/Agency bonds	**-**	**-**	**-**	**(3)**	**(3)**
Other taxable securities	**-**	**-**	**-**	**(9)**	**(9)**
Tax-exempt securities	**-**	**23**	**-**	**-**	**23**
Total available-for-sale debt securities	**-**	**23**	**(13)**	**(366)**	**(356)**
Loans and leases [2]	**-**	**-**	**-**	**116**	**116**
Mortgage servicing rights	**-**	**-**	**(698)**	**-**	**(698)**
Loans held-for-sale [2]	**-**	**-**	**15**	**(79)**	**(64)**
Other assets	**536**	**-**	**3**	**-**	**539**
Trading account liabilities Foreign sovereign debt	**-**	**21**	**-**	**-**	**21**
Accrued expenses and other liabilities [2]	**-**	**2**	**(11)**	**71**	**62**
Long-term debt [2]	**-**	**123**	**-**	**79**	**202**
Total	**$ 536**	**$ (53)**	**$ 1,226**	**$ (179)**	**$ 1,530**

	Three Months Ended March 31, 2009				
(Dollars in millions)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other	$ -	$ (397)	$ -	$ -	$ (397)
Equity securities	-	(177)	-	-	(177)
Foreign sovereign debt	-	(15)	-	-	(15)
Mortgage trading loans and asset-backed securities	-	(274)	-	-	(274)
Total trading account assets	-	(863)	-	-	(863)
Net derivative assets	-	1,361	2,507	-	3,868
Available-for-sale debt securities:					
Non-agency MBS	-	-	(15)	(88)	(103)
Corporate/Agency bonds	-	-	-	(39)	(39)
Other taxable securities	-	-	-	(19)	(19)
Total available-for-sale debt securities	-	-	(15)	(146)	(161)
Loans and leases [2]	-	3	-	(1,018)	(1,015)
Mortgage servicing rights	-	-	1,098	-	1,098
Loans held-for-sale [2]	-	(54)	(52)	(30)	(136)

Other assets	(71)	(3)	14	(189)	(249)
Accrued expenses and other liabilities [2]	-	6	34	478	518
Long-term debt [2]	-	(499)	-	7	(492)
Total	$ (71)	$ (49)	$ 3,586	$ (898)	$ 2,568

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

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

Table of Contents

The table below summarizes changes in unrealized gains (losses) recorded in earnings during the three months ended March 31, 2010 and 2009 for Level 3 assets and liabilities that were still held at March 31, 2010 and 2009. These amounts include changes in fair value on loans, LHFS, loan commitments and structured notes all of which are accounted for under the fair value option.

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

	Three Months Ended March 31, 2010				
(Dollars in millions)	**Equity Investment Income**	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss) [1]**	**Other Income (Loss)**	**Total**
Trading account assets:					
Corporate securities, trading loans and other	**$ -**	**$ 211**	**$ -**	**$ -**	**$ 211**
Equity securities	**-**	**5**	**-**	**-**	**5**
Foreign sovereign debt	**-**	**(82)**	**-**	**-**	**(82)**
Mortgage trading loans and asset-backed securities	**-**	**(58)**	**-**	**-**	**(58)**
Total trading account assets	**-**	**76**	**-**	**-**	**76**
Net derivative assets	**-**	**(329)**	**880**	**-**	**551**
Available-for-sale debt securities:					
Non-agency MBS:					
Residential	**-**	**-**	**(13)**	**(223)**	**(236)**
Commercial	**-**	**-**	**-**	**(30)**	**(30)**
Foreign securities	**-**	**-**	**-**	**(121)**	**(121)**
Other taxable securities	**-**	**-**	**-**	**(36)**	**(36)**
Total available-for-sale debt securities	**-**	**-**	**(13)**	**(410)**	**(423)**
Loans and leases [2]	**-**	**-**	**-**	**24**	**24**
Mortgage servicing rights	**-**	**-**	**(1,231)**	**-**	**(1,231)**
Loans held-for-sale [2]	**-**	**-**	**(6)**	**46**	**40**
Other assets	**(58)**	**-**	**3**	**-**	**(55)**
Trading account liabilities Foreign sovereign debt	**-**	**21**	**-**	**-**	**21**
Accrued expenses and other liabilities [2]	**-**	**-**	**1**	**94**	**95**
Long-term debt [2]	**-**	**110**	**-**	**78**	**188**
Total	**$ (58)**	**$ (122)**	**$ (366)**	**$ (168)**	**$ (714)**

	Three Months Ended March 31, 2009				
(Dollars in millions)	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other	$ -	$ (378)	$ -	$ -	$ (378)
Equity securities	-	(177)	-	-	(177)
Foreign sovereign debt	-	(15)	-	-	(15)
Mortgage trading loans and asset-backed securities	-	(280)	-	-	(280)
Total trading account assets	-	(850)	-	-	(850)
Net derivative assets	-	1,415	1,022	-	2,437
Available-for-sale debt securities:					
Non-agency MBS	-	-	(3)	(87)	(90)
Other taxable securities	-	-	-	(10)	(10)
Tax-exempt securities	-	-	-	(20)	(20)
Total available-for-sale debt securities	-	-	(3)	(117)	(120)
Loans and leases [2]	-	3	-	(1,194)	(1,191)
Mortgage servicing rights	-	-	1,023	-	1,023
Loans held-for-sale [2]	-	(53)	(52)	(5)	(110)
Other assets	(138)	(3)	14	(179)	(306)
Accrued expenses and other liabilities [2]	-	-	34	(309)	(275)
Long-term debt [2]	-	(533)	-	7	(526)

Total	$ (138)	$ (21)	$ 2,038	$ (1,797)	$ 82

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

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

Table of Contents

Nonrecurring Fair Value

Certain assets and liabilities are measured at fair value on a nonrecurring basis and are not included in the previous tables in this Note. These assets and liabilities primarily include LHFS, unfunded loan commitments held-for-sale and foreclosed properties. The amounts below represent only balances measured at fair value during the three months ended and still held as of the reporting date.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

	Three Months Ended March 31, 2010			Three Months Ended March 31, 2009		
(Dollars in millions)	**Level 2**	**Level 3**	**(Losses)**	Level 2	Level 3	(Losses)
Assets						
Loans held-for-sale	**$ 982**	**$ 7,308**	**$ (278)**	$ 1,784	$ 10,170	$ (584)
Loans and leases (1)	**30**	**10,759**	**(2,356)**	-	3,448	(1,218)
Foreclosed properties (2)	**-**	**662**	**(64)**	-	573	(121)
Other assets	**-**	**81**	-	-	-	-

(1) Gains (losses) represent charge-offs associated with real estate-secured loans that exceed 180 days past due.

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

Fair Value Option Elections

Corporate Loans and Loan Commitments

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

At March 31, 2010 and December 31, 2009, funded loans that the Corporation elected to carry at fair value had an aggregate fair value of $4.1 billion and $4.9 billion recorded in loans and leases and an aggregate outstanding principal balance of $4.5 billion and $5.4 billion. At March 31, 2010 and December 31, 2009, unfunded loan commitments that the Corporation elected to carry at fair value had an aggregate fair value of $746 million and $950 million recorded in accrued expenses and other liabilities and an aggregate committed exposure of $27.3 billion and $27.0 billion. Interest income on these loans is recorded in interest and fees on loans and leases.

Loans Held-for-Sale

The Corporation elected to account for certain LHFS at fair value. Electing the fair value option allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them. The Corporation has not elected to account for other LHFS under the fair value option primarily because these loans are floating rate loans that are not economically hedged using derivative instruments.

At March 31, 2010 and December 31, 2009, residential mortgage LHFS, commercial mortgage LHFS, and other LHFS accounted for under the fair value option had an aggregate fair value of $25.4 billion and $32.8 billion and an aggregate outstanding principal balance of $31.7 billion and $36.5 billion. Interest income on these LHFS is recorded in other interest income. The changes in fair value are largely offset by hedging activities.

Other Assets

The Corporation elected to account for certain other assets under the fair value option including non-marketable convertible preferred shares where the Corporation has economically hedged a majority of the position with derivatives. At March 31, 2010, these assets had a fair value of $268 million.

Table of Contents

Securities Financing Agreements

The Corporation elected to account for certain securities financing agreements under the fair value option based on the tenor of the agreements which reflects the magnitude of the interest rate risk. The majority of securities financing agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not significant. At March 31, 2010, securities financing agreements which the Corporation elected to carry at fair value had an aggregate fair value of $117.8 billion and a principal balance of $117.3 billion.

Long-term Deposits

The Corporation elected to account for certain long-term fixed-rate and rate-linked deposits which are economically hedged with derivatives under the fair value option. At both March 31, 2010 and December 31, 2009, these instruments, which are recorded in interest-bearing deposits, had an aggregate fair value of $1.7 billion and a principal balance of $1.6 billion. Interest paid on these instruments is recorded in interest expense. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to carry other long-term deposits at fair value because they were not economically hedged using derivatives.

Commercial Paper and Other Short-term Borrowings

The Corporation elected to account for certain commercial paper and other short-term borrowings that were acquired as part of the Merrill Lynch acquisition under the fair value option. This debt is risk-managed on a fair value basis. At March 31, 2010, this debt, which is recorded in commercial paper and short-term borrowings, had both an aggregate fair value and a principal balance of $7.0 billion.

Long-term Debt

The Corporation elected to account for certain long-term debt, primarily structured notes that were acquired as part of the Merrill Lynch acquisition, under the fair value option. This long-term debt is risk-managed on a fair value basis. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to carry other long-term debt at fair value because it is not economically hedged using derivatives. At March 31, 2010, this long-term debt had an aggregate fair value of $48.4 billion and a principal balance of $54.7 billion.

Asset-backed Secured Financings

The Corporation elected to account for certain asset-backed secured financings that were acquired as part of the Countrywide acquisition under the fair value option. At March 31, 2010, these secured financings, which are recorded in accrued expenses and other liabilities, had an aggregate fair value of $696 million and a principal balance of $1.4 billion. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the asset-backed secured financings at historical cost and the corresponding mortgage LHFS securing these financings at fair value.

Table of Contents

The following table provides information about where changes in the fair value of assets or liabilities accounted for under the fair value option are included in the Consolidated Statement of Income for the three months ended March 31, 2010 and 2009.

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

(Dollars in millions)	Corporate Loans and Loan Commitments	Loans Held-for-Sale	Securities Financing Agreements	Other Assets	Long-term Deposits	Asset-backed Secured Financings	Commercial Paper and Other Short-term Borrowings	Long-term Debt	Total
	Three Months Ended March 31, 2010								
Trading account profits (losses)	**$ 2**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (44)**	**$ (921)**	**$ (963)**
Mortgage banking income	**-**	**1,929**	**-**	**-**	**-**	**(11)**	**-**	**-**	**1,918**
Equity investment income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other income (loss)	**277**	**156**	**42**	**(3)**	**(58)**	**-**	**-**	**226**	**640**
Total	**$ 279**	**$ 2,085**	**$ 42**	**$ (3)**	**$ (58)**	**$ (11)**	**$ (44)**	**$ (695)**	**$ 1,595**
	Three Months Ended March 31, 2009								
Trading account profits (losses)	$ 9	$ (94)	$ -	$ 5	$ -	$ -	$ (10)	$ (117)	$ (207)
Mortgage banking income	-	1,980	-	-	-	34	-	-	2,014
Equity investment income (loss)	-	-	-	(103)	-	-	-	-	(103)
Other income (loss)	(367)	(15)	(14)	-	26	-	-	2,221	1,851
Total	$ (358)	$ 1,871	$ (14)	$ (98)	$ 26	$ 34	$ (10)	$ 2,104	$ 3,555

NOTE 15 Fair Value of Financial Instruments

The fair values of financial instruments have been derived, in part, by the Corporation s assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Corporation.

The following disclosures include financial instruments where only a portion of the ending balances at March 31, 2010 and December 31, 2009 is carried at fair value on the Corporation s Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and certain repurchase agreements, commercial paper and other short-term investments and borrowings, approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The Corporation elected to account for certain structured reverse repurchase agreements under the fair value option. See *Note 14 Fair Value Measurements* for additional information on these structured reverse repurchase agreements.

Loans

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation s best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. The Corporation elected to account for certain large corporate loans which exceeded the Corporation s single name credit risk concentration guidelines under the fair value option. The carrying value of loans is presented net of allowance for loan and lease losses and excludes leases. See *Note 14 Fair Value Measurements* for additional information on loans accounted for under the fair value option.

Deposits

The fair value for certain deposits with stated maturities was calculated by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of foreign time deposits approximates fair value. For deposits with no stated maturities, the carrying amount was considered to approximate fair value and does not

Table of Contents

take into account the significant value of the cost advantage and stability of the Corporation s long-term relationships with depositors. The Corporation accounts for certain long-term fixed-rate deposits which are economically hedged with derivatives under the fair value option. See *Note 14 Fair Value Measurements* for additional information on these long-term fixed-rate deposits.

Long-term Debt

The Corporation uses quoted market prices, when available, to estimate fair value for its long-term debt. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar maturities. The Corporation accounts for certain structured notes under the fair value option. See *Note 14 Fair Value Measurements* for additional information on these structured notes.

The carrying and fair values of certain financial instruments at March 31, 2010 and December 31, 2009 were as follows.

	March 31, 2010		December 31, 2009	
(Dollars in millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Loans	**$ 908,020**	**$ 884,144**	$ 841,020	$ 813,596
Financial liabilities				
Deposits	**976,102**	**975,974**	991,611	991,768
Long-term debt	**511,653**	**513,344**	438,521	440,246

NOTE 16 Mortgage Servicing Rights

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

The following table presents activity for residential first mortgage MSRs for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Balance, January 1	**$ 19,465**	$ 12,733
Merrill Lynch balance, January 1, 2009	**-**	209
Net additions	**1,131**	1,249
Impact of customer payments	**(603)**	(1,185)
Other changes in MSR fair value	**(1,151)**	1,090
Balance, March 31	**$ 18,842**	$ 14,096
Mortgage loans serviced for investors (in billions)	**$ 1,717**	$ 1,699

Table of Contents

Other changes in MSR fair value in the previous table reflect the change in discount rates and prepayment speed assumptions, largely due to changes in interest rates, as well as the effect of changes in other assumptions, but do not include $453 million and $8 million in gains for the three months ended March 31, 2010 and 2009 resulting from lower than expected prepayments. Such gains are included in the impact of customer payments in the table above. The total of these gains and the other changes in MSR fair value of $(698) million and $1.1 billion is included in the line mortgage banking income in the table Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings in *Note 14 Fair Value Measurements*. The Corporation uses an OAS valuation approach to determine the fair value of MSRs which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in determining the fair value of MSRs at March 31, 2010 and December 31, 2009 were as follows.

	March 31, 2010		December 31, 2009	
(Dollars in millions)	**Fixed**	**Adjustable**	Fixed	Adjustable
Weighted-average option adjusted spread	**1.63%**	**4.76%**	1.67%	4.64%
Weighted-average life, in years	**5.55**	**3.08**	5.62	3.26

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

	March 31, 2010		
	Change in Weighted-average Lives		**Change in**
(Dollars in millions)	**Fixed**	**Adjustable**	**Fair Value**
Prepayment rates			
Impact of 10% decrease	0.33 years	0.14 years	$ 933
Impact of 20% decrease	0.71	0.32	1,974
Impact of 10% increase	(0.30)	(0.12)	(842)
Impact of 20% increase	(0.57)	(0.23)	(1,606)
OAS level			
Impact of 100 bps decrease	n/a	n/a	880
Impact of 200 bps decrease	n/a	n/a	1,841
Impact of 100 bps increase	n/a	n/a	(809)
Impact of 200 bps increase	n/a	n/a	(1,554)

n/a = not applicable

Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market) and totaled $304 million and $309 million at March 31, 2010 and December 31, 2009. They are not included in the tables above.

NOTE 17 Business Segment Information

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Commercial Banking, Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2010, the Corporation realigned the Global Corporate and Investment Banking portion of the former *Global Banking* business segment with the former *Global Markets* business segment to form *GBAM* and to reflect *Global Commercial Banking* as a standalone segment. In addition, 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.

Deposits

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

Global Card Services

Global Card Services provides a broad offering of products including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. The Corporation reports its *Global Card Services* current period results in accordance with new consolidation guidance. Under this new consolidation guidance, the Corporation consolidated all credit card trusts. Accordingly, current period results are comparable to prior period results on a managed basis, which was consistent with the way that management evaluated the results of the business. Managed basis assumed that securitized loans were not sold and presented earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) were presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Prior to the adoption of the new consolidation guidance, loan securitization removed loans from the Corporation s Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE. For more information on managed basis, see *Note 23 Business Segment Information* to the Consolidated Financial Statements of the Corporation s 2009 Annual Report on Form 10-K.

Home Loans & Insurance

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

Global Commercial Banking

Global Commercial Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through the Corporation s network of offices and client relationship teams along with various product partners. Clients include business banking and middle-market companies, commercial real estate firms and governments, and are generally defined as companies with sales up to $2 billion. Lending products and services include commercial loans and commitment facilities, real estate lending, asset-based lending and indirect consumer loans. Capital management and treasury solutions include treasury management, foreign exchange and short-term investing options.

Table of Contents

Global Banking & Markets

GBAM provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *GBAM* also works with commercial and corporate clients to provide debt and equity underwriting and distribution capabilities, merger-related and other advisory services, 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 ABS. Corporate banking services provide a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through the Corporation s network of offices and client relationship teams along with various product partners. Clients are generally defined as companies with sales above $2 billion. In addition, *GBAM* also includes the results related to the merchant services joint venture.

Global Wealth & Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high net-worth individuals. In addition, *GWIM* includes the results of Retirement and Philanthropic Services, the Corporation s approximately 34 percent economic ownership of BlackRock, and other miscellaneous items. *GWIM* also reflects the impact of migrating customers and their related deposit and loan balances between *GWIM* and *Deposits,* and *GWIM* and *Home Loans & Insurance* and the Corporation s ALM activities. Subsequent to the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which deposits and loans were transferred.

All Other

All Other consists of equity investment activities including Global Principal Investments, corporate investments and strategic investments, the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, intersegment eliminations, fair value adjustments related to certain structured notes, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated including First Republic Bank. *All Other* also includes certain amounts associated with ALM activities, foreign exchange rate fluctuations related to revaluation of foreign currency-denominated debt issuances, certain gains (losses) on sales of whole mortgage loans, gains (losses) on sales of debt securities and for periods prior to January 1, 2010, a securitization offset which removed the securitization impact of sold loans in *Global Card Services* in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis).

Basis of Presentation

Total revenue, net of interest expense, includes net interest income on a fully taxable-equivalent (FTE) basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation s ALM activities.

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

The Corporation s ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net

Table of Contents

interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of the Corporation s internal funds transfer pricing process as well as the net effects of other ALM activities. Certain residual impacts of the funds transfer pricing process are retained in *All Other*.

Certain expenses not directly attributable to a specific business segment are allocated to the segments. The most significant of these expenses include data and item processing costs and certain centralized or shared functions. Data processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies that reflect utilization.

Table of Contents

The following tables present total revenue, net of interest expense, on a FTE basis and net income (loss) for the three months ended March 31, 2010 and 2009, and total assets at March 31, 2010 and 2009 for each business segment as well as *All Other*.

Business Segments
At and for the Three Months Ended March 31

(Dollars in millions)	Total Corporation (1) 2010	Total Corporation (1) 2009	Deposits (2) 2010	Deposits (2) 2009	Global Card Services (3) 2010	Global Card Services (3) 2009
Net interest income (4)	**$ 14,070**	$ 12,819	**$ 2,146**	$ 1,869	**$ 4,818**	$ 5,199
Noninterest income	**18,220**	23,261	**1,486**	1,503	**1,986**	2,249
Total revenue, net of interest expense	**32,290**	36,080	**3,632**	3,372	**6,804**	7,448
Provision for credit losses (5)	**9,805**	13,380	**37**	88	**3,535**	8,221
Amortization of intangibles	**446**	520	**49**	63	**204**	223
Other noninterest expense	**17,329**	16,482	**2,456**	2,260	**1,547**	1,816
Income (loss) before income taxes	**4,710**	5,698	**1,090**	961	**1,518**	(2,812)
Income tax expense (benefit) (4)	**1,528**	1,451	**407**	361	**566**	(1,060)
Net income (loss)	**$ 3,182**	$ 4,247	**$ 683**	$ 600	**$ 952**	$ (1,752)
Period-end total assets	**$ 2,338,700**	$ 2,321,963	**$ 442,480**	$ 415,139	**$ 191,027**	$ 234,499

(Dollars in millions)	Home Loans & Insurance 2010	Home Loans & Insurance 2009	Global Commercial Banking (2) 2010	Global Commercial Banking (2) 2009	Global Banking & Markets 2010	Global Banking & Markets 2009
Net interest income (4)	**$ 1,213**	$ 1,191	**$ 2,189**	$ 1,970	**$ 2,171**	$ 2,794
Noninterest income	**2,411**	4,044	**818**	713	**7,605**	6,187
Total revenue, net of interest expense	**3,624**	5,235	**3,007**	2,683	**9,776**	8,981
Provision for credit losses (5)	**3,600**	3,372	**916**	1,765	**256**	347
Amortization of intangibles	**13**	19	**18**	23	**37**	60
Other noninterest expense	**3,315**	2,636	**936**	938	**4,349**	4,664
Income (loss) before income taxes	**(3,304)**	(792)	**1,137**	(43)	**5,134**	3,910
Income tax expense (benefit) (4)	**(1,233)**	(298)	**424**	(13)	**1,916**	1,401
Net income (loss)	**$ (2,071)**	$ (494)	**$ 713**	$ (30)	**$ 3,218**	$ 2,509
Period-end total assets	**$ 224,570**	$ 221,442	**$ 301,132**	$ 265,989	**$ 685,870**	$ 710,314

(Dollars in millions)	Global Wealth & Investment Management (2) 2010	Global Wealth & Investment Management (2) 2009	All Other (2, 3) 2010	All Other (2, 3) 2009
Net interest income (4)	**$ 1,391**	$ 1,662	**$ 142**	$ (1,866)
Noninterest income	**3,018**	2,684	**896**	5,881
Total revenue, net of interest expense	**4,409**	4,346	**1,038**	4,015
Provision for credit losses (5)	**242**	254	**1,219**	(667)
Amortization of intangibles	**125**	132	**-**	-
Other noninterest expense	**3,249**	3,190	**1,477**	978
Income (loss) before income taxes	**793**	770	**(1,658)**	3,704
Income tax expense (benefit) (4)	**296**	291	**(848)**	769
Net income (loss)	**$ 497**	$ 479	**$ (810)**	$ 2,935
Period-end total assets	**$ 261,243**	$ 268,607	**$ 232,378**	$ 205,973

(1) There were no material intersegment revenues.

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

(3) Current period is presented in accordance with new consolidation guidance. Prior period *Global Card Services* results are presented on a managed basis with a corresponding offset recorded in *All Other*.

(4) FTE basis

(5) Current period provision for credit losses is presented in accordance with new consolidation guidance. Prior period provision for credit losses in *Global Card Services* is presented on a managed basis with the securitization offset in *All Other*.

Table of Contents

The table below reconciles *Global Card Services* and *All Other* for the three months ended March 31, 2009 to a held basis by reclassifying net interest income, all other income and realized credit losses associated with the securitized loans to card income.

Global Card Services Reconciliation

(Dollars in millions)	Three Months Ended March 31, 2009 Managed Basis [(1)]	Securitization Impact [(2)]	Held Basis
Net interest income [(3)]	$ 5,199	$ (2,391)	$2,808
Noninterest income:			
Card income	2,114	244	2,358
All other income	135	(35)	100
Total noninterest income	2,249	209	2,458
Total revenue, net of interest expense	7,448	(2,182)	5,266
Provision for credit losses	8,221	(2,182)	6,039
Noninterest expense	2,039	-	2,039
Loss before income taxes	(2,812)	-	(2,812)
Income tax benefit [(3)]	(1,060)	-	(1,060)
Net loss	$ (1,752)	$ -	$ (1,752)

All Other Reconciliation

(Dollars in millions)	Three Months Ended March 31, 2009 Reported Basis [(1)]	Securitization Offset [(2)]	As Adjusted
Net interest income [(3)]	$ (1,866)	$ 2,391	$ 525
Noninterest income:			
Card income	534	(244)	290
Equity investment income	1,326	-	1,326
Gains on sales of debt securities	1,471	-	1,471
All other income	2,550	35	2,585
Total noninterest income	5,881	(209)	5,672
Total revenue, net of interest expense	4,015	2,182	6,197
Provision for credit losses	(667)	2,182	1,515
Merger and restructuring charges	765	-	765
All other noninterest expense	213	-	213
Income before income taxes	3,704	-	3,704
Income tax expense [(3)]	769	-	769
Net income	$ 2,935	$ -	$ 2,935

(1) Provision for credit losses in *Global Card Services* is presented on a managed basis with the securitization offset in *All Other*.

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

(3) FTE basis

76

Table of Contents

The following tables present a reconciliation of the six business segments total revenue, net of interest expense, on a FTE basis, and net income to the Consolidated Statement of Income, and total assets to the Consolidated Balance Sheet. The adjustments presented in the tables below include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

	Three Months Ended March 31	
(Dollars in millions)	**2010**	2009
Segments total revenue, net of interest expense[1]	**$ 31,252**	$ 32,065
Adjustments:		
ALM activities	**750**	4,386
Equity investment income	**368**	1,326
Liquidating businesses	**367**	328
FTE basis adjustment	**(321)**	(322)
Managed securitization impact to total revenue, net of interest expense	**n/a**	(2,182)
Other	**(447)**	157
Consolidated revenue, net of interest expense	**$ 31,969**	$ 35,758
Segments net income	**$ 3,992**	$ 1,312
Adjustments, net of taxes:		
ALM activities	**(499)**	1,659
Equity investment income	**232**	835
Liquidating businesses	**136**	119
Merger and restructuring charges	**(328)**	(482)
Other	**(351)**	804
Consolidated net income	**$ 3,182**	$ 4,247

[1] FTE basis

	March 31	
(Dollars in millions)	**2010**	2009
Segment total assets	**$ 2,106,322**	$ 2,115,990
Adjustments:		
ALM activities, including securities portfolio	**573,302**	553,761
Equity investments	**31,331**	35,679
Liquidating businesses	**33,452**	31,219
Elimination of segment excess asset allocations to match liabilities	**(597,367)**	(513,782)
Elimination of managed securitized loans [1]	**n/a**	(105,392)
Other	**191,660**	204,488
Consolidated total assets	**$ 2,338,700**	$ 2,321,963

[1] Represents *Global Card Services* securitized loans. Current period is presented in accordance with new consolidation guidance. Prior period is presented on a managed basis.

n/a = not applicable

Table of Contents

Bank of America Corporation and Subsidiaries

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

Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 177.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q and the documents into which it may be incorporated by reference may contain, and from time to time our management may make, certain statements that constitute forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent the current expectations, plans or forecasts of the Corporation regarding the Corporation s future results and revenues, including net interest income; credit trends, including credit losses, credit reserves, charge-offs, delinquency trends and nonperforming asset levels; consumer and commercial service charges, including the impact of changes in the Corporation s overdraft policy; liquidity and regulatory capital levels, and capital levels in conformity with accounting principles generally accepted in the United States of America (GAAP); the impact of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act); the closing of the sales of Columbia Management (Columbia) and First Republic Bank; the impact of higher interest rates on the balance sheet; the effect of various legal proceedings discussed in Litigation and Regulatory Matters in Note 11 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. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation s forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation s 2009 Annual Report on Form 10-K, 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 CARD Act 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 consolidation guidance) 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.

Table of Contents

Executive Summary

Business Overview

Bank of America Corporation and its subsidiaries (the Corporation) is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, the meaning of the words the Corporation may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation s subsidiaries or affiliates. 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 Commercial Banking, Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM),* with the remaining operations recorded in *All Other*. Effective January 1, 2010, we realigned the Global Corporate and Investment Banking portion of the former *Global Banking* business segment with the former *Global Markets* business segment to form *GBAM* and to reflect *Global Commercial Banking* as a standalone segment. At March 31, 2010, the Corporation had $2.3 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 over 16,400 financial and wealth advisors, an additional 3,000 client-facing professionals 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.

As of March 31, 2010, we operate in all 50 states, the District of Columbia and more than 40 foreign countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve approximately 58 million consumer and small business relationships with more than 5,900 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.

Table of Contents

The following table provides selected consolidated financial data for the three months ended March 31, 2010 and 2009.

Table 1

Selected Financial Data

(Dollars in millions, except per share information)	Three Months Ended March 31 **2010**	2009
Income statement		
Revenue, net of interest expense (FTE basis) (1)	**$ 32,290**	$ 36,080
Net income	**3,182**	4,247
Diluted earnings per common share	**$ 0.28**	$ 0.44
Average diluted common shares issued and outstanding (in millions)	**10,005**	6,393
Dividends paid per common share	**$ 0.01**	$ 0.01
Performance ratios		
Return on average assets	**0.51%**	0.68%
Return on average tangible shareholders equity (1)	**9.55**	12.42
Efficiency ratio (FTE basis) (1)	**55.05**	47.12
Balance sheet at period end		
Total loans and leases	**$ 976,042**	$ 977,008
Total assets	**2,338,700**	2,321,963
Total deposits	**976,102**	953,508
Total common shareholders equity	**211,859**	166,272
Total shareholders equity	**229,823**	239,549
Common shares issued and outstanding (in millions)	**10,032**	6,401
Asset quality		
Allowance for loan and lease losses	**$ 46,835**	$ 29,048
Nonperforming loans, leases and foreclosed properties	**35,925**	25,632
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (2)	**139%**	122%
Net charge-offs	**$ 10,797**	$ 6,942
Annualized net charge-offs as a percentage of average loans and leases outstanding (3)	**4.44%**	2.85%
Capital ratios		
Tier 1 common equity	**7.60%**	4.49%
Tier 1 capital	**10.23**	10.09
Total capital	**14.47**	14.03
Tier 1 leverage	**6.46**	7.07

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders equity (ROTE) and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data beginning on page 91.

(2) The allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding purchased credit-impaired loans was 124 percent and 115 percent at March 31, 2010 and 2009, respectively.

(3) Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans was 4.61 percent and 2.98 percent for the three months ending March 31, 2010 and 2009, respectively.

Economic Environment

During the first quarter of 2010, credit quality improved as the economic recovery strengthened and labor markets began to stabilize. Consumer spending picked up, both for retail sales and purchases of motor vehicles. Industrial production rose, as businesses ended their prolonged and dramatic inventory liquidation. Also, business investment on equipment and spending rose sharply. In this improving economic environment most of our loan portfolios, from a credit quality perspective, have either stabilized or improved during the three months ended March 31, 2010. Despite these encouraging signs of improvement, the levels of spending and production remain below their expansion peaks, and the global economic environment remains challenging. Most prominently, unemployment and underemployment levels are very elevated and household debt levels are very high, businesses remain reticent to hire and the real estate markets remain stressed. Losses and criticized loan levels have improved, but remain elevated, and our nonperforming loans are still increasing, although at a slower pace. In addition, in response to the economic challenges, both consumer and commercial customers continue to reduce debt resulting in a reduction in our loan levels which has negatively impacted net interest income. The impact of continued de-leveraging, as well as charge-offs, will negatively impact our ability to grow loan balances.

Looking forward, the banking environment and many of the markets in which we conduct business will be influenced by the uneven and fragile global economic recovery, potential for financial turmoil and recent and newly proposed financial reforms. The elevation of the European Union financial crisis may spread and adversely affect global and U.S. capital markets. In this uneasy environment, imposition of new U.S. and global financial regulations, particularly significantly higher capital and liquidity standards and additional fees, will directly affect the banking industry, and may have adverse effects on the pace of economic recovery.

Regulatory Overview

On January 21, 2010, the Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation (FDIC) and Office of Thrift Supervision (collectively, joint agencies) issued a final rule regarding risk-based capital requirements related to the impact of the adoption of new consolidation guidance. The impact on the Corporation on January 1, 2010, was an increase in risk-weighted assets of $21.3 billion and a reduction in capital of $9.7 billion. The overall effect of the new consolidation guidance and the final rule was a decrease in Tier 1 capital and Tier 1 common ratios of 76 basis points (bps) and 73 bps. For more information, see the Impact of Adopting New Consolidation Guidance section on page 88 and Liquidity Risk and Capital Management beginning on page 120.

On November 12, 2009, the Federal Reserve issued amendments to Regulation E which implements the Electronic Fund Transfer Act. The rules have a compliance date of July 1, 2010. These amendments limit the way we and other banks charge an overdraft fee for non-recurring debit card transactions that overdraw a consumer s account unless the consumer affirmatively consents to the bank s payment of overdrafts for those transactions. We have announced plans to not offer customers the opportunity to opt-in to overdraft services related to non-recurring debit card transactions. However, customers will be able to opt-in on a withdrawal-by-withdrawal basis to access cash through the Bank of America ATM network where the bank is able to alert customers that the transaction may overdraw their account and result in a fee if they choose to proceed. For more information, see Regulatory Initiatives on page 118.

On May 22, 2009, the 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. The provisions of the CARD Act negatively impacted net interest income and card income in the first quarter of 2010 and are expected to negatively impact future 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, see Regulatory Initiatives on page 118.

As a result of the recent 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 the Troubled Asset Relief Program (TARP), although some versions of the proposed tax would continue even after those costs are repaid. If enacted as proposed, the tax or fee 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.

Several proposals could ultimately be adopted that could materially adversely affect certain of our businesses. Some proposals would limit federal preemption of state laws, others would require divestiture of certain proprietary trading activities or limit private equity investments. Current legislation also contains provisions that limit the scope of an institution s derivatives activities and force certain derivatives activities to be traded on exchanges, potentially diminishing 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.

Congress is currently considering and may adopt a provision that would reduce the ability of the government to provide assistance to a financial company that is systemically important to the overall economy in the event of a crisis. Based on an earlier version of the legislation, one ratings agency placed the Corporation and certain other banks on negative outlook. It remains unclear what the final form of this and other legislation will be, whether any of these proposals will ultimately be enacted, or what the reaction of the ratings agencies will be. However, in the event of a credit ratings downgrade, the Corporation s access to credit markets, liquidity, and its related funding costs would be materially adversely affected. These proposals may also impact the overall economy and certain businesses in which we operate and may also have a material adverse impact on certain assets and liabilities held by the Corporation and other financial companies.

The United Kingdom has adopted increased capital and liquidity requirements for local financial institutions, including regulated United Kingdom subsidiaries of foreign bank holding companies and other financial institutions as well as branches of foreign banks located in the United Kingdom. In addition, the United Kingdom has proposed the creation and production of recovery and resolution plans (commonly referred to as living wills) by such entities. We are currently monitoring the impact of these initiatives.

On April 8, 2010, the United Kingdom enacted into law a one-time employer payroll tax of 50 percent on bonuses awarded to employees of applicable banking entities between December 9, 2009 and April 5, 2010. The scope of the employees affected by the payroll tax is still subject to some uncertainty and United Kingdom tax authorities intend to issue further interpretive guidance. The impact of this tax on our 2010 payroll tax expense is estimated to be approximately $465 million and will be reflected in our compensation and benefits expense for the three months ending June 30, 2010.

Refer to Item 1A. Risk Factors of the Corporation s 2009 Annual Report on Form 10-K for additional information on recent or proposed legislative and regulatory initiatives as well as other risks the Corporation is exposed to, including among others enhanced regulatory scrutiny or potential legal liability as a result of the recent financial crisis.

Table of Contents

Recent Events

On December 9, 2009, we repurchased all shares of the TARP Preferred Stock, that we issued to the U.S. Treasury in 2008 and early 2009, 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. At the time we repurchased the TARP preferred stock, we did not repurchase the warrants that were issued in connection with the TARP preferred stock. The U.S. Treasury auctioned the warrants in March 2010.

The CES, consisting of Common Equivalent Junior Preferred Stock, Series S (Common Equivalent Stock) and contingent warrants, were issued because we did not have a sufficient number of authorized common shares available for issuance at the time we repurchased the TARP preferred stock. 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 automatically converted in full into our common stock; the contingent warrants expired without having become exercisable and the CES ceased to exist.

On September 30 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, assets under management (AUM) net flows. This includes the management of *Columbia s* equity and fixed-income mutual funds and separate accounts. The transaction closed on April 30, 2010 and will not have a material impact on our financial condition or results of operations.

Recent Accounting Developments

On January 1, 2010, the Corporation adopted new Financial Accounting Standards Board (FASB) accounting guidance on transfers of financial assets and consolidation of variable interest entities (VIEs). This new accounting guidance revises sale accounting criteria for transfers of financial assets, including elimination of the concept of and accounting for qualifying special purpose entities (QSPEs), and significantly changes the criteria for consolidation of a VIE. As described more fully in *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements, the Corporation routinely transfers mortgage loans, credit card receivables and other financial instruments to special purpose entities (SPEs) that, prior to January 1, 2010, met the definition of a QSPE, which was not previously subject to consolidation by the transferor. Among other things, the new accounting standards eliminated the concept of a QSPE and as a result, former QSPEs are now subject to the consolidation guidance for VIEs. For more information on the new consolidation guidance, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Performance Overview

Net income was $3.2 billion for the three months ended March 31, 2010, compared to $4.2 billion for the three months ended March 31, 2009. Including preferred stock dividends and accretion, net income applicable to common shareholders was $2.8 billion, or $0.28 per diluted common share, for the three months ended March 31, 2010 compared to $2.8 billion or $0.44 per diluted common share for the three months ended March 31, 2009. Revenue, net of interest expense on a FTE basis, declined $3.8 billion to $32.3 billion for the three months ended March 31, 2010 representing an 11 percent decrease from $36.1 billion in the same period in 2009.

Net interest income on a FTE basis increased $1.3 billion to $14.1 billion for the three months ended March 31, 2010 compared to the same period in 2009. The increase was driven by the impact of adoption of the new consolidation guidance and deposit pricing, partially offset by lower commercial and consumer loan levels and lower yields on the credit card portfolio. The net interest yield on a FTE basis increased 23 bps to 2.93 percent for the three months ended March 31, 2010 compared to the same period in 2009, due to the factors stated above.

Noninterest income decreased $5.1 billion to $18.2 billion for the three months ended March 31, 2010 compared to the same period in 2009. Lower mortgage banking income and decreases in both card income and equity investment income drove the decline. Mortgage banking income decreased due to less favorable MSR results, net of hedges, and lower production volume and margins. Card income declined due to the adoption of new consolidation guidance and the CARD Act, while equity investment income was impacted by the absence of prior year pre-tax gains of $1.9 billion related to the sale of portions of our investment in China Construction Bank (CCB). In addition, other noninterest income declined due to lower credit valuation gains recorded on certain Merrill Lynch structured notes of $226 million for the three months ended March 31, 2010 compared to $2.2 billion in the same period in 2009.

The provision for credit losses decreased $3.6 billion to $9.8 billion for the three months ended March 31, 2010 compared to the same period in 2009, reflecting improvement in the economy which drove decreased credit costs in both the consumer and commercial portfolios partially offset by higher net charge-offs due to the adoption of new consolidation guidance.

Noninterest expense increased five percent to $17.8 billion from $17.0 billion a year earlier as personnel costs and other general operating expenses rose. Pre-tax merger and restructuring charges declined to $521 million from $765 million a year earlier.

Segment Results

Effective January 1, 2010, management realigned the former *Global Banking* and *Global Markets* business segments into *Global Commercial Banking* and *GBAM*. Prior period amounts have been reclassified to conform to the current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. For additional information related to the business segments, see *Note 17 Business Segment Information* to the Consolidated Financial Statements.

Table 2
Business Segment Results

	Three Months Ended March 31			
	Total Revenue (1)		Net Income (Loss)	
(Dollars in millions)	**2010**	2009	**2010**	2009
Deposits	**$ 3,632**	$ 3,372	**$ 683**	$ 600
Global Card Services (2)	**6,804**	7,448	**952**	(1,752)
Home Loans & Insurance	**3,624**	5,235	**(2,071)**	(494)
Global Commercial Banking	**3,007**	2,683	**713**	(30)
Global Banking & Markets	**9,776**	8,981	**3,218**	2,509
Global Wealth & Investment Management	**4,409**	4,346	**497**	479
All Other (2)	**1,038**	4,015	**(810)**	2,935
Total FTE basis	**32,290**	36,080	**3,182**	4,247
FTE adjustment	**(321)**	(322)	**-**	-
Total Consolidated	**$ 31,969**	$ 35,758	**$ 3,182**	$ 4,247

(1) Total revenue is net of interest expense and is on a FTE basis which is a non-GAAP measure. For more information on this measure and a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 91.

(2) For the three months ended March 31, 2009, *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*. For the three months ended March 31, 2010, *Global Card Services* and *All Other* are presented in accordance with new consolidation guidance. Accordingly, current period *Global Card Services* results are comparable to prior period results that are presented on a managed basis. For more information on the new consolidation guidance, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements. For more information on the reconciliation of *Global Card Services* and *All Other*, see *Note 17 Business Segment Information* to the Consolidated Financial Statements.

Deposits net income increased due to higher revenues partially offset by higher noninterest expense. Revenue increased mainly due to growth in deposits as well as improved spreads. Noninterest expense increased as a higher percentage of the retail distribution costs primarily related to banking centers shifted to *Deposits* from the other consumer segments.

Global Card Services reported net income compared to a net loss a year ago as credit costs declined reflecting continued improvement in the U.S. economy. Net revenue declined due to lower net interest income from a decrease in average loans and lower fee income resulting from the implementation of the CARD Act. Provision for credit losses decreased due to lower delinquencies and lower expected losses from the improved economic outlook which drove reserve reductions during the quarter. Noninterest expense declined as a higher percentage of the retail distribution costs primarily related to banking centers shifted to *Deposits*.

Home Loans & Insurance net loss widened as lower revenue combined with increased expenses and elevated credit costs negatively impacted results. Net revenue decreased primarily due to less favorable MSR performance and lower loan production income compared to the same period in 2009. The provision for credit losses increased driven by higher reserve additions due to continued stress in the housing market, the impact of certain modified loans that were written down to the underlying collateral value and higher home equity net charge-offs due to the adoption of new consolidation guidance. Noninterest expense rose due to expenses related to higher litigation costs and default management activities, including loss mitigation efforts.

Global Commercial Banking net income increased driven by lower credit costs and increased revenue primarily from higher net interest income. Net interest income increased as improved loan spreads on new, renewed and amended facilities more than offset the decline in loan balances due to reduced demand. Net interest income also benefited from strong deposit growth as clients remain very liquid, partially offset by narrower spreads on deposits. The provision for credit losses decreased primarily driven by lower credit costs in the retail dealer-related portfolio and stabilization across most commercial portfolios.

GBAM net income increased due to strong performance in sales and trading revenue. Noninterest income increased due to continued strong core trading results and lower write-downs on legacy assets, partially offset by lower gains on derivative liabilities related to our credit spreads. Noninterest expense decreased due to merger-related savings and a change in compensation that delivers a greater portion of incentive pay over time.

GWIM net income increased due to the impact of higher revenue due to increased investment and brokerage services income and the absence of support for cash funds as compared to the same period a year ago. These items were partially offset by lower net interest income due to the impact of the migration of certain deposits and loan balances to *Deposits* and *Home Loans & Insurance*.

All Other reported a net loss due to lower net revenue and increases in provision for credit losses and noninterest expense. Net revenue decreased as a result of lower gains related to credit valuation adjustments on Merrill Lynch structured notes compared to the same period a year ago. The increase in the provision for credit losses was driven by the impact of the new consolidation guidance and higher credit costs in the Countrywide purchased credit-impaired discontinued real estate portfolio, partially offset by lower reserve additions related to the residential mortgage portfolio. Noninterest expense increased due to higher personnel, general operating and other expenses.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $1.3 billion to $14.1 billion for the three months ended March 31, 2010 compared to the same period in 2009. The increase was due to the impact of adoption of new consolidation guidance which contributed approximately $2.0 billion to the increase from the prior year. Additionally, net interest income benefited from deposit pricing partially offset by lower commercial and consumer loan levels and lower yields on the credit card portfolio. The net interest yield on a FTE basis increased 23 bps to 2.93 percent for the three months ended March 31, 2010 compared to the same period in 2009 due to the factors stated above.

Table of Contents

Noninterest Income

Table 3

Noninterest Income

(Dollars in millions)	Three Months Ended March 31 2010	2009
Card income	**$ 1,976**	$ 2,865
Service charges	**2,566**	2,533
Investment and brokerage services	**3,025**	2,963
Investment banking income	**1,240**	1,055
Equity investment income	**625**	1,202
Trading account profits	**5,236**	5,201
Mortgage banking income	**1,500**	3,314
Insurance income	**715**	688
Gains on sales of debt securities	**734**	1,498
Other income	**1,204**	2,313
Net impairment losses recognized in earnings on available-for-sale debt securities	**(601)**	(371)
Total noninterest income	**$ 18,220**	$ 23,261

Noninterest income decreased $5.0 billion to $18.2 billion for the three months ended March 31, 2010 compared to the same period in 2009. The following items highlight the significant changes.

Card income decreased $889 million primarily due to the impact of adoption of new consolidation guidance coupled with lower fee income from the implementation of the CARD Act and lower cash volumes. These items were partially offset by an increase in interchange income due to higher retail volume.

Investment banking income increased $185 million due to higher equity and debt issuance fees.

Equity investment income decreased $577 million due to the absence of the $1.9 billion pre-tax CCB related gain recorded during the prior year and a $331 million loss from the sale of our $2.7 billion discretionary equity securities portfolio partially offset by valuation gains related to selected investments in Global Principal Investing.

Trading account profits remained relatively flat with an increase of $35 million due to offsetting items including improved market conditions, increased liquidity and reduced write-downs on legacy assets partially offset by reduced credit valuation adjustments on derivative liabilities.

Mortgage banking income decreased $1.8 billion due to lower production and servicing income of $969 million and $845 million, respectively. The decrease in production income was primarily driven by lower production volume and margins and lower servicing income was due to less favorable MSR performance, net of hedges.

Gains on sales of debt securities decreased $764 million driven by lower sales of agency mortgage-backed securities (MBS).

Other income decreased by $1.1 billion due to lower credit valuation adjustments recorded on Merrill Lynch structured notes compared to the prior year partially offset by reduced write-downs on legacy assets.

Net impairment losses recognized in earnings on available-for-sale (AFS) debt securities increased $230 million driven by losses on non-agency collateralized mortgage obligations (CMOs).

Provision for Credit Losses

The provision for credit losses decreased $3.6 billion to $9.8 billion for the three months ended March 31, 2010 compared to the same period in 2009.

Table of Contents

The consumer portion of the provision for credit losses decreased $2.4 billion to $8.3 billion for the three months ended March 31, 2010 compared to the same period in 2009. The decrease was due to reserve reductions in 2010 compared to reserve additions in 2009. The reserve reductions resulted from lower delinquencies and lower losses in the consumer credit card and unsecured consumer lending portfolios resulting from an improving economic outlook. Consumer real estate reserves were increased in the three months ended March 31, 2010 amid continued stress in the housing markets, however, at lower levels than the same period in the prior year. This improvement was partially offset by higher net charge-offs due to the impact of the adoption of new consolidation guidance resulting in the consolidation of certain securitized loan balances in our consumer credit card and home equity portfolios. In the consumer purchased credit-impaired portfolios, the addition to reserves to reflect further reductions in expected principal cash flows was $846 million in the first three months of 2010 compared to $853 million a year earlier.

The commercial portion of the provision for credit losses including the provision for unfunded lending commitments decreased $1.2 billion to $1.5 billion for the three months ended March 31, 2010 compared to the same period in 2009. The decrease was due to a reserve reduction in the small business portfolio in 2010 compared to reserve additions in 2009 due to improved credit quality and changes in lending criteria implemented in 2008 and 2009.

Net charge-offs totaled $10.8 billion, or 4.44 percent of average loans and leases for the three months ended March 31, 2010 compared with $6.9 billion, or 2.85 percent for the three months ended March 31, 2009. The increase in net charge-offs was due to the impact of adoption of new consolidation guidance resulting in consolidating certain securitized loan balances in our consumer credit card and home equity portfolios and losses on modified consumer real estate loans that were written down to the underlying collateral value.

Noninterest Expense

Table 4

Noninterest Expense

(Dollars in millions)	Three Months Ended March 31 **2010**	2009
Personnel	**$ 9,158**	$ 8,768
Occupancy	**1,172**	1,128
Equipment	**613**	622
Marketing	**487**	521
Professional fees	**517**	405
Amortization of intangibles	**446**	520
Data processing	**648**	648
Telecommunications	**330**	327
Other general operating	**3,883**	3,298
Merger and restructuring charges	**521**	765
Total noninterest expense	**$ 17,775**	$ 17,002

Noninterest expense increased $773 million to $17.8 billion for the three months ended March 31, 2010 compared to the same period in 2009. The increase was driven by higher personnel costs and litigation costs in other general operating expenses partially offset by a decrease in merger and restructuring charges of $244 million.

Income Tax Expense

Income tax expense was $1.2 billion for the three months ended March 31, 2010 compared to $1.1 billion for the same period in 2009 and resulted in an effective tax rate of 27.5 percent compared to 21.0 percent in the prior year. The increase in the effective tax rate was primarily due to permanent tax preference items offsetting a lower percentage of pre-tax earnings.

Long-standing deferral provisions applicable to active finance income earned by certain foreign subsidiaries expired for taxable years beginning on or after January 1, 2010. The impact of the expiration of these provisions, which is dependent upon the amount, composition and geographic mix of our 2010 earnings, resulted in additional income tax expense of $133

Table of Contents

million for the three months ended March 31, 2010. If these deferral provisions were to be re-enacted retroactive to January 1, 2010, which we expect to occur, this tax and any additional amounts recorded to date would be reversed. For more information on these provisions, refer to page 21 of the MD&A of the Corporation s 2009 Annual Report on Form 10-K.

Balance Sheet Analysis

Table 5

Selected Balance Sheet Data

(Dollars in millions)	**March 31, 2010**	December 31, 2009	**Average Balance Three Months Ended March 31 2010**	2009
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 197,038**	$ 189,933	**$ 266,070**	$ 244,280
Trading account assets	**206,018**	182,206	**214,542**	237,350
Debt securities	**316,360**	311,441	**311,136**	286,249
Loans and leases	**976,042**	900,128	**991,615**	994,121
All other assets [(1)]	**643,242**	639,591	**726,397**	757,134
Total assets	**$ 2,338,700**	$ 2,223,299	**$ 2,509,760**	$ 2,519,134
Liabilities				
Deposits	**$ 976,102**	$ 991,611	**$ 981,015**	$ 964,081
Federal funds purchased and securities loaned or sold under agreements to repurchase	**270,601**	255,185	**416,078**	395,349
Trading account liabilities	**82,532**	65,432	**90,134**	69,481
Commercial paper and other short-term borrowings	**85,406**	69,524	**92,254**	196,579
Long-term debt	**511,653**	438,521	**513,634**	446,975
All other liabilities	**182,583**	171,582	**186,754**	217,903
Total liabilities	**2,108,877**	1,991,855	**2,279,869**	2,290,368
Shareholders equity	**229,823**	231,444	**229,891**	228,766
Total liabilities and shareholders equity	**$ 2,338,700**	$ 2,223,299	**$ 2,509,760**	$ 2,519,134

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

Impact of Adopting New Consolidation Guidance

On January 1, 2010, the Corporation adopted new consolidation guidance resulting in the consolidation of certain former QSPEs and VIEs that were not recorded on the Corporation s Consolidated Balance Sheet prior to that date. The adoption of this new consolidation guidance resulted in a net incremental increase in assets of $100.4 billion, including $69.7 billion resulting from consolidation of credit card trusts and $30.7 billion from consolidation of other SPEs including multi-seller conduits, and a net increase of $106.7 billion in total liabilities, including $84.4 billion of long-term debt. These amounts are net of retained interests in securitizations held on the Consolidated Balance Sheet at December 31, 2009 and a $10.8 billion increase in the allowance for loan and lease losses, the majority of which relates to credit card receivables. The Corporation recorded a $6.2 billion charge, net of tax, to retained earnings on January 1, 2010 for the cumulative effect of the adoption of this new consolidation guidance due primarily to the increase in the allowance for loan and lease losses, and a $116 million charge to accumulated other comprehensive income (OCI). The initial recording of these assets, related allowance for loan and lease losses, and liabilities on the Corporation s Consolidated Balance Sheet had no impact at the date of adoption on consolidated results of operations. For additional detail on the impact of adopting this new consolidation guidance, refer to *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

Table of Contents

Assets

At March 31, 2010, total assets were $2.3 trillion, an increase of $115.4 billion from December 31, 2009. Changes from year end were largely attributable to the impact of adopting new consolidation guidance which increased loan balances, primarily in the credit card, commercial domestic and home equity portfolios, partially offset by an increase in the allowance for loan and lease losses. The impact of this new consolidation guidance was offset by lower consumer and commercial loan balances and loans held-for-sale (LHFS). Trading account assets increased as a result of the new consolidation guidance and higher levels of fixed-income securities. In addition, all other assets grew driven by an increase in cash and cash equivalents due to increased liquidity as a result of reduced loan demand.

For the three months ended March 31, 2010, average total assets decreased $9.4 billion compared to the same period in 2009. The decrease was due to lower loan balances, partially offset by the impact of adopting new consolidation guidance and an increase in debt securities driven by asset and liability management (ALM) activities. Changes in trading account assets, and all other assets were due to mark-to-market adjustments.

Liabilities and Shareholders Equity

At March 31, 2010, total liabilities were $2.1 trillion, an increase of $117.0 billion from December 31, 2009. The increase in total liabilities was attributable to the impact of adopting new consolidation guidance which increased long-term debt and short-term borrowings. In addition, changes in trading account liabilities reflected trading activity in fixed-income securities, including derivative portfolio hedges.

For the three months ended March 31, 2010, average total liabilities decreased $10.5 billion compared to the same period in 2009. The decrease was due to lower short-term borrowings, substantially offset by the impact of adopting new consolidation guidance and higher noninterest bearing deposits.

As of March 31, 2010, shareholders equity was $229.8 billion, a decrease of $1.6 billion from December 31, 2009. The decrease was attributable to the impact of adopting new consolidation guidance as we recorded a $6.2 billion charge to retained earnings due primarily to the increase in the allowance for loan and lease losses. The charge to retained earnings was partially offset by net income recorded during the three months ended March 31, 2010.

For the three months ended March 31, 2010, average shareholders equity increased $1.1 billion compared to the same period in 2009 driven by the same factors stated above offset by a reduction in accumulated other comprehensive loss.

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management functions, primarily involving our portfolios of highly liquid assets, that are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and for our customers, and to position the balance sheet in accordance with the Corporation s risk appetite. The execution of these functions requires the use of balance sheet and capital related limits including spot, average and risk-weighted asset limits, particularly in our trading businesses. It is important to note that our leverage ratio is calculated on an average basis.

Table of Contents

Table 6

Selected Quarterly Financial Data

(Dollars in millions, except per share information)	**2010 Quarter First**	2009 Quarters Fourth	Third	Second	First
Income statement					
Net interest income	**$ 13,749**	$ 11,559	$ 11,423	$ 11,630	$ 12,497
Noninterest income	**18,220**	13,517	14,612	21,144	23,261
Total revenue, net of interest expense	**31,969**	25,076	26,035	32,774	35,758
Provision for credit losses	**9,805**	10,110	11,705	13,375	13,380
Noninterest expense, before merger and restructuring charges	**17,254**	15,852	15,712	16,191	16,237
Merger and restructuring charges	**521**	533	594	829	765
Income (loss) before income taxes	**4,389**	(1,419)	(1,976)	2,379	5,376
Income tax expense (benefit)	**1,207**	(1,225)	(975)	(845)	1,129
Net income (loss)	**3,182**	(194)	(1,001)	3,224	4,247
Net income (loss) applicable to common shareholders	**2,834**	(5,196)	(2,241)	2,419	2,814
Average common shares issued and outstanding (in thousands)	**9,177,468**	8,634,565	8,633,834	7,241,515	6,370,815
Average diluted common shares issued and outstanding (in thousands)	**10,005,254**	8,634,565	8,633,834	7,269,518	6,393,407
Performance ratios					
Return on average assets	**0.51 %**	n/m	n/m	0.53 %	0.68 %
Return on average common shareholders equity	**5.73**	n/m	n/m	5.59	7.10
Return on average tangible common shareholders equity (1)	**9.79**	n/m	n/m	12.68	16.15
Return on average tangible shareholders equity (1)	**9.55**	n/m	n/m	8.86	12.42
Total ending equity to total ending assets	**9.83**	10.41 %	11.45 %	11.32	10.32
Total average equity to total average assets	**9.16**	10.35	10.71	10.03	9.08
Dividend payout	**3.57**	n/m	n/m	3.56	2.28
Per common share data					
Earnings (loss)	**$ 0.28**	$ (0.60)	$ (0.26)	$ 0.33	$ 0.44
Diluted earnings (loss)	**0.28**	(0.60)	(0.26)	0.33	0.44
Dividends paid	**0.01**	0.01	0.01	0.01	0.01
Book value	**21.12**	21.48	22.99	22.71	25.98
Tangible book value (1)	**11.70**	11.94	12.00	11.66	10.88
Market price per share of common stock					
Closing	**$ 17.85**	$ 15.06	$ 16.92	$ 13.20	$ 6.82
High closing	**18.04**	18.59	17.98	14.17	14.33
Low closing	**14.45**	14.58	11.84	7.05	3.14
Market capitalization	**$ 179,071**	$ 130,273	$ 146,363	$ 114,199	$ 43,654
Average balance sheet					
Total loans and leases	**$ 991,615**	$ 905,913	$ 930,255	$ 966,105	$ 994,121
Total assets	**2,509,760**	2,421,531	2,390,675	2,420,317	2,519,134
Total deposits	**981,015**	995,160	989,295	974,892	964,081
Long-term debt	**513,634**	445,440	449,974	444,131	446,975
Common shareholders equity	**200,380**	197,123	197,230	173,497	160,739
Total shareholders equity	**229,891**	250,599	255,983	242,867	228,766
Asset quality (2)					
Allowance for credit losses (3)	**$ 48,356**	$ 38,687	$ 37,399	$ 35,777	$ 31,150
Nonperforming loans, leases and foreclosed properties (4)	**35,925**	35,747	33,825	30,982	25,632
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (4)	**4.82 %**	4.16%	3.95 %	3.61 %	3.00 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (4)	**139**	111	112	116	122
Net charge-offs	**$ 10,797**	$ 8,421	$ 9,624	$ 8,701	$ 6,942
Net charge-offs as a percentage of average loans and leases outstanding (4)	**4.44 %**	3.71 %	4.13 %	3.64 %	2.85 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding (4)	**3.46**	3.75	3.51	3.12	2.47
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (4)	**3.69**	3.98	3.72	3.31	2.64
Ratio of the allowance for loan and lease losses at period end to net charge-offs	**1.07**	1.11	0.94	0.97	1.03
Capital ratios (period end)					
Risk-based capital:					

Tier 1 common	**7.60**	**%**	7.81	%	7.25	%	6.90	%	4.49	%
Tier 1	**10.23**		10.40		12.46		11.93		10.09	
Total	**14.47**		14.66		16.69		15.99		14.03	
Tier 1 leverage	**6.46**		6.91		8.39					