

BANK OF AMERICA CORP /DE/
Form 10-Q
August 08, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2007

or

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

EXCHANGE ACT OF 1934

Commission file number:

1-6523

Exact name of registrant as specified in its charter:

Bank of America Corporation

State of incorporation:

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:

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(704) 386-5681

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

On July 31, 2007, there were 4,437,353,406 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation

June 30, 2007 Form 10-Q

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(Dollars in millions, except per share information)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Interest income				
Interest and fees on loans and leases	\$13,323	\$11,804	\$26,207	\$22,931
Interest on debt securities	2,332	3,121	4,712	6,135
Federal funds sold and securities purchased under agreements to resell	2,156	1,900	4,135	3,609
Trading account assets	2,267	1,627	4,540	3,175
Other interest income	1,154	845	2,198	1,572
Total interest income	21,232	19,297	41,792	37,422
Interest expense				
Deposits	4,261	3,508	8,295	6,515
Short-term borrowings	5,537	4,842	10,855	9,151
Trading account liabilities	821	596	1,713	1,113
Long-term debt	2,227	1,721	4,275	3,237
Total interest expense	12,846	10,667	25,138	20,016
Net interest income	8,386	8,630	16,654	17,406
Noninterest income				
Card income	3,558	3,664	6,891	7,098
Service charges	2,200	2,077	4,272	3,978
Investment and brokerage services	1,193	1,146	2,342	2,249
Investment banking income	774	612	1,412	1,113
Equity investment income	1,829	699	2,843	1,417
Trading account profits	890	915	1,762	1,975
Mortgage banking income	148	89	361	226
Gains (losses) on sales of debt securities	2	(9)	64	5
Other income	583	396	1,117	443
Total noninterest income	11,177	9,589	21,064	18,504
Total revenue, net of interest expense	19,563	18,219	37,718	35,910
Provision for credit losses	1,810	1,005	3,045	2,275
Noninterest expense				
Personnel	4,737	4,480	9,762	9,293
Occupancy	744	703	1,457	1,404
Equipment	332	316	682	660
Marketing	537	551	1,092	1,126
Professional fees	283	233	512	451
Amortization of intangibles	391	441	780	881
Data processing	472	409	909	819
Telecommunications	244	228	495	448
Other general operating	1,278	1,162	2,315	2,267
Merger and restructuring charges	75	194	186	292
Total noninterest expense	9,093	8,717	18,190	17,641
Income before income taxes	8,660	8,497	16,483	15,994
Income tax expense	2,899	3,022	5,467	5,533
Net income	\$5,761	\$5,475	\$11,016	\$10,461
Preferred stock dividends	40	4	86	9
Net income available to common shareholders	\$5,721	\$5,471	\$10,930	\$10,452
Per common share information				
Earnings	\$1.29	\$1.21	\$2.47	\$2.29
Diluted earnings	1.28	1.19	2.44	2.25
Dividends paid	0.56	0.50	1.12	1.00
Average common shares issued and outstanding				
(in thousands)	4,419,246	4,534,627	4,426,046	4,572,013
	4,476,799	4,601,169	4,487,224	4,636,959

**Average diluted common shares issued and outstanding
(in thousands)**

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Balance Sheet**

	June 30	December 31
(Dollars in millions)	2007	2006
Assets		
Cash and cash equivalents	\$35,499	\$36,429
Time deposits placed and other short-term investments	13,151	13,952
Federal funds sold and securities purchased under agreements to resell (includes \$1,970 measured at fair value at June 30, 2007 and \$131,149 and \$135,409 pledged as collateral)	131,658	135,478
Trading account assets (includes \$65,768 and \$92,274 pledged as collateral)	182,404	153,052
Derivative assets	29,810	23,439
Debt securities:		
Available-for-sale (includes \$116,020 and \$83,785 pledged as collateral)	172,332	192,806
Held-to-maturity, at cost (market value \$995 and \$40)	995	40
Total debt securities	173,327	192,846
Loans and leases (includes \$3,606 measured at fair value at June 30, 2007 and \$55,097 and \$14,290 pledged as collateral)	758,635	706,490
Allowance for loan and lease losses	(9,060)	(9,016)
Loans and leases, net of allowance	749,575	697,474
Premises and equipment, net	9,482	9,255
Mortgage servicing rights (includes \$3,269 and \$2,869 measured at fair value)	3,508	3,045
Goodwill	65,845	65,662
Intangible assets	8,720	9,422
Other assets (includes \$30,591 measured at fair value at June 30, 2007)	131,380	119,683
Total assets	\$1,534,359	\$1,459,737
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	\$172,573	\$180,231
Interest-bearing (includes \$521 measured at fair value at June 30, 2007)	422,201	418,100
Deposits in foreign offices:		
Noninterest-bearing	3,006	4,577
Interest-bearing	101,629	90,589
Total deposits	699,409	693,497
Federal funds purchased and securities sold under agreements to repurchase	221,064	217,527
Trading account liabilities	75,070	67,670
Derivative liabilities	25,141	16,339
Commercial paper and other short-term borrowings	159,542	141,300
Accrued expenses and other liabilities (includes \$391 measured at fair value at June 30, 2007 and \$376 and \$397 of reserve for unfunded lending commitments)	49,065	42,132
Long-term debt	169,317	146,000
Total liabilities	1,398,608	1,324,465
Commitments and contingencies (<i>Note 8 Securitizations and Note 10 Commitments and Contingencies</i>)		
Shareholders equity		
Preferred stock, \$0.01 par value; authorized 100,000,000 shares; issued and outstanding 121,739 shares	2,851	2,851
Common stock and additional paid-in capital, \$0.01 par value; authorized 7,500,000,000 shares; issued and outstanding 4,436,935,963 and 4,458,151,391 shares	60,349	61,574
Retained earnings	83,223	79,024
Accumulated other comprehensive income (loss)	(9,957)	(7,711)
Other	(715)	(466)
Total shareholders equity	135,751	135,272
Total liabilities and shareholders equity	\$1,534,359	\$1,459,737

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Statement of Changes in Shareholders' Equity**
Common Stock and

(Dollars in millions, shares in thousands)	Additional Paid-in Capital			Retained Earnings	Accumulated Other Comprehensive Income (Loss) ⁽¹⁾	Other	Total	
	Preferred Stock	Shares	Amount				Shareholders Equity	Comprehensive Income
Balance, December 31, 2005	\$271	3,999,688	\$41,693	\$67,552	\$(7,556)	\$(427)	\$101,533	
Net income				10,461			10,461	\$10,461
Net changes in available-for-sale debt and marketable equity securities					(4,373)		(4,373)	(4,373)
Net changes in foreign currency translation adjustments					90		90	90
Net changes in derivatives					866		866	866
Cash dividends paid:								
Common				(4,611)			(4,611)	
Preferred				(9)			(9)	
Common stock issued under employee plans and related tax benefits		68,608	2,818			(245)	2,573	
Stock issued in acquisition ⁽²⁾		631,145	29,377				29,377	
Common stock repurchased		(171,500)	(8,066)				(8,066)	
Balance, June 30, 2006	\$271	4,527,941	\$65,822	\$73,393	\$(10,973)	\$(672)	\$127,841	\$7,044
Balance, December 31, 2006	\$2,851	4,458,151	\$61,574	\$79,024	\$(7,711)	\$(466)	\$135,272	
Cumulative adjustment for accounting changes ⁽³⁾ :								
Leveraged leases				(1,381)			(1,381)	
Fair value option and measurement				(208)			(208)	
Income tax uncertainties				(146)			(146)	
Net income				11,016			11,016	\$11,016
Net changes in available-for-sale debt and marketable equity securities					(2,823)		(2,823)	(2,823)
Net changes in foreign currency translation adjustments					103		103	103
Net changes in derivatives					416		416	416
Amortization of costs included in net periodic benefit costs					58		58	58
Cash dividends paid:								
Common				(4,996)			(4,996)	
Preferred				(86)			(86)	
Common stock issued under employee plans and related tax benefits		40,235	1,965			(249)	1,716	
Common stock repurchased		(61,450)	(3,190)				(3,190)	
Balance, June 30, 2007	\$2,851	4,436,936	\$60,349	\$83,223	\$(9,957)	\$(715)	\$135,751	\$8,770

⁽¹⁾ Amounts shown are net of tax. For additional information on accumulated OCI, see *Note 11 Shareholders' Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

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⁽²⁾Includes adjustment for the fair value of outstanding MBNA Corporation (MBNA) stock options of \$435 million.

⁽³⁾Effective January 1, 2007, the Corporation adopted FSP 13-2, SFAS 157, SFAS 159 and FIN 48. For additional information on the adoption of these accounting pronouncements, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements. See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Bank of America Corporation and Subsidiaries****Consolidated Statement of Cash Flows**

(Dollars in millions)	Six Months Ended June 30	
	2007	2006
Operating activities		
Net income	\$11,016	\$10,461
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	3,045	2,275
Gains on sales of debt securities	(64)	(5)
Depreciation and premises improvements amortization	555	557
Amortization of intangibles	780	881
Deferred income tax expense	210	503
Net (increase) decrease in trading and derivative instruments	(16,029)	9,670
Net increase in other assets	(10,172)	(14,912)
Net increase in accrued expenses and other liabilities	8,346	4,320
Other operating activities, net	(408)	(3,720)
Net cash provided by (used in) operating activities	(2,721)	10,030
Investing activities		
Net (increase) decrease in time deposits placed and other short-term investments	813	(824)
Net decrease in federal funds sold and securities purchased under agreements to resell	3,640	13,140
Proceeds from sales of available-for-sale debt securities	6,078	7,341
Proceeds from paydowns and maturities of available-for-sale debt securities	10,713	11,616
Purchases of available-for-sale debt securities	(5,874)	(34,795)
Proceeds from maturities of held-to-maturity debt securities	24	
Purchases of held-to-maturity debt securities	(70)	
Proceeds from sales of loans and leases	29,309	12,111
Other changes in loans and leases, net	(91,018)	(71,238)
Net purchases of premises and equipment	(849)	(206)
Proceeds from sales of foreclosed properties	52	71
(Acquisition) divestiture of business activities, net	(685)	(3,519)
Other investing activities, net	(631)	(516)
Net cash used in investing activities	(48,498)	(66,819)
Financing activities		
Net increase in deposits	11,079	13,437
Net increase in federal funds purchased and securities sold under agreements to repurchase	3,636	17,668
Net increase in commercial paper and other short-term borrowings	18,315	18,669
Proceeds from issuance of long-term debt	41,374	21,886
Retirement of long-term debt	(16,728)	(6,744)
Proceeds from issuance of common stock	682	1,734
Common stock repurchased	(3,190)	(8,066)
Cash dividends paid	(5,082)	(4,620)
Excess tax benefits related to share-based payments	190	203
Other financing activities, net	(36)	111
Net cash provided by financing activities	50,240	54,278
Effect of exchange rate changes on cash and cash equivalents	49	57
Net decrease in cash and cash equivalents	(930)	(2,454)
Cash and cash equivalents at January 1	36,429	36,999
Cash and cash equivalents at June 30	\$35,499	\$34,545

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

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

The fair values of noncash assets acquired and liabilities assumed in the MBNA merger were \$83.3 billion and \$50.4 billion at January 1, 2006.

Approximately 631 million shares of common stock, valued at approximately \$28.9 billion were issued in connection with the MBNA merger at January 1, 2006.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Bank of America Corporation and its subsidiaries (the Corporation), through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At June 30, 2007, 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.

NOTE 1 Summary of Significant Accounting Principles

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated.

The information contained in the Consolidated Financial Statements is unaudited. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. Results of operations of companies purchased are included from the dates of acquisition.

Effective January 1, 2007, the Corporation changed its basis of presentation for its business segments. For additional information, see *Note 16 Business Segment Information* to the Consolidated Financial Statements.

Effective April 1, 2007, the Corporation changed the current and historical presentation of its Consolidated Statement of Income to present gains (losses) on sales of debt securities as a component of noninterest income.

Prior period amounts have been reclassified to conform to current period presentation.

Recently Issued Accounting Pronouncements

On June 27, 2007, the Financial Accounting Standards Board (FASB) ratified the Emerging Issues Task Force (EITF) consensus on Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 requires that the tax benefit related to dividend equivalents paid on restricted stock and restricted stock units which are expected to vest be recorded as an increase to additional paid-in capital. The Corporation currently accounts for this tax benefit as a reduction to income tax expense. EITF 06-11 is to be applied prospectively for tax benefits on dividends declared by the Corporation on or after January 1, 2008. The Corporation expects to adopt the provisions of EITF 06-11 on January 1, 2008. The adoption of EITF 06-11 will not have a material impact on the Corporation's financial condition and results of operations.

On June 11, 2007, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) No. 07-1, *Clarification of the Scope of the Audit and Accounting Guide Audits of Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1). SOP 07-1 clarifies when an entity may apply the provisions of the Audit and Accounting Guide for Investment Companies. SOP 07-1 is effective for the Corporation on January 1, 2008. The adoption of SOP 07-1 is not expected to have a material impact on the Corporation's financial condition and results of operations.

Effective January 1, 2007, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157) and SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States (GAAP) and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 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. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The impact of adopting both SFAS

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157 and SFAS 159 reduced the beginning balance of retained earnings as of January 1, 2007 by \$208 million, net of tax. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings when they occur. For additional information on the fair value of certain financial assets and liabilities, see *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements.

Effective January 1, 2007, the Corporation adopted FASB Staff Position (FSP) No. FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction* (FSP 13-2). The principal provision of FSP 13-2 is the requirement that a lessor recalculate the recognition of lease income when there is a change in the estimated timing of the cash flows relating to income taxes generated by such leveraged lease. The adoption of FSP 13-2 reduced the beginning balance of retained earnings as of January 1, 2007 by \$1,381 million, net of tax, with a corresponding offset decreasing the net investment in leveraged leases recorded as part of loans and leases. Following the adoption, if during the remainder of the lease term the timing of the income tax cash flows generated by the leveraged leases are revised as a result of final determination by the Internal Revenue Service on certain leveraged leases or management changes its assumption about the timing of the tax cash flows, the rate of return shall be recalculated from the inception of the lease using the revised assumption and the change in the net investment shall be recognized as a gain or loss in the year in which the assumption is changed.

Effective January 1, 2007, the Corporation adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. The adoption of FIN 48 reduced the beginning balance of retained earnings as of January 1, 2007 by \$146 million and increased goodwill by \$52 million. For additional information on income taxes, see *Note 13 Income Taxes* to the Consolidated Financial Statements.

For additional information on recently issued accounting pronouncements and other significant accounting principles, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

NOTE 2 Merger and Restructuring Activity

In April 2007, the Corporation announced an agreement to purchase ABN AMRO North America Holding Company, parent company of LaSalle Bank Corporation (LaSalle), from ABN AMRO Bank N.V. for \$21 billion in cash. The transaction has been approved by both companies' boards of directors. The transaction will be subject to obtaining all necessary regulatory approvals and is expected to close in the fourth quarter of 2007.

In July 2007, the Corporation completed the acquisition of U.S. Trust Corporation (U.S. Trust) for \$3.3 billion in cash. U.S. Trust focuses exclusively on managing wealth for high net-worth and ultra high net-worth individuals and families. The acquisition increases the size and capabilities of the Corporation's wealth management business.

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA through a merger that was tax-free to the Corporation. MBNA's results of operations were included in the Corporation's results beginning January 1, 2006.

Table of Contents**Merger and Restructuring Charges**

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and those of acquired entities. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges for the three and six months ended June 30, 2007 and 2006.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Severance and employee-related charges	\$5	\$20	\$17	\$33
Systems integrations and related charges	58	132	137	180
Other	12	42	32	79
Total merger and restructuring charges ⁽¹⁾	\$75	\$194	\$186	\$292

⁽¹⁾Included for the three and six months ended June 30, 2007, are merger-related charges of \$60 million and \$171 million related to the MBNA acquisition and \$15 million for both periods related to the U.S. Trust acquisition. The Corporation has not incurred any merger-related charges related to the LaSalle transaction.

Exit Cost and Restructuring Reserves

As of December 31, 2006, there were \$125 million of exit cost reserves, including \$121 million for severance, relocation and other employee-related expenses and \$4 million for contract terminations. Cash payments of \$19 million and \$45 million during the three and six months ended June 30, 2007, consisted of \$19 million and \$43 million of severance, relocation and other employee-related costs. In addition, cash payments of \$2 million for contract terminations were recorded during the six months ended June 30, 2007.

As of December 31, 2006, there were \$67 million of restructuring reserves remaining, including \$58 million related to severance and other employee-related expenses and \$9 million related to contract terminations. During the three and six months ended June 30, 2007, \$5 million and \$16 million were recorded to the restructuring reserves. During the three and six months ended June 30, 2007, cash payments of \$14 million and \$42 million for severance and other employee-related costs were recorded. In addition, cash payments of \$5 million for contract terminations have reduced this liability during the six months ended June 30, 2007.

Payments under exit cost and restructuring reserves associated with the MBNA merger are expected to be substantially completed in 2007. The following table presents the changes in exit cost and restructuring reserves for the three and six months ended June 30, 2007 and 2006.

(Dollars in millions)	Exit Cost Reserves ^(1, 2)		Restructuring Reserves ^(2, 3)	
	2007	2006	2007	2006
Balance, January 1	\$125	\$	\$67	\$
MBNA exit costs		269		
Restructuring charges			11	34
Cash payments	(26)	(22)	(33)	
Balance, March 31	99	247	45	34
MBNA exit costs		99		
Restructuring charges			5	40
Cash payments	(19)	(45)	(14)	(4)
Balance, June 30	\$80	\$301	\$36	\$70

⁽¹⁾ Exit cost reserves were established in purchase accounting resulting in an increase in goodwill.

⁽²⁾ At June 30, 2007, there were no exit cost and restructuring reserves related to the U.S. Trust and LaSalle transactions.

(3) Restructuring reserves were established by a charge to merger and restructuring charges.

Table of Contents**NOTE 3 Trading Account Assets and Liabilities**

The following table presents the fair values of the components of trading account assets and liabilities at June 30, 2007 and December 31, 2006.

(Dollars in millions)	June 30 2007	December 31 2006
Trading account assets		
Corporate securities, trading loans and other	\$66,006	\$53,923
U.S. Government and agency securities ⁽¹⁾	47,509	36,656
Equity securities	29,756	27,103
Mortgage trading loans and asset-backed securities	20,598	15,449
Foreign sovereign debt	18,535	19,921
Total trading account assets	\$182,404	\$153,052
Trading account liabilities		
U.S. Government and agency securities	\$26,805	\$26,760
Equity securities	31,016	23,908
Foreign sovereign debt	9,292	9,261
Corporate securities and other	7,957	7,741
Total trading account liabilities	\$75,070	\$67,670

⁽¹⁾ Includes \$21.9 billion and \$22.7 billion at June 30, 2007 and December 31, 2006 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

NOTE 4 Derivatives

All derivatives are recognized on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics. The Corporation designates at inception whether the derivative contract is considered hedging or non-hedging for SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) accounting purposes. Derivatives held for trading purposes are included in derivative assets or derivative liabilities with changes in fair value reflected in trading account profits. Other derivatives that are used as economic hedges, but not designated in a hedging relationship for accounting purposes, are also included in derivative assets or derivative liabilities with changes in fair value recorded in mortgage banking income or other income. A detailed discussion of derivative trading activities and asset and liability management (ALM) activities are presented in *Note 1 Summary of Significant Accounting Principles* and *Note 4 Derivatives* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

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The following table presents the contract/notional amounts and credit risk amounts at June 30, 2007 and December 31, 2006 of all the Corporation's derivative positions. These derivative positions are primarily executed in the over-the-counter market. Credit risk associated with derivatives is measured as the net replacement cost in the event the counterparties with contracts in a gain position to the Corporation completely fail to perform under the terms of those contracts. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements, and on an aggregate basis have been reduced by the cash collateral applied against derivative assets. At June 30, 2007 and December 31, 2006, the cash collateral applied against derivative assets on the Consolidated Balance Sheet was \$7.3 billion. In addition, at June 30, 2007 and December 31, 2006, the cash collateral placed against derivative liabilities was \$7.0 billion and \$6.5 billion.

(Dollars in millions)	June 30, 2007		December 31, 2006	
	Contract/ Notional ⁽¹⁾	Credit Risk	Contract/ Notional ⁽¹⁾	Credit Risk
Interest rate contracts				
Swaps	\$ 19,872,341	\$8,536	\$ 18,185,655	\$9,601
Futures and forwards	2,498,237	131	2,283,579	103
Written options	1,482,254		1,043,933	
Purchased options	1,795,174	1,866	1,308,888	2,212
Foreign exchange contracts				
Swaps	521,926	4,546	451,462	4,241
Spot, futures and forwards	1,619,591	2,484	1,234,009	2,995
Written options	406,368		464,420	
Purchased options	492,154	1,306	414,004	1,391
Equity contracts				
Swaps	50,991	1,697	32,247	577
Futures and forwards	17,880	8	19,947	24
Written options	246,441		102,902	
Purchased options	275,791	13,326	104,958	7,513
Commodity contracts				
Swaps	11,077	812	4,868	1,129
Futures and forwards	18,259	6	13,513	2
Written options	15,017		9,947	
Purchased options	12,902	212	6,796	184
Credit derivatives	2,384,391	2,219	1,497,869	756
Credit risk before cash collateral		37,149		30,728
Less: Cash collateral applied		7,339		7,289
Total derivative assets		\$ 29,810		\$23,439

⁽¹⁾ Represents the total contract/notional amount of the derivatives outstanding and includes both short and long positions.

The average fair value of derivative assets, less cash collateral, for the three months ended June 30, 2007 and December 31, 2006 was \$28.9 billion and \$24.3 billion. The average fair value of derivative liabilities for the three months ended June 30, 2007 and December 31, 2006 was \$22.6 billion and \$17.1 billion.

Fair Value and Cash Flow Hedges

The Corporation uses various types of interest rate and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). During the next 12 months, net losses on derivative instruments included in accumulated other comprehensive income (OCI) of approximately \$1.0 billion (\$630 million after-tax) are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to decrease income or increase expense on the respective hedged items.

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The following table summarizes certain information related to the Corporation's derivative hedges accounted for under SFAS 133 for the three and six months ended June 30, 2007 and 2006.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Fair value hedges				
Hedge ineffectiveness recognized in net interest income	\$(38)	\$18	\$(36)	\$(1)
Cash flow hedges				
Hedge ineffectiveness recognized in net interest income	7	4	7	3
Net losses on transactions which are probable of not occurring recognized in other income	(14)		(14)	

The Corporation hedges its net investment in foreign operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in 90 days. The Corporation recorded net derivative losses in accumulated OCI associated with net investment hedges of \$267 million and \$302 million for the three and six months ended June 30, 2007 as compared to losses of \$212 million and \$202 million for the same periods in the prior year.

NOTE 5 Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale (AFS) debt and marketable equity securities at June 30, 2007 and December 31, 2006 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, June 30, 2007				
U.S. Treasury securities and agency debentures	\$698	\$	\$(11)	\$687
Mortgage-backed securities	152,495	1	(8,530)	143,966
Foreign securities	7,752	8	(130)	7,630
Corporate/Agency bonds	3,858	1	(128)	3,731
Other taxable securities ⁽¹⁾	10,054	5	(51)	10,008
Total taxable securities	174,857	15	(8,850)	166,022
Tax-exempt securities	6,446	3	(139)	6,310
Total available-for-sale debt securities	\$181,303	\$18	\$(8,989)	\$172,332
Available-for-sale marketable equity securities ⁽²⁾	\$2,530	\$236	\$(69)	\$2,697
Available-for-sale debt securities, December 31, 2006				
U.S. Treasury securities and agency debentures	\$697	\$	\$(9)	\$688
Mortgage-backed securities	161,693	4	(4,804)	156,893
Foreign securities	12,126	2	(78)	12,050
Corporate/Agency bonds	4,699		(96)	4,603
Other taxable securities ⁽¹⁾	12,077	10	(38)	12,049
Total taxable securities	191,292	16	(5,025)	186,283
Tax-exempt securities	6,493	64	(34)	6,523
Total available-for-sale debt securities	\$197,785	\$80	\$(5,059)	\$192,806
Available-for-sale marketable equity securities ⁽²⁾	\$2,799	\$408	\$(10)	\$3,197

⁽¹⁾ Includes asset-backed securities.

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

At June 30, 2007, the amortized cost and fair value of both taxable and tax-exempt held-to-maturity securities were \$995 million. At December 31, 2006, the amortized cost and fair value of both taxable and tax-exempt held-to-maturity securities were \$40 million. Effective January 1, 2007, the Corporation redesignated \$909 million of securities at amortized cost from AFS to held-to-maturity.

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At June 30, 2007 and December 31, 2006, accumulated net unrealized losses on AFS debt and marketable equity securities included in accumulated OCI were \$5.6 billion and \$2.9 billion, net of the related income tax benefit of \$3.2 billion and \$1.7 billion, respectively.

For all AFS debt and marketable equity securities that are in an unrealized loss position, we have the intent and ability to hold these securities to recovery.

Strategic Investments

The Corporation owns approximately nine percent, or 19.1 billion shares, of the stock of China Construction Bank (CCB) which is recorded in other assets. These shares are accounted for at cost as they are non-transferable until October 2008. The Corporation also holds an option to increase its ownership interest in CCB to 19.9 percent. This option expires in February 2011.

Additionally, the Corporation owns approximately 68.5 million and 20.5 million of preferred and common shares, respectively, of Banco Itaú Holding Financeira S.A. (Banco Itaú) at June 30, 2007 which are recorded in other assets. These shares are accounted for at cost as they are non-transferable until May 2009.

The shares of CCB and Banco Itaú are currently carried at cost but, in accordance with GAAP, will be accounted for as AFS marketable equity securities and carried at fair value with an offset to accumulated OCI beginning in the fourth quarter of 2007 and second quarter of 2008, respectively. Dividend income on these investments is accounted for as part of equity investment income. The fair values of the CCB shares and Banco Itaú shares were approximately \$13.2 billion and \$4.0 billion at June 30, 2007.

The Corporation has a 24.9 percent, or \$2.7 billion, investment in Grupo Financiero Santander Serfin (Santander) which is recorded in other assets. This investment is accounted for under the equity method of accounting and income is recorded in equity investment income.

For additional information on securities, see *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

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Outstanding loans and leases at June 30, 2007 and December 31, 2006 were:

(Dollars in millions)	June 30 2007	December 31 2006
Consumer		
Residential mortgage	\$269,721	\$241,181
Credit card domestic	57,036	61,195
Credit card foreign	12,205	10,999
Home equity ⁽¹⁾	96,467	87,893
Direct/Indirect consumer ⁽¹⁾	66,181	55,504
Other consumer ^(1, 2)	8,041	8,933
Total consumer	509,651	465,705
Commercial		
Commercial domestic ⁽³⁾	164,620	161,982
Commercial real estate ⁽⁴⁾	36,950	36,258
Commercial lease financing	20,053	21,864
Commercial foreign	23,755	20,681
Total commercial loans measured at historical cost	245,378	240,785
Commercial loans measured at fair value ⁽⁵⁾	3,606	n/a
Total commercial	248,984	240,785
Total loans and leases	\$758,635	\$706,490

⁽¹⁾ Home equity loans of \$13.0 billion at December 31, 2006 have been reclassified to home equity from direct/indirect consumer and other consumer to conform to the current period presentation.

⁽²⁾ Includes foreign consumer loans of \$4.7 billion and \$6.2 billion, and consumer finance loans of \$3.3 billion and \$2.8 billion at June 30, 2007 and December 31, 2006.

⁽³⁾ Includes small business commercial domestic loans of \$15.5 billion and \$13.7 billion at June 30, 2007 and December 31, 2006.

⁽⁴⁾ Includes domestic commercial real estate loans of \$36.2 billion and \$35.7 billion, and foreign commercial real estate loans of \$674 million and \$578 million at June 30, 2007 and December 31, 2006.

⁽⁵⁾ Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial domestic loans of \$2.61 billion, commercial foreign loans of \$795 million and commercial real estate loans of \$198 million at June 30, 2007. See *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

n/a= not applicable

The following table presents the recorded loan amounts, without consideration for the specific component of the allowance for loan and lease losses, that were considered individually impaired in accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan, (SFAS 114) at June 30, 2007 and December 31, 2006. SFAS 114 impairment includes performing troubled debt restructurings and excludes all commercial leases.

(Dollars in millions)	June 30 2007	December 31 2006
Commercial domestic ⁽¹⁾	\$ 514	\$ 586
Commercial real estate	280	118
Commercial foreign	17	13
Total impaired loans	\$ 811	\$ 717

⁽¹⁾ Includes small business commercial - domestic loans of \$101 million and \$79 million at June 30, 2007 and December 31, 2006.

At June 30, 2007 and December 31, 2006, nonperforming loans and leases, including impaired and nonaccrual consumer loans, totaled \$2.3 billion and \$1.8 billion. In addition, included in other assets were consumer and commercial nonperforming loans held-for-sale of \$73 million and \$80 million at June 30, 2007 and December 31, 2006.

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The following table summarizes the changes in the allowance for credit losses for the three and six months ended June 30, 2007 and 2006.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Allowance for loan and lease losses, beginning of period	\$8,732	\$9,067	\$9,016	\$8,045
Transition adjustment due to the adoption of SFAS 159			(32)	
MBNA balance, January 1, 2006				577
Loans and leases charged off	(1,805)	(1,407)	(3,548)	(2,524)
Recoveries of loans and leases previously charged off	310	384	626	679
Net charge-offs	(1,495)	(1,023)	(2,922)	(1,845)
Provision for loan and lease losses	1,808	1,005	3,036	2,275
Other	15	31	(38)	28
Allowance for loan and lease losses, June 30	9,060	9,080	9,060	9,080
Reserve for unfunded lending commitments, beginning of period	374	395	397	395
Transition adjustment due to the adoption of SFAS 159			(28)	
Provision for unfunded lending commitments	2		9	
Other			(2)	
Reserve for unfunded lending commitments, June 30	376	395	376	395
Allowance for credit losses, June 30	\$9,436	\$9,475	\$9,436	\$9,475

NOTE 8 Securitizations

The Corporation securitizes loans which may be serviced by the Corporation or by third parties. With each securitization the Corporation may retain all or a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables, and, in some cases, cash reserve accounts, all of which are known as retained interests. These retained interests are carried at fair value or amounts that approximate fair value. Changes in the fair value are accounted for in accumulated OCI, except for credit card related interest-only strips that are recorded in card income.

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As of June 30, 2007 and December 31, 2006 the aggregate debt securities outstanding for the Corporation's credit card securitization trusts were \$98.9 billion and \$96.8 billion. Key assumptions used in measuring the fair value of certain interests that continue to be held by the Corporation (included in other assets) from credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	June 30 2007		December 31 2006	
Carrying amount of residual interests (at fair value) ⁽¹⁾	\$3,134		\$2,929	
Balance of unamortized securitized loans	100,611		98,295	
Weighted average life to call or maturity (in years)	0.3		0.3	
Monthly payment rate	10.9-17.0	%	11.2-19.8	%
Impact on fair value of 10% favorable change	\$56		\$43	
Impact on fair value of 25% favorable change	156		133	
Impact on fair value of 10% adverse change	(43)		(38)	
Impact on fair value of 25% adverse change	(98)		(82)	
Expected credit losses (annual rate)	3.4-5.9	%	3.8-5.8	%
Impact on fair value of 10% favorable change	\$106		\$86	
Impact on fair value of 25% favorable change	265		218	
Impact on fair value of 10% adverse change	(105)		(85)	
Impact on fair value of 25% adverse change	(265)		(211)	
Residual cash flows discount rate (annual rate)	12.0	%	12.5	%
Impact on fair value of 100 bps favorable change	\$14		\$12	
Impact on fair value of 200 bps favorable change	20		17	
Impact on fair value of 100 bps adverse change	(17)		(14)	
Impact on fair value of 200 bps adverse change	(32)		(27)	

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

The sensitivities in the preceding table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of an interest that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Principal proceeds from collections reinvested in revolving credit card securitizations were \$44.6 billion and \$89.3 billion for the three and six months ended June 30, 2007, and \$40.2 billion and \$79.3 billion for the three and six months ended June 30, 2006. Contractual credit card servicing fee income totaled \$514 million and \$1.0 billion for the three and six months ended June 30, 2007, and \$448 million and \$888 million for the three and six months ended June 30, 2006. Other cash flows received on credit card securitization interests that continued to be held by the Corporation were \$1.5 billion and \$3.2 billion for the three and six months ended June 30, 2007, and \$1.6 billion and \$3.4 billion for the three and six months ended June 30, 2006.

Variable Interest Entities

The Corporation consolidates variable interest entities (VIEs) for which it is the primary beneficiary in accordance with FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. As of June 30, 2007 and December 31, 2006, the Corporation had consolidated certain multi-seller commercial paper conduits and certain securitization vehicles with assets totaling \$17.6 billion and \$10.5 billion. The assets and liabilities of these entities are recorded in trading account assets and liabilities, AFS and held-to-maturity debt securities, other assets, commercial paper and other short-term borrowings or accrued expenses and other liabilities. In the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum loss exposure associated with these

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entities including unfunded lending commitments would be approximately \$19.9 billion and \$12.9 billion at June 30, 2007 and December 31, 2006 if all commitments become fully drawn. In addition, the Corporation had net investments in leveraged lease trusts totaling \$6.4 billion and \$8.6 billion at June 30, 2007 and December 31, 2006. These amounts, which were reflected in loans and leases, represent the Corporation's maximum loss exposure to these entities in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation also had contractual relationships with other consolidated VIEs that engage in leasing or lending activities or real estate joint ventures. As of June 30, 2007 and December 31, 2006, the amount of assets of these entities was \$3.4 billion and \$3.3 billion, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum possible loss exposure would be \$2.7 billion and \$1.6 billion.

Additionally, the Corporation had significant variable interests in other VIEs that it did not consolidate because it was not deemed to be the primary beneficiary. In such cases, the Corporation does not absorb the majority of the entities' expected losses nor does it receive a majority of the entities' expected residual returns. These entities typically support the financing needs of the Corporation's customers by facilitating their access to the commercial paper markets. The Corporation functions as administrator and provides either liquidity and letters of credit, or derivatives to the VIE. The Corporation also provides asset management and related services to or invests in other special purpose vehicles that engage in lending, investing, or real estate activities. Total assets of these entities at June 30, 2007 and December 31, 2006 were approximately \$61.8 billion and \$51.9 billion. Revenues associated with administration, liquidity, letters of credit and other services were approximately \$53 million and \$86 million for the three and six months ended June 30, 2007, and \$37 million and \$66 million for the three and six months ended June 30, 2006. At June 30, 2007 and December 31, 2006, in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum loss exposure associated with these VIEs would be approximately \$61.9 billion and \$46.0 billion, which is net of amounts syndicated.

Management does not believe losses resulting from the Corporation's involvement with the entities discussed above will be material.

See *Note 1 Summary of Significant Accounting Principles* and *Note 9 Securitizations* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007 for additional discussion of securitizations and special purpose financing entities.

NOTE 9 Goodwill and Intangible Assets

The following table presents allocated goodwill at June 30, 2007 and December 31, 2006 for each business segment and *All Other*.

	June 30	December 31
	2007	2006
(Dollars in millions)		
Global Consumer and Small Business Banking	\$38,955	\$38,760
Global Corporate and Investment Banking	21,438	21,420
Global Wealth and Investment Management	5,243	5,243
All Other	209	239
Total goodwill	\$65,845	\$65,662

The gross carrying values and accumulated amortization related to intangible assets at June 30, 2007 and December 31, 2006 are presented below:

	June 30, 2007		December 31, 2006	
	Gross Carrying	Accumulated	Gross Carrying	Accumulated
(Dollars in millions)	Value	Amortization	Value	Amortization
Purchased credit card relationships	\$6,861	\$1,561	\$6,790	\$1,159
Core deposit intangibles	3,822	2,596	3,850	2,396
Affinity relationships	1,680	307	1,650	205
Other intangibles	1,517	696	1,525	633
Total intangible assets	\$13,880	\$5,160	\$13,815	\$4,393

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Amortization of intangibles expense was \$391 million and \$441 million for the three months ended June 30, 2007 and 2006, and \$780 million and \$881 million for the six months ended June 30, 2007 and 2006. The Corporation estimates that aggregate amortization expense will be approximately \$360 million and \$350 million for the third and fourth quarters of 2007. In addition, the Corporation estimates that aggregate amortization expense will be approximately \$1.3 billion, \$1.2 billion, \$1.0 billion, \$900 million and \$800 million for 2008 through 2012, respectively. These estimates exclude the potential impacts of the LaSalle and U.S. Trust transactions.

NOTE 10 Commitments and Contingencies

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

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, standby letters of credit and commercial letters of credit to meet the financing needs of its customers. For additional information on commitments to extend credit, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007. The outstanding unfunded lending commitments shown in the following table have been reduced by amounts participated to other financial institutions of \$36.6 billion and \$30.5 billion at June 30, 2007 and December 31, 2006. The carrying amount for the unfunded lending commitments shown below, which represents the liability recorded related to these instruments, at June 30, 2007 and December 31, 2006 was \$797 million and \$444 million. At June 30, 2007, the carrying amount included deferred revenue of \$30 million, a reserve for unfunded lending commitments of \$376 million and the fair value of certain unfunded commitments of \$391 million that are recorded in accrued expenses and other liabilities. See *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements for additional information on the adoption of SFAS 159. At June 30, 2007, the notional amount of total legally binding commitments measured at fair value in accordance with SFAS 159 was \$21.7 billion. The table below only reflects the commitments at notional value and excludes the fair value adjustments of \$391 million. At December 31, 2006, the carrying amount included deferred revenue of \$47 million and a reserve for unfunded lending commitments of \$397 million.

(Dollars in millions)	June 30 2007	December 31 2006
Loan commitments	\$371,142	\$335,362
Home equity lines of credit	107,042	98,200
Standby letters of credit and financial guarantees	53,182	53,006
Commercial letters of credit	5,463	4,482
Legally binding commitments	536,829	491,050
Credit card lines	880,539	853,592
Total credit extension commitments	\$1,417,368	\$1,344,642

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

Other Commitments

At June 30, 2007 and December 31, 2006, the Corporation had unfunded equity investment commitments of approximately \$4.6 billion and \$2.8 billion, which include commitments within the Corporation's Principal Investing and other businesses that will be used to invest directly in privately-held companies or in private equity funds. Also included are unfunded bridge equity commitments, which are used to help facilitate the Corporation's clients' investment activities and are often retired prior to or shortly following funding. The Corporation has an agreement to sell \$638 million of these unfunded equity investment commitments to Conversus Capital, L.P. in July 2007. The Corporation also has an agreement to purchase 24.9 percent of SLM Corporation (Sallie Mae) for \$2.2 billion.

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At June 30, 2007 and December 31, 2006, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of \$9.5 billion and \$9.6 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were \$287 million and \$193 million at June 30, 2007 and December 31, 2006.

At June 30, 2007, the Corporation had whole mortgage loan purchase commitments related to our ALM activities of \$510 million, all of which will settle in the third quarter of 2007. At December 31, 2006, the Corporation had whole mortgage loan purchase commitments related to our ALM activities of \$8.5 billion, all of which settled in the first quarter of 2007.

At June 30, 2007 the Corporation had home equity loan purchase commitments of \$292 million, all of which will settle in the third quarter of 2007. At December 31, 2006 the Corporation had home equity loan purchase commitments of \$362 million, all of which settled in the first quarter of 2007.

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate \$1.2 billion, \$1.2 billion, \$1.1 billion, \$970 million and \$840 million for 2007 through 2011, respectively, and \$6.2 billion for all years thereafter.

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. For the six months ended June 30, 2007, the Corporation purchased \$4.5 billion of such loans. In 2006, the Corporation purchased \$7.5 billion of such loans. Under the agreement, the Corporation is committed to purchase up to \$5.0 billion for the fiscal period July 1, 2007 through June 30, 2008 and \$10.0 billion in each of the agreement's following two fiscal years. As of June 30, 2007, the remaining commitment amount was \$25.0 billion.

Other Guarantees

The Corporation provides credit and debit card processing services to various merchants by processing credit and debit card transactions on their behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended June 30, 2007 and 2006, the Corporation processed \$91.5 billion and \$97.2 billion of transactions and recorded losses as a result of these chargebacks of \$4 million and \$5 million. For the six months ended June 30, 2007 and 2006, the Corporation processed \$174.3 billion and \$185.6 billion of transactions and recorded losses as a result of these chargebacks of \$8 million and \$9 million.

At June 30, 2007 and December 31, 2006, the Corporation held as collateral approximately \$24 million and \$32 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of June 30, 2007 and December 31, 2006, the maximum potential exposure totaled approximately \$152.2 billion and \$176.0 billion.

For additional information on other guarantees, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see *Note 9 Securitizations* to the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

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Litigation and Regulatory Matters

The following supplements the disclosure in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

Adelphia Communications Corporation

On June 11, 2007, the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) entered an order on the pending motions to dismiss the complaint filed by the Creditors' Committee, dismissing some of the claims asserted by the Creditors' Committee against Bank of America, N.A., Banc of America Securities (BAS) and Fleet Securities, Inc. (FSI) (in some cases with leave to amend and replead) and allowing other claims to proceed. Bank of America, N.A., BAS and FSI intend to challenge the adverse rulings in the U.S. District Court for the Southern District of New York. The Bankruptcy Court indicated that it will rule on the motions to dismiss the complaint filed by the Equity Committee at a later date.

Data Treasury

The Corporation and Bank of America, N.A. have been named as defendants in an action filed by Data Treasury Corporation in the U.S. District Court for the Eastern District of Texas. Plaintiff alleges that defendants have provided, sold, installed, utilized, and assisted others to use and utilize image-based banking and archival solutions in a manner that infringes United States Patent Nos. 5,910,988 and 6,032,137. Plaintiff seeks unspecified damages and injunctive relief against the alleged infringement. No trial is currently scheduled.

The Corporation and Bank of America, N.A. have been named as defendants in an action filed by Data Treasury Corporation in the U.S. District Court for the Eastern District of Texas. Plaintiff alleges that the Corporation and Bank of America, N.A., among other defendants, are making, using, selling, offering for sale, and/or importing into the United States, directly, contributory, and/or by inducement, without authority, products and services that fall within the scope of the claims of United States Patent Nos. 5,265,007; 5,583,759; 5,717,868; and 5,930,778. Plaintiff seeks unspecified damages and injunctive relief against the alleged infringement. Trial is currently scheduled for October 2008.

In re Initial Public Offering Securities Litigation

On May 18, 2007, in *In re Initial Public Offering Securities Litigation*, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) denied the plaintiffs' motion seeking reconsideration by the full court of the decision reversing the district court's class certification order. On June 25, 2007, the District Court approved an agreement between the plaintiffs and 298 of the issuer defendants terminating their proposed settlement, which the district court had conditionally approved on February 15, 2005.

On June 18, 2007, the U.S. Supreme Court (the Supreme Court) reversed the Second Circuit's decision reinstating related lawsuits, captioned *Credit Suisse v. Billing*, in which the plaintiffs allege that certain underwriters, including Robertson Stephens, Inc., violated the federal antitrust laws. The Supreme Court held that the alleged conduct could not be challenged under the antitrust laws.

Parmalat Finanziaria S.p.A.

On May 22, 2007, in *Dr. Enrico Bondi, Extraordinary Commissioner of Parmalat Finanziaria, S.p.A., et al. v. Bank of America Corporation, et al.*, the U.S. District Court for the Southern District of New York granted plaintiff's motion to amend to add a claim of breach of fiduciary duty. On July 6, 2007, the preliminary hearings on the administrative charges filed against the Corporation in the Court of Milan ended, and the Court ruled that the trial on such charges will be held in January 2008. The charges against the Corporation allege that it failed to maintain an organizational model sufficient to prevent the alleged criminal activities of its former employees, which are the subject of the current trial in Milan.

Table of Contents**NOTE 11 Shareholders Equity and Earnings Per Common Share****Common Stock**

The following table presents share repurchase activity for the three and six months ended June 30, 2007 and 2006, including total common shares repurchased under announced programs, weighted average per share price and the remaining buyback authority under announced programs.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased ⁽¹⁾	Weighted Average	Remaining Buyback Authority ⁽²⁾	
		Per Share Price	Amounts	Shares
April 1 30, 2007	3,750	\$50.90	\$16,175	211,338
May 1 31, 2007	6,050	51.19	15,865	205,288
June 1 30, 2007	3,650	50.44	15,681	201,638
Three months ended June 30, 2007	13,450	50.91		
Six months ended June 30, 2007	61,450	51.94		

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased ⁽³⁾	Weighted Average	Remaining Buyback Authority ⁽²⁾	
		Per Share Price	Amounts	Shares
April 1 30, 2006	24,100	\$46.30	\$16,731	241,638
May 1 31, 2006	39,450	49.33	14,785	202,188
June 1 30, 2006	19,500	48.08	11,169	182,688
Three months ended June 30, 2006	83,050	48.16		
Six months ended June 30, 2006	171,500	47.06		

⁽¹⁾ Reduced shareholders' equity by \$3.2 billion and increased diluted earnings per common share by approximately \$0.01 for the six months ended June 30, 2007. These repurchases were partially offset by the issuance of approximately 40.2 million shares of common stock under employee plans, which increased shareholders' equity by \$1.7 billion, net of \$249 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by approximately \$0.01 for the six months ended June 30, 2007.

⁽²⁾ On January 24, 2007, the Board of Directors (the Board) authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion and is limited to a period of 12 to 18 months. On April 26, 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion and to be completed within a period of 12 to 18 months. On March 22, 2005, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion and to be completed within a period of 18 months. This repurchase plan was completed during the second quarter of 2006.

⁽³⁾ Reduced shareholders' equity by \$8.1 billion and increased diluted earnings per common share by approximately \$0.03 for the six months ended June 30, 2006. These repurchases were partially offset by the issuance of approximately 68.6 million shares of common stock under employee plans, which increased shareholders' equity by \$2.6 billion, net of \$245 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by approximately \$0.01 for the six months ended June 30, 2006.

The Corporation may repurchase shares, from time to time, in the open market or in private transactions through the Corporation's approved repurchase program. The Corporation expects to continue to repurchase a number of shares of common stock comparable to any shares issued under the Corporation's employee stock plans.

In July 2007, the Board increased the regular quarterly cash dividend on common stock 14 percent from \$0.56 to \$0.64 per share, payable on September 28, 2007 to common shareholders of record on September 7, 2007.

In April 2007, the Board declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on June 22, 2007 to common shareholders of record on June 1, 2007.

Table of Contents**Accumulated OCI**

The following table presents the changes in accumulated OCI for the six months ended June 30, 2007 and 2006, net of tax:

(Dollars in millions)	Securities ^(1, 2)	Derivatives ⁽³⁾	Employee Benefit Plans	Foreign Currency	Total
Balance, December 31, 2006	\$(2,733)	\$(3,697)	\$(1,428)	\$147	\$(7,711)
Net change in fair value recorded in accumulated OCI	(2,561)	197		90	(2,274)
Net realized (gains) losses reclassified into earnings ⁽⁴⁾	(262)	219	58	13	28
Balance, June 30, 2007	\$(5,556)	\$(3,281)	\$(1,370)	\$250	\$(9,957)
Balance, December 31, 2005	\$(2,978)	\$(4,338)	\$(118)	\$(122)	\$(7,556)
Net change in fair value recorded in accumulated OCI	(4,153)	771		90	(3,292)
Net realized (gains) losses reclassified into earnings ⁽⁴⁾	(220)	95			(125)
Balance, June 30, 2006	\$(7,351)	\$(3,472)	\$(118)	\$(32)	\$(10,973)

⁽¹⁾ For the six months ended June 30, 2007 and 2006, the Corporation reclassified net realized gains into earnings on the sales of AFS debt securities of \$41 million and \$3 million net of tax, and gains on the sales of AFS marketable equity securities of \$221 million and \$217 million net of tax.

⁽²⁾ Accumulated OCI includes fair value gains of \$4 million and \$162 million net of tax on certain retained interests in the Corporation's securitization transactions that were included in other assets at June 30, 2007 and 2006.

⁽³⁾ The amount included in accumulated OCI for terminated derivative contracts were losses of \$3.3 billion and \$3.2 billion, net of tax, at June 30, 2007 and 2006.

⁽⁴⁾ Included in this line item are amounts related to derivatives used in cash flow hedge relationships. These amounts are reclassified into earnings in the same period or periods during which the hedged forecasted transactions affect earnings. This line item also includes gains (losses) on AFS debt and marketable equity securities. These amounts are reclassified into earnings upon sale of the related security.

Earnings per Common Share

The calculation of earnings per common share and diluted earnings per common share for the three and six months ended June 30, 2007 and 2006 is presented below:

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Earnings per common share				
Net income	\$5,761	\$5,475	\$11,016	\$10,461
Preferred stock dividends	(40)	(4)	(86)	(9)
Net income available to common shareholders	\$5,721	\$5,471	\$10,930	\$10,452
Average common shares issued and outstanding	4,419,246	4,534,627	4,426,046	4,572,013
Earnings per common share	\$1.29	\$1.21	\$2.47	\$2.29
Diluted earnings per common share				
Net income available to common shareholders	\$5,721	\$5,471	\$10,930	\$10,452
Average common shares issued and outstanding	4,419,246	4,534,627	4,426,046	4,572,013
Dilutive potential common shares ^(1, 2)	57,553	66,542	61,178	64,946
Total diluted average common shares issued and outstanding	4,476,799	4,601,169	4,487,224	4,636,959

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Diluted earnings per common share	\$1.28	\$1.19	\$2.44	\$2.25
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⁽¹⁾ For the three and six months ended June 30, 2007, average options to purchase 34 million and 24 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and six months ended June 30, 2006, average options to purchase 31 million and 52 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive.

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

Table of Contents**NOTE 12 Pension and Postretirement Plans**

The Corporation sponsors noncontributory trustee qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The Bank of America Pension Plan (the Pension Plan) allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. A detailed discussion of these plans is presented in *Note 16 Employee Benefit Plans* to the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation's Current Report on Form 8-K filed on May 23, 2007.

Net periodic benefit cost (income) for the three and six months ended June 30, 2007 and 2006 included the following components:

(Dollars in millions)	Three Months Ended June 30					
	Qualified Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
	2007	2006	2007	2006	2007	2006
Components of net periodic benefit cost (income)						
Service cost	\$65	\$71	\$1	\$3	\$4	\$3
Interest cost	180	170	16	18	19	24
Expected return on plan assets	(312)	(257)			(1)	(2)
Amortization of transition obligation					8	8
Amortization of prior service cost (credits)	12	11	(2)	(2)		
Recognized net actuarial loss (gain)	43	61	4	5	(25)	13
Recognized loss due to settlements and curtailments			13			
Net periodic benefit cost (income)	\$(12)	\$56	\$32	\$24	\$5	\$46

(Dollars in millions)	Six Months Ended June 30					
	Qualified Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
	2007	2006	2007	2006	2007	2006
Components of net periodic benefit cost (income)						
Service cost	\$151	\$153	\$4	\$6	\$7	\$7
Interest cost	360	338	34	40	41	46
Expected return on plan assets	(628)	(517)			(3)	(4)
Amortization of transition obligation					16	16
Amortization of prior service cost (credits)	24	21	(4)	(4)		
Recognized net actuarial loss (gain)	76	114	9	10	(31)	26
Recognized loss due to settlements and curtailments			13			
Net periodic benefit cost (income)	\$(17)	\$109	\$56	\$52	\$30	\$91

The Corporation expects to contribute \$147 million and \$95 million in 2007 to its Nonqualified Pension Plans and Postretirement Health and Life Plans. For the six months ended June 30, 2007, the Corporation contributed \$110 million and \$48 million to these plans.

Table of Contents**NOTE 13 Income Taxes**

Under FIN 48, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position in accordance with this FIN 48 model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). As of January 1, 2007, the balance of the Corporation's UTBs, excluding any related accrual for interest, was \$2.7 billion, of which \$1.5 billion would, if recognized, affect the Corporation's effective tax rate. Included in the \$2.7 billion UTB balance are some items the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction.

As of June 30, 2007, the Internal Revenue Service (IRS) has completed the examination phase of the audit of the Corporation's federal income tax returns for the years 2000 through 2002 and issued a Revenue Agent's Report (RAR) to the Corporation. Included in this RAR were proposed adjustments to disallow certain tax deductions and include additional taxable income relating to certain leveraged leases referred to by the IRS as SILOs. The Corporation filed a protest of this proposed adjustment as well as certain other of the RAR adjustments with the Appeals office of the IRS. We believe our tax treatment of the SILO position as true leases for U.S. income tax purposes is supported by the relevant facts and tax authorities. Further, issuance of the RAR did not change management's estimate of the ultimate resolution of positions included in the UTB balance. However, final determination of the audit or changes in the Corporation's estimate may result in future income tax expense or benefit. The Corporation's federal income tax returns for the years 2003 and 2004 remain under examination by the IRS. In addition, the federal income tax returns of FleetBoston Financial Corporation (FleetBoston) are currently under examination for the years 1997 through March 31, 2004. Upon the final determination of each of the above audits, the UTB balance will decrease, since resolved items would be removed from the balance whether their resolution resulted in payment or recognition. Management does not expect these matters to be concluded within the next 12 months. Finally, the audit of the federal income tax returns of MBNA for the tax years 2001 through 2004 was completed during the second quarter of 2007. The completion of the MBNA audit does not significantly impact the Corporation's effective tax rate or UTB balance. All tax years subsequent to the above years remain open to examination.

As of June 30, 2007, the Corporation's accrual for interest and penalties that relate to income taxes, net of taxes and net of payments and deposits, including applicable interest on certain leveraged lease positions, was \$475 million. This amount represents a decrease from January 1, 2007, primarily as a result of payments to and deposits with the IRS of tax and interest to stop the potential accrual of interest on certain items relating to the examinations. Under FIN 48 the Corporation continues its policy of accruing income-tax-related interest and penalties (if applicable) within income tax expense.

NOTE 14 Fair Value Disclosures

Effective January 1, 2007, the Corporation adopted SFAS 157, which provides a framework for measuring fair value under GAAP. As described more fully below, SFAS 157 also eliminated the deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data. SFAS 157 requires that the impact of this change in accounting for derivative contracts be recorded as an adjustment to beginning retained earnings in the period of adoption.

The Corporation also adopted SFAS 159 on January 1, 2007. SFAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Corporation elected to adopt the fair value option for certain financial instruments on the adoption date. SFAS 159 requires that the difference between the carrying value before election of the fair value option and the fair value of these instruments be recorded as an adjustment to beginning retained earnings in the period of adoption.

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The following table summarizes the impact of the change in accounting for derivative contracts described above and the impact of adopting the fair value option for certain financial instruments on January 1, 2007. Amounts shown represent the carrying value of the affected instruments before and after the changes in accounting resulting from the adoption of SFAS 157 and SFAS 159.

Transition Impact

(Dollars in millions)	Ending Balance Sheet	Adoption Net Gain/(Loss)	Opening Balance Sheet
	December 31, 2006		January 1, 2007
Impact of adopting SFAS 157			
Net derivative assets and liabilities ⁽¹⁾	\$7,100	\$22	\$7,122
Impact of electing the fair value option under SFAS 159			
Loans and leases ⁽²⁾	3,968	(21)	3,947
Accrued expenses and other liabilities ⁽³⁾	(28)	(321)	(349)
Other assets ⁽⁴⁾	8,778	-	8,778
Available-for-sale debt securities ⁽⁵⁾	3,692	-	3,692
Federal funds sold and securities purchased under agreements to resell ⁽⁶⁾	1,401	(1)	1,400
Interest-bearing deposits liability in domestic offices ⁽⁷⁾	(548)	1	(547)
Cumulative-effect adjustment (pre-tax)		(320)	
Tax impact		112	
Cumulative-effect adjustment (net of tax), decrease to retained earnings		\$(208)	

⁽¹⁾ The transition adjustment reflects the impact of recognizing previously deferred gains and losses as a result of the rescission of certain requirements of Emerging Issues Task Force (EITF) Issue No. 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3) in accordance with SFAS 157.

⁽²⁾ Includes loans to certain large corporate clients. The ending balance at December 31, 2006 and the transition adjustment is net of a \$32 million reduction in the allowance for loan and lease losses.

⁽³⁾ The January 1, 2007 balance after adoption represents the fair value of certain unfunded commercial loan commitments. The December 31, 2006 balance prior to adoption represents the reserve for unfunded lending commitments associated with these commitments.

⁽⁴⁾ Other assets include loans held-for-sale. No transition adjustment was recorded for the loans held-for-sale because they were already recorded at fair value pursuant to lower of cost or market accounting.

⁽⁵⁾ Changes in fair value of these AFS debt securities resulting from foreign currency exposure, which is the primary driver of fair value for these securities, had previously been hedged by derivatives that qualified for fair value hedge accounting in accordance with SFAS 133. As a result, there was no transition adjustment. Following the election of the fair value option, these AFS debt securities have been transferred to trading account assets.

⁽⁶⁾ Includes structured reverse repurchase agreements that were hedged with derivatives in accordance with SFAS 133.

⁽⁷⁾ Includes long-term fixed rate deposits that were economically hedged with derivatives.

Fair Value Option

Corporate Loans and Loan Commitments

The Corporation elected to account for certain large corporate loans and loan commitments which exceeded the Corporation's single name credit risk concentration guidelines at fair value in accordance with SFAS 159. Lending commitments, both funded and unfunded, are actively managed and monitored, and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with our credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for hedge accounting under SFAS 133 and are therefore carried at fair value with changes in fair value recorded in other income. Electing the fair value option allows the Corporation to account for these loans and loan commitments at fair value, which is more consistent with management's view of the underlying economics and the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

Fair values for the loans and loan commitments are based on market prices, where available, or discounted cash flows using market-based credit spreads of comparable debt instruments or credit derivatives of the specific borrower or

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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.

At June 30, 2007, funded loans which the Corporation has elected to fair value had an aggregate fair value of \$3.61 billion recorded in loans and leases and an aggregate outstanding principal balance of \$3.67 billion. At June 30, 2007, unfunded loan commitments that the Corporation has elected to fair value had an aggregate fair value of \$391 million recorded in accrued expenses and other liabilities and an aggregate committed exposure of \$21.7 billion. Interest income on these loans is recorded in interest and fees on loans and leases. At June 30, 2007, none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status. Net losses recorded in other income resulting from changes in fair value of these loans and loan commitments totaled \$14 million and \$41 million during the three and six months ended June 30, 2007. These losses were significantly attributable to changes in instrument-specific credit risk. Following adoption of SFAS 159, an immaterial amount of direct loan origination fees and costs related to items for which the fair value option was elected were recognized in earnings. Previously, these items would have been capitalized and amortized to earnings over the life of the loans.

Loans Held-for-Sale

The Corporation also elected to account for certain loans held-for-sale at fair value. Electing to use fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. The Corporation has not elected to fair value other loans held-for-sale primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. Fair values for loans held-for-sale are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Corporation's current origination rates for similar loans and adjusted to reflect the inherent credit risk. At June 30, 2007, residential mortgage loans, commercial mortgage loans, and other loans held-for-sale for which the fair value option was elected had an aggregate fair value of \$19.31 billion and an aggregate outstanding principal balance of \$19.83 billion and were recorded in other assets. Interest income on these loans is recorded in interest and fees on loans and leases. Net gains (losses) resulting from changes in fair value of these loans, including realized gains (losses) on sale, of \$3 million and \$59 million were recorded in mortgage banking income, \$(237) million and \$(244) million were recorded in trading account profits and \$(15) million and \$(10) million were recorded in other income during the three and six months ended June 30, 2007. These changes in fair value are mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk. The adoption of SFAS 159 resulted in an increase of \$22 million and \$61 million in mortgage banking income for the three and six months ended June 30, 2007, and in an increase of \$36 million and \$65 million in noninterest expense for the three and six months ended June 30, 2007. Subsequent to the adoption of SFAS 159, mortgage loan origination costs are recognized in noninterest expense when incurred. Previously, mortgage loan origination costs would have been capitalized as part of the carrying amount of the loans and recognized as a reduction of mortgage banking income upon the sale of such loans.

Debt Securities

The Corporation elected to fair value \$3.7 billion of AFS debt securities during the first quarter of 2007. Changes in fair value resulting from foreign currency exposure, which is the primary driver of fair value for these securities, had previously been hedged by derivatives that qualified for fair value hedge accounting in accordance with SFAS 133. Electing the fair value option allows the Corporation to eliminate the burden of complying with the requirements for hedge accounting under SFAS 133 without introducing accounting volatility. Following election of the fair value option, these securities were reclassified to trading account assets. The Corporation did not elect the fair value option for other AFS debt securities because they are not hedged by derivatives that qualified for hedge accounting in accordance with SFAS 133.

Structured Reverse Repurchase Agreements

The Corporation elected to fair value certain structured reverse repurchase agreements which were hedged with derivatives which qualified for fair value hedge accounting in accordance with SFAS 133. Election of the fair value option allows the Corporation to reduce the burden of complying with the requirements of hedge accounting under SFAS 133. At June 30, 2007, these instruments had an aggregate fair value of \$1.97 billion and a principal balance of \$1.96 billion recorded

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in federal funds sold and securities purchased under agreements to resell. Interest earned on these instruments continues to be recorded in interest income. Net gains resulting from changes in fair value of these instruments of \$6 million and \$8 million were recorded in other income for the three and six months ended June 30, 2007. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they are not hedged by derivatives accounted for under SFAS 133.

Long-term Deposits

The Corporation elected to fair value certain long-term fixed rate deposits which are economically hedged with derivatives. At June 30, 2007, these instruments had an aggregate fair value of \$521 million and principal balance of \$553 million recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Net gains resulting from changes in fair value of these instruments of \$22 million and \$21 million were recorded in other income for the three and six months ended June 30, 2007. Election of the fair value option will allow the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they are not economically hedged using derivatives.

Fair Value Measurement

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts and residential mortgage loans held-for-sale.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights (MSRs) and highly structured or long-term derivative contracts.

Prior to the adoption of SFAS 157, EITF 02-3 prohibited the recognition of gains and losses at inception of a derivative contract unless the fair value of the contract was evidenced by a quoted price in an active market, an observable price or other market transaction, or other observable data. SFAS 157 rescinded this requirement, resulting in the recognition of previously deferred gains and losses as an increase to the beginning balance of retained earnings of \$22 million (pre-tax).

Valuations of derivative assets and liabilities reflect the value of the instrument including the values associated with counterparty risk. With the issuance of SFAS 157, the accounting industry clarified that these values must also take into account the Corporation's own credit standing, thus including in the valuation of the derivative instrument the value of

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the net credit differential between the counterparties to the derivative contract. Effective January 1, 2007, the Corporation updated its methodology to calculate the impact of both the counterparty and its own credit standing. The net impact for the three and six months ended June 30, 2007 was not material.

Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Corporation has elected the fair value option, are summarized below:

(Dollars in millions)	June 30, 2007			Netting Adjustments ⁽¹⁾	Assets/Liabilities at Fair Value
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3		
Assets					
Federal funds sold and securities purchased under agreements to resell ⁽²⁾	\$-	\$1,970	\$-	\$-	\$1,970
Trading account assets	53,768	128,347	289	-	182,404
Derivative assets	6,057	286,783	7,576	(270,606)	29,810
Available-for-sale debt securities ⁽³⁾	1,629	170,477	226	-	172,332
Loans and leases ^(2,4)	-	-	3,606	-	3,606
Mortgage servicing rights	-	-	3,269	-	3,269
Other assets ⁽⁵⁾	2,755	21,166	6,670	-	30,591
Total assets	\$64,209	\$608,743	\$21,636	\$(270,606)	\$423,982
Liabilities					
Interest-bearing deposits in domestic offices ⁽²⁾	\$-	\$521	\$-	\$-	\$521
Trading account liabilities	48,699	26,371	-	-	75,070
Derivative liabilities	6,875	279,656	8,877	(270,267)	25,141
Accrued expenses and other liabilities ⁽²⁾	-	-	391	-	391
Total liabilities	\$55,574	\$306,548	\$9,268	\$(270,267)	\$101,123

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

⁽²⁾ Amounts represent items for which the Corporation has elected the fair value option under SFAS 159.

⁽³⁾ Effective April 1, 2007, U.S. Government and agency mortgage-backed debt securities are classified as Level 2.

⁽⁴⁾ Loans and leases at June 30, 2007 included \$20.1 billion of leases that were not eligible for the fair value option as they were specifically excluded from fair value option election in accordance with SFAS 159.

⁽⁵⁾ Other assets include equity investments held by Principal Investing, AFS equity investments and certain retained interests in securitization vehicles, including interest-only strips, all of which were carried at fair value prior to the adoption of SFAS 159; and loans held-for-sale of \$19.31 billion for which the Corporation has elected the fair value option under SFAS 159. Substantially all of other assets are eligible for fair value accounting at June 30, 2007.

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The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2007. Level 3 loans and loan commitments are carried at fair value due to adoption of the fair value option, as described on page 25. Other Level 3 instruments presented in the table, including derivatives, trading account assets, AFS debt securities, MSRs, certain equity investments and retained interests in securitizations, were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Total Fair Value Measurements (Three Months Ended June 30, 2007)							Accrued
	Net	Trading	Available- for-Sale Debt Securities (2)	Loans		Mortgage Servicing Rights (2)	Other Assets (4)	Expenses and Other Liabilities (3)
				and	Leases (3)			
(Dollars in millions)	Derivatives (1)	Account Assets (2)						
Balance, March 31, 2007	\$608	\$269	\$-	\$3,859	\$2,963	\$5,867	\$(377)	
Total gains or losses (realized/unrealized):								
Included in earnings	(519)	3	-	-	418	1,211	(14)	
Included in other comprehensive income	-	-	4	-	-	(12)	-	
Purchases, issuances, and settlements	(351)	6	(9)	(253)	(112)	(747)	-	
Transfers in and/or out of Level 3	(1,039)	11	231	-	-	351	-	
Balance, June 30, 2007	\$(1,301)	\$289	\$226	\$3,606	\$3,269	\$6,670	\$(391)	

Level 3 Instruments Only	Total Fair Value Measurements (Six Months Ended June 30, 2007)							Accrued
	Net	Trading	Available- for-Sale Debt Securities (2)	Loans		Mortgage Servicing Rights (2)	Other Assets (4)	Expenses and Other Liabilities (3)
				and	Leases (3)			
(Dollars in millions)	Derivatives (1)	Account Assets (2)						
Balance, December 31, 2006	\$766	\$303	\$-	\$3,968	\$2,869	\$6,605	\$(28)	
Impact of SFAS 157 and SFAS 159 adoption	22	-	-	(21)	-	-	(321)	
Balance, January 1, 2007	\$788	\$303	\$-	\$3,947	\$2,869	\$6,605	\$(349)	
Total gains or losses (realized/unrealized):								
Included in earnings	(583)	(27)	-	1	539	1,941	(42)	
Included in other comprehensive income	-	-	4	-	-	(63)	-	
Purchases, issuances, and settlements	(459)	2	(9)	(342)	(139)	(2,150)	-	
Transfers in and/or out of Level 3	(1,047)	11	231	-	-	337	-	
Balance, June 30, 2007	\$(1,301)	\$289	\$226	\$3,606	\$3,269	\$6,670	\$(391)	

(1) Net derivatives at June 30, 2007 included derivative assets of \$7.58 billion and derivative liabilities of \$8.88 billion, all of which were carried at fair value prior to the adoption of SFAS 159.

(2) Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

(3) Amounts represented items for which the Corporation had elected the fair value option under SFAS 159 including commercial loan commitments recorded in accrued expenses and other liabilities.

- (4) Other assets included equity investments held by Principal Investing and certain retained interests in securitization vehicles, including interest-only strips, all of which were carried at fair value prior to the adoption of SFAS 159.

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The table below summarizes gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities for the three and six months ended June 30, 2007. These amounts include gains and losses generated by loans and loan commitments for which the fair value option was elected and by other instruments, including certain derivative contracts, trading account assets, MSRs, equity investments and retained interests in securitizations, which were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Total Gains and Losses					Accrued
	Net	Trading	Loans and	Mortgage	Other	Expenses and
(Dollars in millions)	Derivatives ⁽¹⁾	Account	Leases ⁽²⁾	Servicing	Assets ⁽¹⁾	Other
Classification of gains and losses (realized/unrealized) included in earnings for the three months ended June 30, 2007:		Assets ⁽¹⁾		Rights ⁽¹⁾		Liabilities ⁽²⁾
Card income	\$-	\$-	\$-	\$-	\$99	\$-
Equity investment income	-	-	-	-	1,103	-
Trading account profits	(396)	3	-	-	-	(1)
Mortgage banking income	(123)	-	-	418	-	-
Other income	-	-	-	-	9	(13)
Total	\$(519)	\$3	\$-	\$418	\$1,211	\$(14)
Classification of gains and losses (realized/unrealized) included in earnings for the six months ended June 30, 2007:						
Card income	\$-	\$-	\$-	\$-	\$280	\$-
Equity investment income	-	-	-	-	1,611	-
Trading account profits	(465)	(27)	-	-	-	(1)
Mortgage banking income	(118)	-	-	539	-	-
Other income	-	-	1	-	50	(41)
Total	\$(583)	\$(27)	\$1	\$539	\$1,941	\$(42)

⁽¹⁾ Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

⁽²⁾ Amounts represented items for which the Corporation had elected the fair value option under SFAS 159.

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The table below summarizes changes in unrealized gains or losses recorded in earnings for the three and six months ended June 30, 2007 for Level 3 assets and liabilities that are still held at June 30, 2007. These amounts include changes in fair value of loans and loan commitments for which the fair value option was elected and changes in fair value for other instruments, including certain derivative contracts, trading account assets, MSRs, equity investments and retained interests in securitizations, which were carried at fair value prior to the adoption of SFAS 159.

Level 3 Instruments Only	Changes in Unrealized Gains or Losses					Accrued Expenses and Other Liabilities ⁽²⁾
	Net	Trading Account	Loans and Leases	Mortgage Servicing Rights	Other	
(Dollars in millions)	Derivatives ⁽¹⁾	Assets ⁽¹⁾	Leases ⁽²⁾	Rights ⁽¹⁾	Assets ⁽¹⁾	
Changes in unrealized gains or losses relating to assets still held at reporting date for the three months ended June 30, 2007:						
Card income	\$-	\$-	\$-	\$-	\$64	\$-
Equity investment income	-	-	-	-	668	-
Trading account profits	(487)	3	-	-	-	(1)
Mortgage banking income	(114)	-	-	343	-	-
Other income	-	-	(10)	-	(4)	(47)
Total	\$(601)	\$3	\$(10)	\$343	\$728	\$(48)
Changes in unrealized gains or losses relating to assets still held at reporting date for the six months ended June 30, 2007:						
Card income	\$-	\$-	\$-	\$-	\$92	\$-
Equity investment income	-	-	-	-	787	-
Trading account profits	(637)	(30)	-	-	-	(1)
Mortgage banking income	(111)	-	-	403	-	-
Other income	-	-	(11)	-	(4)	(79)
Total	\$(748)	\$(30)	\$(11)	\$403	\$875	\$(80)

⁽¹⁾ Amounts represented items which were carried at fair value prior to the adoption of SFAS 159.

⁽²⁾ Amounts represented items for which the Corporation had elected the fair value option under SFAS 159.

Certain assets are measured at fair value on a non-recurring basis (e.g., loans held-for-sale carried at the lower of cost or fair value). At June 30, 2007, loans held-for-sale for which the Corporation had not elected the fair value option and which were carried at the lower of cost or fair value, with an aggregate cost of \$3.63 billion had been written down to fair value of \$3.32 billion. For the three and six months ended June 30, 2007, a charge of \$22 million and \$26 million was recorded in other income while \$0 and \$4 million was recorded in mortgage banking income for these loans held-for-sale. At June 30, 2007, lease residuals for which the Corporation had not elected the fair value option, with an aggregate cost of \$65 million had been written down to fair value of \$52 million. For both the three and six months ended June 30, 2007, other than temporary impairment charges of \$13 million relating to lease residuals were recorded in other income to write the current carrying amount down to fair value.

NOTE 15 Mortgage Servicing Rights

The Corporation accounts for residential first mortgage MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives such as options and interest rate swaps.

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The following table presents activity for residential first mortgage MSR for the three and six months ended June 30, 2007 and 2006.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Balance, beginning of period	\$2,963	\$2,925	\$2,869	\$2,658
MBNA balance, January 1, 2006	-	-	-	9
Additions	97	133	268	282
Impact of customer payments	(184)	(167)	(367)	(338)
Other changes in MSR market value	393	192	499	472
Balance, June 30	\$3,269	\$3,083	\$3,269	\$3,083

For the three and six months ended June 30, 2007, other changes in MSR market value of \$393 million and \$499 million reflect changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates. These amounts do not include \$25 million and \$40 million resulting from the reconciliation of actual cash received versus expected prepayments. The total of these amounts of \$418 million and \$539 million is included in the line *Mortgage banking income* in the table *Total Fair Value Measurements* in *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements.

The key economic assumptions used in valuations of MSRs included modeled prepayment rates and resultant weighted average lives of the MSRs and the option adjusted spread levels. Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial and residential reverse mortgage MSRs totaled \$239 million at June 30, 2007, including \$32 million of residential reverse mortgage MSRs obtained as part of a business acquisition, and commercial MSRs totaled \$176 million at December 31, 2006 and are not included in the table above. The Corporation did not have any residential reverse mortgage MSRs at December 31, 2006.

NOTE 16 Business Segment Information

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

Global Consumer and Small Business Banking

GCSBB provides a diversified range of products and services to individuals and small businesses. The Corporation reports *GCSBB*'s results, specifically credit card, business card and certain unsecured lending portfolios, on a managed basis. This basis of presentation excludes the Corporation's securitized mortgage and home equity portfolios for which the Corporation retains servicing. Reporting on a managed basis is consistent with the way that management as well as analysts evaluate the results of *GCSBB*. Managed basis assumes that loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet qualified special purpose entity which is excluded from the Corporation's Consolidated Financial Statements in accordance with GAAP.

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

Managed net interest income includes *GCSBB*'s net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.

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

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

Global Corporate and Investment Banking

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

Global Wealth and Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high-net-worth individuals. *GWIM* also includes the impact of migrated qualifying affluent customers, including their related deposit balances from *GCSBB*. After migration, the associated net interest income, service charges and noninterest expense on the deposit balances is recorded in *GWIM*.

All Other

All Other consists of equity investment activities including Principal Investing, Corporate Investments and Strategic Investments, the residual impacts of the allowance for credit losses and the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated (e.g., the Corporation's Brazilian operations, Asia Commercial Banking business and operations in Chile and Uruguay). *All Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that did not qualify for SFAS 133 hedge accounting treatment, certain gains or losses on sales of whole mortgage loans, and gains (losses) on sales of debt securities. In addition, *GCSBB* is reported on a managed basis which includes a securitization impact adjustment which has the effect of assuming that loans that have been securitized were not sold and presenting these loans in a manner similar to the way loans that have not been sold are presented. *All Other*'s results include a corresponding securitization offset which removes the impact of these securitized loans in order to present the consolidated results of the Corporation on a 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 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.

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

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The following tables present total revenue, net of interest expense, on a FTE basis and net income for the three and six months ended June 30, 2007 and 2006, and total assets at June 30, 2007 and 2006 for each business segment, as well as *All Other*.

Business Segments**Three Months Ended June 30**

(Dollars in millions)	Total Corporation ⁽¹⁾		Global Consumer and Small Business Banking ^(2, 3)		Global Corporate and Investment Banking ⁽²⁾	
	2007	2006	2007	2006	2007	2006
Net interest income ⁽⁴⁾	\$8,781	\$8,926	\$7,150	\$6,967	\$2,618	\$2,441
Noninterest income	11,177	9,589	4,789	4,410	3,196	2,874
Total revenue, net of interest expense	19,958	18,515	11,939	11,377	5,814	5,315
Provision for credit losses ⁽⁵⁾	1,810	1,005	3,094	1,807	41	22
Amortization of intangibles	391	441	340	380	33	40
Other noninterest expense	8,702	8,276	4,629	4,128	3,102	2,724
Income before income taxes	9,055	8,793	3,876	5,062	2,638	2,529
Income tax expense ⁽⁴⁾	3,294	3,318	1,417	1,858	968	934
Net income	\$5,761	\$5,475	\$2,459	\$3,204	\$1,670	\$1,595
Period-end total assets	\$1,534,359	\$1,445,193	\$402,195	\$396,150	\$728,498	\$646,861

(Dollars in millions)	Global Wealth and Investment Management ⁽²⁾		All Other ^(2, 3)	
	2007	2006	2007	2006
Net interest income ⁽⁴⁾	\$958	\$922	\$(1,945)	\$(1,404)
Noninterest income	1,050	931	2,142	1,374
Total revenue, net of interest expense	2,008	1,853	197	(30)
Provision for credit losses ⁽⁵⁾	(14)	(40)	(1,311)	(784)
Amortization of intangibles	16	18	2	3
Other noninterest expense	1,028	953	(57)	471
Income before income taxes	978	922	1,563	280
Income tax expense ⁽⁴⁾	359	340	550	186
Net income	\$619	\$582	\$1,013	\$94
Period-end total assets	\$129,544	\$109,759	\$274,122	\$292,423

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

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

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

(4) FTE basis

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

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(Dollars in millions)	Total Corporation ⁽¹⁾		Global Consumer and Small Business Banking ^(2, 3)		Global Corporate and Investment Banking ⁽²⁾	
	2007	2006	2007	2006	2007	2006
Net interest income ⁽⁴⁾	\$17,378	\$17,966	\$14,179	\$14,059	\$5,030	\$4,930
Noninterest income	21,064	18,504	9,183	8,159	6,107	5,669
Total revenue, net of interest expense	38,442	36,470	23,362	22,218	11,137	10,599
Provision for credit losses ⁽⁵⁾	3,045	2,275	5,505	3,708	156	47
Amortization of intangibles	780	881	677	758	67	80
Other noninterest expense	17,410	16,760	9,023	8,361	5,968	5,516
Income before income taxes	17,207	16,554	8,157	9,391	4,946	4,956
Income tax expense ⁽⁴⁾	6,191	6,093	3,003	3,462	1,829	1,836
Net income	\$11,016	\$10,461	\$5,154	\$5,929	\$3,117	\$3,120
Period-end total assets	\$1,534,359	\$1,445,193	\$402,195	\$396,150	\$728,498	\$646,861

(Dollars in millions)	Global Wealth and Investment Management ⁽²⁾		All Other ^(2, 3)	
	2007	2006	2007	2006
Net interest income ⁽⁴⁾	\$1,884	\$1,861	\$(3,715)	\$(2,884)
Noninterest income	2,012	1,821	3,762	2,855
Total revenue, net of interest expense	3,896	3,682	47	(29)
Provision for credit losses ⁽⁵⁾	9	(40)	(2,625)	(1,440)
Amortization of intangibles	32	36	4	7
Other noninterest expense	2,029	1,902	390	981
Income before income taxes	1,826	1,784	2,278	423
Income tax expense ⁽⁴⁾	675	661	684	134
Net income	\$1,151	\$1,123	\$1,594	\$289
Period-end total assets	\$129,544	\$109,759	\$274,122	\$292,423

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

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

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

(4) FTE basis

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

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

Global Consumer and Small Business Banking Reconciliation

(Dollars in millions)	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Managed Basis ⁽¹⁾	Securitization Impact ⁽²⁾	Held Basis	Managed Basis ⁽¹⁾	Securitization Impact ⁽²⁾	Held Basis
Net interest income ⁽³⁾	\$7,150	\$(1,981)	\$5,169	\$6,967	\$(1,846)	\$5,121
Noninterest income:						
Card income	2,676	793	3,469	2,528	1,136	3,664
Service charges	1,488	-	1,488	1,349	-	1,349
Mortgage banking income	297	-	297	210	-	210
Gains (losses) on sales of debt securities	-	-	-	-	-	-
All other income	328	(74)	254	323	(67)	256
Total noninterest income	4,789	719	5,508	4,410	1,069	5,479
Total revenue, net of interest expense	11,939	(1,262)	10,677	11,377	(777)	10,600
Provision for credit losses	3,094	(1,262)	1,832	1,807	(777)	1,030
Noninterest expense	4,969	-	4,969	4,508	-	4,508
Income before income taxes	3,876	-	3,876	5,062	-	5,062
Income tax expense ⁽³⁾	1,417	-	1,417	1,858	-	1,858
Net income	\$2,459	\$-	\$2,459	\$3,204	\$-	\$3,204

(Dollars in millions)	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Managed Basis ⁽¹⁾	Securitization Impact ⁽²⁾	Held Basis	Managed Basis ⁽¹⁾	Securitization Impact ⁽²⁾	Held Basis
Net interest income ⁽³⁾	\$14,179	\$(3,871)	\$10,308	\$14,059	\$(3,792)	\$10,267
Noninterest income:						
Card income	5,127	1,632	6,759	4,635	2,538	7,173
Service charges	2,865	-	2,865	2,539	-	2,539
Mortgage banking income	599	-	599	415	-	415
Gains (losses) on sales of debt securities	(1)	-	(1)	(1)	-	(1)
All other income	593	(151)	442	571	(177)	394
Total noninterest income	9,183	1,481	10,664	8,159	2,361	10,520
Total revenue, net of interest expense	23,362	(2,390)	20,972	22,218	(1,431)	20,787
Provision for credit losses	5,505	(2,390)	3,115	3,708	(1,431)	2,277
Noninterest expense	9,700	-	9,700	9,119	-	9,119
Income before income taxes	8,157	-	8,157	9,391	-	9,391
Income tax expense ⁽³⁾	3,003	-	3,003	3,462	-	3,462
Net income	\$5,154	\$-	\$5,154	\$5,929	\$-	\$5,929

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

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

(3) FTE basis

Table of Contents**All Other Reconciliation**

(Dollars in millions)	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Reported Basis ⁽¹⁾	Securitization Offset ⁽²⁾	As Adjusted	Reported Basis ⁽¹⁾	Securitization Offset ⁽²⁾	As Adjusted
Net interest income ⁽³⁾	\$(1,945)	\$1,981	\$36	\$(1,404)	\$1,846	\$442
Noninterest income:						
Card income	676	(793)	(117)	961	(1,136)	(175)
Equity investment income	1,719	-	1,719	577	-	577
Gains (losses) on sales of debt securities	2	-	2	(5)	-	(5)
All other income	(255)	74	(181)	(159)	67	(92)
Total noninterest income	2,142	(719)	1,423	1,374	(1,069)	305
Total revenue, net of interest expense	197	1,262	1,459	(30)	777	747
Provision for credit losses	(1,311)	1,262	(49)	(784)	777	(7)
Merger and restructuring charges	75	-	75	194	-	194
All other noninterest expense	(130)	-	(130)	280	-	280
Income before income taxes	1,563	-	1,563	280	-	280
Income tax expense ⁽³⁾	550	-	550	186	-	186
Net income	\$1,013	\$-	\$1,013	\$94	\$-	\$94

(Dollars in millions)	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Reported Basis ⁽¹⁾	Securitization Offset ⁽²⁾	As Adjusted	Reported Basis ⁽¹⁾	Securitization Offset ⁽²⁾	As Adjusted
Net interest income ⁽³⁾	\$(3,715)	\$3,871	\$156	\$(2,884)	\$3,792	\$908
Noninterest income:						
Card income	1,397	(1,632)	(235)	2,129	(2,538)	(409)
Equity investment income	2,615	-	2,615	1,148	-	1,148
Gains (losses) on sales of debt securities	63	-	63	(4)	-	(4)
All other income	(313)	151	(162)	(418)	177	(241)
Total noninterest income	3,762	(1,481)	2,281	2,855	(2,361)	494
Total revenue, net of interest expense	47	2,390	2,437	(29)	1,431	1,402
Provision for credit losses	(2,625)	2,390	(235)	(1,440)	1,431	(9)
Merger and restructuring charges	186	-	186	292	-	292
All other noninterest expense	208	-	208	696	-	696
Income before income taxes	2,278	-	2,278	423	-	423
Income tax expense ⁽³⁾	684	-	684	134	-	134
Net income	\$1,594	\$-	\$1,594	\$289	\$-	\$289

⁽¹⁾ Provision for credit losses represents provision for credit losses in *All Other* combined with the *GCSBB* securitization offset.

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

⁽³⁾ FTE basis

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The following table presents reconciliations of the three business segments (*GCSBB*, *GCIB* and *GWIM*) total revenue, net of interest expense, on a FTE basis and net income to the Consolidated Statement of Income. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Segments total revenue, net of interest expense ⁽¹⁾	\$19,761	\$18,545	\$38,395	\$36,499
Adjustments:				
ALM activities	(136)	(93)	(40)	(252)
Equity investment income	1,719	577	2,615	1,148
Liquidating businesses	132	521	454	1,067
FTE basis adjustment	(395)	(296)	(724)	(560)
Managed securitization impact to total revenue, net of interest expense	(1,262)	(777)	(2,390)	(1,431)
Other	(256)	(258)	(592)	(561)
Consolidated revenue, net of interest expense	\$19,563	\$18,219	\$37,718	\$35,910
Segments net income	\$4,748	\$5,381	\$9,422	\$10,172
Adjustments, net of taxes:				
ALM activities	(141)	(109)	(145)	(254)
Equity investment income	1,083	364	1,647	723
Liquidating businesses	86	159	349	322
Merger and restructuring charges	47	123	117	184
Other	(62)	(443)	(374)	(686)
Consolidated net income	\$5,761	\$5,475	\$11,016	\$10,461

(1) FTE basis

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Table of Contents**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Readers of the Form 10-Q of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. Risk Factors of the Corporation's 2006 Annual Report on Form 10-K. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

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

The Corporation, headquartered in Charlotte, North Carolina, operates in 30 states, the District of Columbia and 45 foreign countries. The Corporation provides a diversified range of banking and nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking (GCSBB)*, *Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM)*.

At June 30, 2007, the Corporation had \$1.5 trillion in assets and approximately 196 thousand full-time equivalent employees. Notes to Consolidated Financial Statements referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated by reference into Management's Discussion and Analysis of Financial Condition and Results of Operations. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, we use certain acronyms and abbreviations which are defined in the Glossary beginning on page 116. Certain prior period amounts have been reclassified to conform to current period presentation.

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Recent Events

Certain credit markets experienced difficult conditions and volatility during the first six months of 2007. These markets continued to experience pressure into the third quarter including the well publicized sub-prime mortgage market as well as related financings. Further, in late July and early August, market uncertainty increased dramatically and further expanded to other markets (e.g., leveraged finance, collateralized debt obligations and other structured products). These conditions resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency. The Corporation's *GCIB* segment operates in these markets, either directly or indirectly, through exposures in securities, loans, derivatives and other commitments. While it is difficult to predict how long these conditions will exist and which markets, products or other businesses of the Corporation will ultimately be affected, these factors could adversely impact the Corporation's results of operations.

In July 2007, the Corporation sold certain private equity funds, including the associated unfunded equity investment commitments of \$638 million, with a total market value of \$1.9 billion to Conversus Capital, L.P. (Conversus Capital) resulting in the recognition of a \$600 million fair value adjustment for the three and six months ended June 30, 2007. Conversus Capital is a permanent capital vehicle designed to offer its investors both institutional and retail, long-term capital appreciation through a seasoned portfolio of private equity investments. For more information on Conversus Capital see page 79.

In July 2007, the Corporation completed the acquisition of U.S. Trust Corporation (U.S. Trust) for \$3.3 billion in cash. U.S. Trust is one of the largest and most respected U.S. firms which focuses exclusively on managing wealth for high net-worth and ultra high net-worth individuals and families. The acquisition significantly increases the size and capabilities of the Corporation's wealth business and positions it as one of the largest financial services companies managing private wealth in the U.S.

In July 2007, the Board of Directors (the Board) increased the regular quarterly cash dividend on common stock 14 percent from \$0.56 to \$0.64 per share. The dividend will be payable on September 28, 2007 to common shareholders of record on September 7, 2007.

In June 2007, the Corporation announced the sale of Marsico Capital Management LLC (Marsico), a 100 percent owned investment manager, to Thomas F. Marsico, founder and chief executive officer of Marsico. The Corporation expects to realize a gain on this transaction of approximately \$1.4 billion (pre-tax). Closing is expected to occur in the fourth quarter of 2007 and is subject to client consents and mutual fund shareholder approval.

In April 2007, the Corporation announced an agreement to purchase ABN AMRO North America Holding Company, parent company of LaSalle Bank Corporation (LaSalle), from ABN AMRO Bank N.V. (collectively, ABN AMRO) for \$21 billion in cash. The transaction has been approved by both companies' boards of directors. A copy of the agreement was filed as an exhibit to the Corporation's Current Report on Form 8-K filed on April 26, 2007. On July 13, 2007, the Dutch Supreme Court reversed the Enterprise Chamber Court's temporary injunction prohibiting the sale of LaSalle in the absence of a vote by ABN AMRO's shareholders approving the transaction. The Supreme Court held that no such vote was required and that the lower court's injunction improperly affected the rights of the Corporation as a third party to the dispute between ABN AMRO and its shareholders. The closing of the transaction is subject to obtaining all necessary regulatory approvals and is expected to close in the fourth quarter of 2007.

In April 2007, the Corporation announced an agreement to purchase 24.9 percent of SLM Corporation (Sallie Mae), the U.S. leader in originating and servicing student loans, for \$2.2 billion. The Corporation is part of a consortium led by J.C. Flowers & Co. and private-equity firm Friedman Fleischer & Lowe, LLC which under the terms of the agreement will invest \$4.4 billion and own 50.2 percent of Sallie Mae, and JP Morgan Chase & Co, which under the terms of the agreement will invest \$2.2 billion and own the remaining 24.9 percent of Sallie Mae. The agreement also includes a five year forward purchase commitment for the Corporation to purchase \$100 billion of loans from Sallie Mae. The closing of the transaction is subject to certain terms and conditions, will require approval by Sallie Mae's stockholders and will be subject to obtaining all necessary regulatory approvals. The transaction is expected to close in the fourth quarter of 2007.

In April 2007, the Board declared a regular quarterly cash dividend on common stock of \$0.56 per share, payable on June 22, 2007 to common shareholders of record on June 1, 2007.

Table of Contents**Performance Overview**

Net income totaled \$5.8 billion, or \$1.28 per diluted common share, for the three months ended June 30, 2007, increases of five percent and eight percent from \$5.5 billion, or \$1.19 per diluted common share, for the three months ended June 30, 2006. Net income totaled \$11.0 billion, or \$2.44 per diluted common share, for the six months ended June 30, 2007, increases of five percent and eight percent from \$10.5 billion, or \$2.25 per diluted common share, for the six months ended June 30, 2006.

Table 1**Business Segment Total Revenue and Net Income**

	Three Months Ended June 30				Six Months Ended June 30			
	Total Revenue ⁽¹⁾		Net Income		Total Revenue ⁽¹⁾		Net Income	
(Dollars in millions)	2007	2006	2007	2006	2007	2006	2007	2006
Global Consumer and Small Business Banking ⁽²⁾	\$11,939	\$11,377	\$2,459	\$3,204	\$23,362	\$22,218	\$5,154	\$5,929
Global Corporate and Investment Banking	5,814	5,315	1,670	1,595	11,137	10,599	3,117	3,120
Global Wealth and Investment Management	2,008	1,853	619	582	3,896	3,682	1,151	1,123
All Other ⁽²⁾	197	(30)	1,013	94	47	(29)	1,594	289
Total FTE basis	19,958	18,515	5,761	5,475	38,442	36,470	11,016	10,461
FTE adjustment	(395)	(296)	-	-	(724)	(560)	-	-
Total Consolidated	\$19,563	\$18,219	\$5,761	\$5,475	\$37,718	\$35,910	\$11,016	\$10,461

⁽¹⁾ Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 49.

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

Global Consumer and Small Business Banking

Net income decreased \$745 million, or 23 percent, to \$2.5 billion for the three months ended June 30, 2007 compared to the same period in 2006. Total revenue increased \$562 million, or five percent, to \$11.9 billion due to higher card income, service charges and mortgage banking income. This increase was more than offset by the increase in provision for credit losses of \$1.3 billion, that was driven by portfolio seasoning reflective of growth in the businesses and increases in losses from the unusually low levels experienced in 2006 post bankruptcy reform. Also, noninterest expense increased \$461 million mainly due to increases in technology, overhead and personnel including the ongoing impact of adopting SFAS 159.

Net income decreased \$775 million, or 13 percent, to \$5.2 billion for the six months ended June 30, 2007 compared to the same period in 2006. The increase in total revenue of \$1.1 billion, or five percent, to \$23.4 billion was more than offset by the increases in provision for credit losses of \$1.8 billion and noninterest expense of \$581 million. These period over period changes were largely driven by the same factors as described in the three-month discussion above. For more information on *GCSBB*, see page 57.

Global Corporate and Investment Banking

Net income increased \$75 million, or five percent, to \$1.7 billion for the three months ended June 30, 2007 compared to the same period in 2006. Total revenue increased \$499 million, or nine percent, to \$5.8 billion driven by increases in net interest income (primarily market-based) of \$177 million and investment banking income of \$177 million. Investment banking income increased due to increased market activity and deal flow. These increases were partially offset by increases in noninterest expense of \$371 million mainly due to higher personnel expense, increases in other general operating expenses driven by transaction volume and an increase in litigation reserves. Additionally the provision for credit losses increased \$19 million primarily resulting from a lower level of commercial recoveries.

Net income remained unchanged at \$3.1 billion for the six months ended June 30, 2007 compared to the same period in 2006. The increase in total revenue of \$538 million, or five percent, was offset by increases in noninterest expense of \$439 million and provision for credit losses of \$109 million. These period over period changes were primarily driven by the same factors as described in the three-month discussion above. In addition, trading account profits decreased \$116 million

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compared to record results for the same period in the prior year. Also in the six-month comparison, provision for credit losses was impacted by the absence of 2006 releases of reserves related to favorable commercial credit market conditions. For more information on *GCIB*, see page 65.

Global Wealth and Investment Management

Net income increased \$37 million, or six percent, for the three months ended June 30, 2007 compared to the same period in 2006. Total revenue grew \$155 million, or eight percent, largely resulting from higher noninterest income of \$119 million, driven by the effect of a 13 percent increase in AUM balances. These increases were partially offset by increased noninterest expense of \$73 million driven by the continued investment in client facing associates and a higher level of revenue-generating operating costs. In addition, provision for credit losses increased \$26 million mainly due to the absence of a 2006 credit loss recovery.

Net income increased \$28 million, or two percent, for the six months ended June 30, 2007 compared to the same period in 2006. Total revenue increased \$214 million, or six percent, provision for credit losses increased \$49 million to \$9 million, and noninterest expense increased \$123 million. These period over period changes were largely driven by the same factors as described in the three-month discussion above.

Total AUM were \$566.2 billion at June 30, 2007, an increase of \$23.3 billion since December 31, 2006 and \$66.1 billion since June 30, 2006. For more information on *GWIM*, see page 71.

All Other

Net income increased \$919 million to \$1.0 billion for the three months ended June 30, 2007 compared to the same period in 2006. Excluding the securitization offset, total revenue increased \$712 million largely resulting from higher equity investment income of \$1.1 billion driven by the \$600 million increase in value related to the July sale of private equity funds to Conversus Capital as well as higher dividends from strategic investments. In addition, net interest income and noninterest expense decreased \$406 million and \$410 million primarily due to the sale of the Latin American operations and Hong Kong based retail and commercial banking business which were included in the Corporation's 2006 results. The increase in net income was also driven by decreases in merger and restructuring charges of \$119 million, and provision for credit losses of \$42 million.

Net income increased \$1.3 billion to \$1.6 billion for the six months ended June 30, 2007 compared to the same period in 2006. Excluding the securitization offset, total revenue increased \$1.0 billion. These period over period changes were largely driven by the same factors as described in the three-month discussion above. For more information on *All Other*, see page 77.

Financial Highlights
Net Interest Income

Net interest income on a FTE basis decreased \$145 million to \$8.8 billion and \$588 million to \$17.4 billion for the three and six months ended June 30, 2007 compared to the same periods in 2006. The primary drivers of the decreases were the impact of the divestitures of certain foreign operations in 2006 and the first quarter of 2007, increased hedge costs, higher cost of deposits, spread compression, reduced benefits from purchase accounting adjustments and the negative impact of the adoption of FSP 13-2. These decreases were partially offset by a higher contribution from market-based activity, higher levels of consumer and commercial domestic loans and increased ALM portfolio levels. The net interest yield on a FTE basis decreased 26 basis points (bps) to 2.59 percent and 31 bps to 2.60 percent for the three and six months ended June 30, 2007 compared to the same periods in 2006.

For more information on net interest income on a FTE basis, see Tables 8 and 9 on pages 53 to 55.

Table of Contents**Noninterest Income****Table 2****Noninterest Income**

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Card income	\$3,558	\$3,664	\$6,891	\$7,098
Service charges	2,200	2,077	4,272	3,978
Investment and brokerage services	1,193	1,146	2,342	2,249
Investment banking income	774	612	1,412	1,113
Equity investment income	1,829	699	2,843	1,417
Trading account profits	890	915	1,762	1,975
Mortgage banking income	148	89	361	226
Gains (losses) on sales of debt securities	2	(9)	64	5
Other income	583	396	1,117	443
Total noninterest income	\$11,177	\$9,589	\$21,064	\$18,504

Noninterest income increased \$1.6 billion to \$11.2 billion and \$2.6 billion to \$21.1 billion for the three and six months ended June 30, 2007 compared to the same periods in 2006, due primarily to the following:

Card income on a held basis decreased \$106 million and \$207 million for the three and six months ended June 30, 2007 as increases in cash advance fees and interchange income from debit and credit cards were more than offset by a decrease in excess servicing income resulting from an increase in credit losses on securitized loans.

Service charges grew \$123 million and \$294 million for the three and six months ended June 30, 2007 resulting from new account growth in deposit products.

Investment banking income increased \$162 million and \$299 million for the three and six months ended June 30, 2007 due to continued strength in debt underwriting and growth in advisory fees.

Equity investment income increased \$1.1 billion and \$1.4 billion for the three and six months ended June 30, 2007 primarily driven by the \$600 million increase in value related to the July sale of private equity funds to Conversus Capital. Equity investment income also benefited from dividends on strategic investments in the second quarter of 2007. For more information on Conversus Capital see page 79.

Trading account profits decreased \$25 million and \$213 million for the three and six months ended June 30, 2007 compared to record results in 2006.

Mortgage banking income increased \$59 million and \$135 million for the three and six months ended June 30, 2007 due to the net favorable performance of the MSR's and the impact of the adoption of SFAS 159 partially offset by the absence of gains on sale of mortgage loans as the Corporation increased retention of residential mortgages.

Other income increased \$187 million and \$674 million for the three and six months ended June 30, 2007 primarily related to gains recognized on certain lease transactions during the quarter and lower losses in credit mitigation. In addition, the increase for the six

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months ended June 30, 2007 was impacted by the mark-to-market losses realized in 2006 on certain economic hedges that did not qualify for SFAS 133 hedge accounting.

Provision for Credit Losses

The provision for credit losses increased \$805 million to \$1.8 billion and \$770 million to \$3.0 billion for the three and six months ended June 30, 2007 compared to the same periods in 2006. Higher net charge-offs were predominantly driven by portfolio seasoning reflective of growth in the businesses and increases from the unusually low charge-off levels

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experienced in 2006 post bankruptcy reform. Additionally, reserve increases for higher losses inherent in our small business card and home equity portfolios as well as seasoning of the *Card Services* consumer portfolios contributed to the increase in provision expense. In the six-month comparison, partially offsetting these increases were reductions in reserves from consumer credit card securitization activities and the sale of the Argentina portfolio.

For more information on credit quality, see Credit Risk Management beginning on page 85.

Noninterest Expense**Table 3****Noninterest Expense**

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Personnel	\$ 4,737	\$ 4,480	\$9,762	\$9,293
Occupancy	744	703	1,457	1,404
Equipment	332	316	682	660
Marketing	537	551	1,092	1,126
Professional fees	283	233	512	451
Amortization of intangibles	391	441	780	881
Data processing	472	409	909	819
Telecommunications	244	228	495	448
Other general operating	1,278	1,162	2,315	2,267
Merger and restructuring charges	75	194	186	292
Total noninterest expense	\$ 9,093	\$ 8,717	\$ 18,190	\$ 17,641

Noninterest expense increased \$376 million to \$9.1 billion and \$549 million to \$18.2 billion for the three and six months ended June 30, 2007 compared to the same periods in 2006 due to the following:

Personnel expense increased \$257 million and \$469 million for the three and six months ended June 30, 2007 mainly due to higher revenue-related incentive compensation expense. In addition, results for the six months ended June 30, 2007 were impacted by stock-based compensation granted to retirement-eligible employees of \$397 million compared to \$320 million for the same period in 2006.

Other general operating expense increased \$116 million and \$48 million for the three and six months ended June 30, 2007 mainly attributable to an increase in litigation reserves.

Merger and restructuring charges decreased \$119 million and \$106 million for the three and six months ended June 30, 2007 mainly due to declining systems integration work and related charges associated with the MBNA acquisition.

Income Tax Expense

Income tax expense was \$2.9 billion for the three months ended June 30, 2007 compared to \$3.0 billion for the three months ended June 30, 2006, resulting in effective tax rates of 33.5 percent and 35.6 percent. Income tax expense was unchanged at \$5.5 billion for the six months ended June 30, 2007 compared to the six months ended June 30, 2006, resulting in effective tax rates of 33.2 percent and 34.6 percent. The decreases in the effective tax rates for both the three and six months ended June 30, 2007 were primarily attributable to the change in tax legislation discussed below. Income tax expense for the six months ended June 30, 2007 also reflects a one-time reduction to expense recorded in the first quarter of 2007 of approximately \$50 million resulting from the remeasurement of certain accrued tax liabilities due to the evaluation

of new guidance from taxing authorities.

During the second quarter of 2006, the Tax Increase Prevention and Reconciliation Act of 2005 was signed into law. Accounting for the change in law resulted in the discrete recognition of a \$175 million charge to income tax expense during the second quarter of 2006.

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Assets

At June 30, 2007, total assets were \$1.5 trillion, an increase of \$74.6 billion, or five percent, from December 31, 2006. Average total assets for both the three and six months ended June 30, 2007 increased approximately \$105 billion, or seven percent, compared to the same periods in 2006. Growth in period end and average total assets was due to an increase in loans and leases attributable to organic growth and bulk purchases of loans, growth in trading account assets driven by higher trading activity, and an increase in loans held-for-sale. Partially offsetting this growth was a decrease in AFS debt securities due to the third quarter 2006 sale of \$43.7 billion of mortgage-backed securities as well as maturities and paydowns.

Liabilities and Shareholders' Equity

At June 30, 2007, total liabilities were \$1.4 trillion, an increase of \$74.1 billion, or six percent, from December 31, 2006. Average total liabilities for the three and six months ended June 30, 2007 increased \$99.5 billion, or seven percent, and \$101.0 billion, or eight percent, compared to the same periods in 2006. Growth in period end and average total liabilities was attributable to increases in most liability line items resulting from funding requirements to support the growth in overall assets.

Period end shareholders' equity was \$135.8 billion at June 30, 2007, an increase of \$479 million from December 31, 2006, largely due to net income and common stock issued in connection with employee benefit plans partially offset by dividend payments, share repurchases, increased losses in accumulated OCI and the adoption of certain new accounting standards. The change in accumulated OCI resulted from unrealized losses on AFS debt securities reflecting higher interest rates during the six months ended June 30, 2007.

Average shareholders' equity for the three and six months ended June 30, 2007 compared to the same periods in 2006, increased \$6.2 billion to \$133.6 billion, and \$4.3 billion to \$133.6 billion, primarily due to net income and the issuances of preferred stock partially offset by net share repurchases and the adoption of certain new accounting standards.

Table of Contents**Table 4****Selected Quarterly Financial Data**

(Dollars in millions, per share information in thousands)	2007 Quarters			2006 Quarters	
	Second	First	Fourth	Third	Second
Income statement					
Net interest income	\$8,386	\$8,268	\$8,599	\$8,586	\$8,630
Noninterest income	11,177	9,887	9,887	9,598	9,589
Total revenue, net of interest expense	19,563	18,155	18,486	18,184	18,219
Provision for credit losses	1,810	1,235	1,570	1,165	1,005
Noninterest expense, before merger and restructuring charges	9,018	8,986	8,849	8,594	8,523
Merger and restructuring charges	75	111	244	269	194
Income before income taxes	8,660	7,823	7,823	8,156	8,497
Income tax expense	2,899	2,568	2,567	2,740	3,022
Net income	5,761	5,255	5,256	5,416	5,475
Average common shares issued and outstanding	4,419,246	4,432,664	4,464,110	4,499,704	4,534,627
Average diluted common shares issued and outstanding	4,476,799	4,497,028	4,536,696	4,570,558	4,601,169
Performance ratios					
Return on average assets	1.48 %	1.40 %	1.39 %	1.43 %	1.51 %
Return on average common shareholders equity	17.55	16.16	15.76	16.64	17.26
Total ending equity to total ending assets	8.85	8.98	9.27	9.22	8.85
Total average equity to total average assets	8.55	8.78	8.97	8.63	8.75
Dividend payout	43.60	48.02	47.49	46.82	41.76
Per common share data					
Earnings	\$1.29	\$1.18	\$1.17	\$1.20	\$1.21
Diluted earnings	1.28	1.16	1.16	1.18	1.19
Dividends paid	0.56	0.56	0.56	0.56	0.50
Book value	29.95	29.74	29.70	29.52	28.17
Average balance sheet					
Total loans and leases	\$740,199	\$714,042	\$683,598	\$673,477	\$635,649
Total assets	1,561,649	1,521,418	1,495,150	1,497,987	1,456,004
Total deposits	697,035	686,704	680,245	676,851	674,796
Long-term debt	158,500	148,627	140,756	136,769	125,620
Common shareholders equity	130,700	130,737	132,004	129,098	127,102
Total shareholders equity	133,551	133,588	134,047	129,262	127,373
Asset Quality					
Allowance for credit losses ⁽¹⁾	\$9,436	\$9,106	\$9,413	\$9,260	\$9,475
Nonperforming assets measured at historical cost	2,392	2,059	1,856	1,656	1,641
Allowance for loan and lease losses as a percentage of total loans and leases outstanding measured at historical cost ⁽²⁾	1.20 %	1.21 %	1.28 %	1.33 %	1.36 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases measured at historical cost	397	443	505	562	579
Net charge-offs	\$1,495	\$1,427	\$1,417	\$1,277	\$1,023
Annualized net charge-offs as a percentage of average loans and leases outstanding measured at historical cost ⁽²⁾	0.81 %	0.81 %	0.82 %	0.75 %	0.65 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding measured at historical cost ⁽²⁾	0.30	0.27	0.25	0.24	0.23
Nonperforming assets as a percentage of total loans, leases, and foreclosed properties ⁽²⁾	0.32	0.29	0.26	0.25	0.25
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.51	1.51	1.60	1.75	2.21
Capital ratios (period end)					

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Risk-based capital:

Tier 1	8.52	%	8.57	%	8.64	%	8.48	%	8.33	%
Total	12.11		11.94		11.88		11.46		11.25	
Tier 1 leverage	6.33		6.25		6.36		6.16		6.13	
Market capitalization	\$216,922		\$226,481		\$238,021		\$240,966		\$217,794	
Market price per share of common stock										
Closing	\$48.89		\$51.02		\$53.39		\$53.57		\$48.10	
High closing	51.82		54.05		54.90		53.57		50.47	
Low closing	48.80		49.46		51.66		47.98		45.48	

⁽¹⁾ Includes allowance for loan and lease losses, and reserve for unfunded lending commitments.

⁽²⁾ Ratios do not include loans measured at fair value in accordance with SFAS 159 at and for the periods ended June 30, 2007 and March 31, 2007. Loans measured at fair value were \$3.61 billion and \$3.86 billion at June 30, 2007 and March 31, 2007.

Table of Contents**Table 5****Selected Year-to-Date Financial Data**

(Dollars in millions, per share information in thousands)	Six Months Ended June 30	
	2007	2006
Income statement		
Net interest income	\$16,654	\$17,406
Noninterest income	21,064	18,504
Total revenue, net of interest expense	37,718	35,910
Provision for credit losses	3,045	2,275
Noninterest expense, before merger and restructuring charges	18,004	17,349
Merger and restructuring charges	186	292
Income before income taxes	16,483	15,994
Income tax expense	5,467	5,533
Net income	11,016	10,461
Average common shares issued and outstanding	4,426,046	4,572,013
Average diluted common shares issued and outstanding	4,487,224	4,636,959
Performance ratios		
Return on average assets	1.44 %	1.47 %
Return on average common shareholders' equity	16.86	16.34
Total ending equity to total ending assets	8.85	8.85
Total average equity to total average assets	8.66	9.00
Dividend payout	45.71	44.14
Per common share data		
Earnings	\$2.47	\$2.29
Diluted earnings	2.44	2.25
Dividends paid	1.12	1.00
Book value	29.95	28.17
Average balance sheet		
Total loans and leases	\$727,193	\$625,863
Total assets	1,541,644	1,436,298
Total deposits	691,898	667,350
Long-term debt	153,591	121,343
Common shareholders' equity	130,718	128,981
Total shareholders' equity	133,569	129,253
Asset Quality		
Allowance for credit losses ⁽¹⁾	\$9,436	\$9,475
Nonperforming assets measured at historical cost	2,392	1,641
Allowance for loan and lease losses as a percentage of total loans and leases outstanding measured at historical cost ⁽²⁾	1.20 %	1.36 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases measured at historical cost	397	579
Net charge-offs	\$2,922	\$1,845
Annualized net charge-offs as a percentage of average loans and leases outstanding measured at historical cost ⁽²⁾	0.81 %	0.59 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding measured at historical cost ⁽²⁾	0.30	0.23
Nonperforming assets as a percentage of total loans, leases, and foreclosed properties ⁽²⁾	0.32	0.25
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.54	2.44
Market price per share of common stock		
Closing	\$48.89	\$48.10
High closing	54.05	50.47
Low closing	48.80	43.09

⁽¹⁾ Includes allowance for loan and lease losses, and reserve for unfunded lending commitments.

⁽²⁾ Ratios do not include loans measured at fair value in accordance with SFAS 159 at and for the six months ended June 30, 2007. Loans measured at fair value were \$3.61 billion at June 30, 2007.

Table of Contents**Supplemental Financial Data**

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

Operating Basis Presentation

In managing our business, we may at times look at performance excluding certain nonrecurring items. For example, as an alternative to net income, we view results on an operating basis, which represents net income excluding merger and restructuring charges. The operating basis of presentation is not defined by GAAP. We believe that the exclusion of merger and restructuring charges, which represent events outside our normal operations, provides a meaningful period-to-period comparison and is more reflective of normalized operations.

Net Interest Income FTE Basis

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

Performance Measures

As mentioned above, certain performance measures including the efficiency ratio, net interest yield and operating leverage utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield evaluates how many basis points we are earning over the cost of funds. Operating leverage measures the total percentage revenue growth minus the total percentage expense growth for the corresponding period. During our annual integrated planning process, we set operating leverage and efficiency targets for the Corporation and each line of business. We believe the use of these non-GAAP measures provides additional clarity in assessing the results of the Corporation. Targets vary by year and by business, and are based on a variety of factors including maturity of the business, investment appetite, competitive environment, market factors, and other items (e.g., risk appetite). The aforementioned performance measures and ratios, return on average assets and dividend payout ratio, as well as those measures discussed more fully below, are presented in Table 6.

Return on Average Common Shareholders Equity and Return on Average Tangible Shareholders Equity

We also evaluate our business based upon ROE and ROTE measures. ROE and ROTE utilize non-GAAP allocation methodologies. ROE measures the earnings contribution of a unit as a percentage of the shareholders' equity allocated to that unit. ROTE measures the earnings contribution of the Corporation as a percentage of shareholders' equity reduced by goodwill. These measures are used to evaluate our use of equity (i.e., capital) at the individual unit level and are integral components in the analytics for resource allocation. In addition, profitability, relationship and investment models all use ROE as a key measure to support our overall growth goal.

Table of Contents**Table 6****Supplemental Financial Data and Reconciliations to GAAP Financial Measures**

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Operating basis				
Operating earnings	\$5,808	\$5,598	\$11,133	\$10,645
Return on average assets	1.49 %	1.54 %	1.46 %	1.49 %
Return on average common shareholders equity	17.70	17.65	17.04	16.63
Return on average tangible shareholders equity	34.34	36.72	33.08	34.02
Operating efficiency ratio (FTE basis)	45.18	46.03	46.83	47.57
Dividend payout ratio	43.24	40.85	45.22	43.37
Operating leverage	1.99	(0.99)	1.63	(1.71)
FTE basis data				
Net interest income	\$8,781	\$8,926	\$17,378	\$17,966
Total revenue, net of interest expense	19,958	18,515	38,442	36,470
Net interest yield	2.59 %	2.85 %	2.60 %	2.91 %
Efficiency ratio	45.56	47.08	47.32	48.37
Reconciliation of net income to operating earnings				
Net income	\$5,761	\$5,475	\$11,016	\$10,461
Merger and restructuring charges	75	194	186	292
Related income tax benefit	(28)	(71)	(69)	(108)
Operating earnings	\$5,808	\$5,598	\$11,133	\$10,645
Reconciliation of average shareholders equity to average tangible shareholders equity				
Average shareholders equity	\$133,551	\$127,373	\$133,569	\$129,253
Average goodwill	(65,704)	(66,226)	(65,703)	(66,160)
Average tangible shareholders equity	\$67,847	\$61,147	\$67,866	\$63,093
Reconciliation of return on average assets to operating return on average assets				
Return on average assets	1.48 %	1.51 %	1.44 %	1.47 %
Effect of merger and restructuring charges, net of tax benefit	0.01	0.03	0.02	0.02
Operating return on average assets	1.49 %	1.54 %	1.46 %	1.49 %
Reconciliation of return on average common shareholders equity to operating return on average common shareholders equity				
Return on average common shareholders equity	17.55 %	17.26 %	16.86 %	16.34 %
Effect of merger and restructuring charges, net of tax benefit	0.15	0.39	0.18	0.29
Operating return on average common shareholders equity	17.70 %	17.65 %	17.04 %	16.63 %
Reconciliation of return on average tangible shareholders equity to operating return on average tangible shareholders equity				
Return on average tangible shareholders equity	34.06 %	35.92 %	32.73 %	33.44 %
Effect of merger and restructuring charges, net of tax benefit	0.28	0.80	0.35	0.58
Operating return on average tangible shareholders equity	34.34 %	36.72 %	33.08 %	34.02 %
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)				
Efficiency ratio	45.56 %	47.08 %	47.32 %	48.37 %
Effect of merger and restructuring charges	(0.38)	(1.05)	(0.49)	(0.80)
Operating efficiency ratio	45.18 %	46.03 %	46.83 %	47.57 %
Reconciliation of dividend payout ratio to operating dividend payout ratio				
Dividend payout ratio	43.60 %	41.76 %	45.71 %	44.14 %
Effect of merger and restructuring charges, net of tax benefit	(0.36)	(0.91)	(0.49)	(0.77)
Operating dividend payout ratio	43.24 %	40.85 %	45.22 %	43.37 %
Reconciliation of operating leverage to operating basis operating leverage				
Operating leverage	3.48 %	(1.62) %	2.29 %	(1.71) %
Effect of merger and restructuring charges	(1.49)	0.63	(0.66)	-
Operating leverage	1.99 %	(0.99) %	1.63 %	(1.71) %

Table of Contents**Core Net Interest Income Managed Basis**

In managing our business, we review core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *GCIB* business segment section beginning on page 65, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for the *Capital Markets and Advisory Services* business. We also adjust for loans that we originated and sold into certain securitizations. These securitizations include off-balance sheet loans and leases, specifically those loans in revolving securitizations and other securitizations where servicing is retained by the Corporation (e.g., credit card and home equity). Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in assessing the results of the Corporation. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Table 7**Core Net Interest Income Managed Basis**

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net interest income				
As reported ⁽¹⁾	\$8,781	\$8,926	\$17,378	\$17,966
Impact of market-based net interest income ⁽²⁾	(635)	(380)	(1,119)	(792)
Core net interest income	8,146	8,546	16,259	17,174
Impact of securitizations ⁽³⁾	1,952	1,710	3,811	3,435
Core net interest income managed basis	\$10,098	\$10,256	\$20,070	\$20,609
Average earning assets				
As reported	\$1,358,199	\$1,253,895	\$1,340,172	\$1,236,848
Impact of market-based earning assets ⁽²⁾	(425,647)	(357,617)	(416,928)	(347,170)
Core average earning assets	932,552	896,278	923,244	889,678
Impact of securitizations	102,357	96,776	102,442	96,523
Core average earning assets managed basis	\$1,034,909	\$993,054	\$1,025,686	\$986,201
Net interest yield contribution				
As reported ⁽¹⁾	2.59 %	2.85 %	2.60 %	2.91 %
Impact of market-based activities	0.91	0.97	0.93	0.96
Core net interest yield on earning assets	3.50	3.82	3.53	3.87
Impact of securitizations	0.41	0.31	0.39	0.32
Core net interest yield on earning assets managed basis	3.91 %	4.13 %	3.92 %	4.19 %

⁽¹⁾ FTE basis

⁽²⁾ Represents market-based amounts included in the *Capital Markets and Advisory Services* business within *GCIB* and excludes net interest income on loans for which the fair value option has been elected.

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

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Core net interest income on a managed basis decreased \$158 million compared to the same period in 2006. This decrease was primarily driven by the impact of the divestitures of certain foreign operations in 2006 and the first quarter of 2007, increased hedge costs, higher cost of deposits, reduced benefits from purchase accounting adjustments and the negative impact of the adoption of FSP 13-2. These decreases were partially offset by higher levels of consumer and commercial domestic loans and increased ALM portfolio levels. Core net interest yield on a

managed basis decreased 22 bps to 3.91 percent compared to the same period in 2006.

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On a managed basis, core average earning assets increased \$41.9 billion compared to the same period in 2006 due to higher levels of consumer and commercial loans partially offset by a decrease in average debt securities.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Core net interest income on a managed basis decreased \$539 million, core average earning assets increased \$39.5 billion and core net interest yield decreased 27 bps compared to the same period in 2006. These period over period changes were primarily driven by the same factors as described in the three-month discussion above.

Table of Contents**Table 8****Quarterly Average Balances and Interest Rates FTE Basis**

	Second Quarter 2007 Interest			First Quarter 2007 Interest		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
(Dollars in millions)						
Earning assets						
Time deposits placed and other short-term investments	\$15,310	\$188	4.92 %	\$15,023	\$169	4.57 %
Federal funds sold and securities purchased under agreements to resell	166,258	2,156	5.19	166,195	1,979	4.79
Trading account assets	188,287	2,364	5.03	175,249	2,357	5.41
Debt securities ⁽²⁾	177,834	2,394	5.39	186,498	2,451	5.27
Loans and leases ⁽³⁾ :						
Residential mortgage	260,099	3,708	5.70	246,618	3,504	5.69
Credit card domestic	56,235	1,777	12.67	57,720	1,887	13.26
Credit card foreign	11,946	350	11.76	11,133	317	11.55
Home equity ⁽⁴⁾	94,267	1,779	7.57	89,559	1,679	7.60
Direct/Indirect consumer	64,227	1,354	8.46	60,157	1,221	8.23
Other consumer ⁽⁵⁾	8,101	187	9.28	8,809	204	9.36
Total consumer	494,875	9,155	7.41	473,996	8,812	7.50
Commercial domestic	166,529	3,039	7.32	163,620	2,934	7.27
Commercial real estate ⁽⁶⁾	36,788	687	7.49	36,117	672	7.55
Commercial lease financing	19,784	217	4.40	19,651	175	3.55
Commercial foreign	22,223	319	5.75	20,658	330	6.48
Total commercial	245,324	4,262	6.97	240,046	4,111	6.94
Total loans and leases	740,199	13,417	7.26	714,042	12,923	7.31
Other earning assets	70,311	1,108	6.31	64,939	1,010	6.28
Total earning assets ⁽⁷⁾	1,358,199	21,627	6.38	1,321,946	20,889	6.37
Cash and cash equivalents	33,689			33,623		
Other assets, less allowance for loan and lease losses	169,761			165,849		
Total assets	\$1,561,649			\$1,521,418		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	\$33,039	\$47	0.58 %	\$32,773	\$41	0.50 %
NOW and money market deposit accounts	212,330	987	1.86	212,249	936	1.79
Consumer CDs and IRAs	161,703	1,857	4.61	159,505	1,832	4.66
Negotiable CDs, public funds and other time deposits	16,256	191	4.70	13,376	136	4.12
Total domestic interest-bearing deposits	423,328	3,082	2.92	417,903	2,945	2.86
Foreign interest-bearing deposits:						
Banks located in foreign countries	41,940	522	4.99	40,372	531	5.34
Governments and official institutions	17,868	224	5.02	14,482	178	4.98
Time, savings and other	40,335	433	4.31	39,534	380	3.90
Total foreign interest-bearing deposits	100,143	1,179	4.72	94,388	1,089	4.68
Total interest-bearing deposits	523,471	4,261	3.27	512,291	4,034	3.19
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings						
	419,260	5,537	5.30	414,104	5,318	5.20
Trading account liabilities	85,550	821	3.85	77,635	892	4.66
Long-term debt	158,500	2,227	5.62	148,627	2,048	5.51
Total interest-bearing liabilities ⁽⁷⁾	1,186,781	12,846	4.34	1,152,657	12,292	4.31
Noninterest-bearing sources:						
Noninterest-bearing deposits	173,564			174,413		
Other liabilities	67,753			60,760		
Shareholders' equity	133,551			133,588		
Total liabilities and shareholders' equity	\$1,561,649			\$1,521,418		
Net interest spread			2.04 %			2.06 %
Impact of noninterest-bearing sources			0.55			0.55
Net interest income/yield on earning assets		\$8,781	2.59 %		\$8,597	2.61 %

(1) Interest income (FTE basis) for the three months ended June 30, 2006, does not include the cumulative tax charge resulting from a change in tax legislation relating to extraterritorial tax income and foreign sales corporation regimes. The FTE impact to net interest income and net interest yield on earning assets of

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this retroactive tax adjustment was a reduction of \$270 million and 9 bps, respectively, for the three months ended June 30, 2006. Management has excluded this one-time impact to provide a more comparative basis of presentation for net interest income and net interest yield on earning assets on a FTE basis. The impact on any given future period is not expected to be material.

- (2) Yields on AFS debt securities are calculated based on fair value rather than historical cost balances. The use of fair value does not have a material impact on net interest yield.
- (3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.
- (4) Includes home equity loans of \$15.6 billion and \$13.5 billion in the second and first quarters of 2007, and \$11.7 billion, \$9.9 billion and \$8.7 billion in the fourth, third and second quarters of 2006, respectively.
- (5) Includes consumer finance loans of \$3.4 billion and \$3.0 billion in the second and first quarters of 2007, and \$2.8 billion, \$2.9 billion and \$3.0 billion in the fourth, third and second quarters of 2006, respectively; and foreign consumer loans of \$4.7 billion and \$5.8 billion in the second and first quarters of 2007, and \$7.8 billion, \$8.1 billion and \$7.8 billion in the fourth, third and second quarters of 2006, respectively.
- (6) Includes domestic commercial real estate loans of \$36.2 billion and \$35.5 billion in the second and first quarters of 2007, and \$36.1 billion, \$36.7 billion and \$36.0 billion in the fourth, third and second quarters of 2006, respectively.
- (7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets \$117 million and \$121 million in the second and first quarters of 2007, and \$198 million, \$128 million and \$54 million in the fourth, third and second quarters of 2006, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on the underlying liabilities \$207 million and \$179 million in the second and first quarters of 2007, and \$(69) million, \$(48) million and \$87 million in the fourth, third and second quarters of 2006, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 109.

Table of Contents**Quarterly Average Balances and Interest Rates FTE Basis (Continued)**

	Fourth Quarter 2006			Third Quarter 2006			Second Quarter 2006 ⁽¹⁾			
	Interest			Interest			Interest			
	Average	Income/ Expense	Yield/ Rate	Average	Income/ Expense	Yield/ Rate	Average	Income/ Expense	Yield/ Rate	
(Dollars in millions)	Balance			Balance			Balance			
Earning assets										
Time deposits placed and other short-term investments	\$15,760	\$166	4.19 %	\$15,629	\$173	4.39 %	\$16,691	\$168	4.05 %	
Federal funds sold and securities purchased under agreements to resell	174,167	2,068	4.73	173,381	2,146	4.94	179,104	1,900	4.25	
Trading account assets	167,163	2,289	5.46	146,817	1,928	5.24	133,556	1,712	5.13	
Debt securities ⁽²⁾	193,601	2,504	5.17	236,033	3,136	5.31	236,967	3,162	5.34	
Loans and leases ⁽³⁾ :										
Residential mortgage	225,985	3,202	5.66	222,889	3,151	5.65	197,228	2,731	5.54	
Credit card domestic	59,802	2,101	13.94	62,508	2,189	13.90	64,980	2,168	13.38	
Credit card foreign	10,375	305	11.66	9,455	286	12.02	8,305	269	12.97	
Home equity ⁽⁴⁾	84,905	1,626	7.60	79,899	1,522	7.56	75,894	1,378	7.28	
Direct/Indirect consumer	53,480	1,101	8.17	51,536	1,022	7.90	48,003	910	7.59	
Other consumer ⁽⁵⁾	10,597	225	8.47	11,076	298	10.66	10,804	294	10.95	
Total consumer	445,144	8,560	7.65	437,363	8,468	7.71	405,214	7,750	7.66	
Commercial domestic	158,604	2,907	7.27	153,007	2,805	7.28	148,445	2,695	7.28	
Commercial real estate ⁽⁶⁾	36,851	704	7.58	37,471	724	7.67	36,749	680	7.41	
Commercial lease financing	21,159	254	4.80	20,875	232	4.46	20,896	262	5.01	
Commercial foreign	21,840	337	6.12	24,761	454	7.27	24,345	456	7.52	
Total commercial	238,454	4,202	7.00	236,114	4,215	7.09	230,435	4,093	7.12	
Total loans and leases	683,598	12,762	7.42	673,477	12,683	7.49	635,649	11,843	7.47	
Other earning assets	65,172	1,058	6.46	57,029	914	6.38	51,928	808	6.24	
Total earning assets ⁽⁷⁾	1,299,461	20,847	6.39	1,302,366	20,980	6.41	1,253,895	19,593	6.26	
Cash and cash equivalents	32,816			33,495			35,070			
Other assets, less allowance for loan and lease losses	162,873			162,126			167,039			
Total assets	\$1,495,150			\$1,497,987			\$1,456,004			
Interest-bearing liabilities										
Domestic interest-bearing deposits:										
Savings	\$32,965	\$48	0.58 %	\$34,268	\$69	0.81 %	\$35,681	\$76	0.84 %	
NOW and money market deposit accounts	211,055	966	1.81	212,690	1,053	1.96	221,198	996	1.81	
Consumer CDs and IRAs	154,621	1,794	4.60	147,607	1,658	4.46	141,408	1,393	3.95	
Negotiable CDs, public funds and other time deposits	13,052	140	4.30	14,105	150	4.19	13,005	123	3.80	
Total domestic interest-bearing deposits	411,693	2,948	2.84	408,670	2,930	2.84	411,292	2,588	2.52	
Foreign interest-bearing deposits:										
Banks located in foreign countries	38,648	507	5.21	38,588	562	5.78	32,456	489	6.05	
Governments and official institutions	14,220	168	4.70	12,801	156	4.83	13,428	155	4.63	
Time, savings and other	41,328	366	3.50	40,444	328	3.22	37,178	276	2.98	
Total foreign interest-bearing deposits	94,196	1,041	4.38	91,833	1,046	4.52	83,062	920	4.44	
Total interest-bearing deposits	505,889	3,989	3.13	500,503	3,976	3.15	494,354	3,508	2.85	
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings										
	405,748	5,222	5.11	429,882	5,467	5.05	408,734	4,842	4.75	
Trading account liabilities	75,261	800	4.21	69,462	727	4.15	61,263	596	3.90	
Long-term debt	140,756	1,881	5.34	136,769	1,916	5.60	125,620	1,721	5.48	
Total interest-bearing liabilities ⁽⁷⁾	1,127,654	11,892	4.19	1,136,616	12,086	4.23	1,089,971	10,667	3.92	
Noninterest-bearing sources:										
Noninterest-bearing deposits	174,356			176,348			180,442			
Other liabilities	59,093			55,761			58,218			
Shareholders equity	134,047			129,262			127,373			
Total liabilities and shareholders equity	\$1,495,150			\$1,497,987			\$1,456,004			
Net interest spread			2.20 %			2.18 %			2.34 %	
Impact of noninterest-bearing sources			0.55			0.55			0.51	
Net interest income/yield on earning assets		\$8,955	2.75 %		\$8,894	2.73 %		\$8,926	2.85 %	

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

(Dollars in millions)	Six Months Ended June 30							
	Average Balance	2007 Interest Income/Expense	Yield/Rate		Average Balance	2006 (1) Interest Income/Expense	Yield/Rate	
Earning assets								
Time deposits placed and other short-term investments	\$15,167	\$357	4.75	%	\$15,525	\$307	3.99	%
Federal funds sold and securities purchased under agreements to resell	166,227	4,135	4.99		176,919	3,609	4.09	
Trading account assets	181,804	4,721	5.21		133,459	3,335	5.01	
Debt securities (2)	182,142	4,845	5.32		235,793	6,205	5.27	
Loans and leases (3):								
Residential mortgage	253,396	7,212	5.70		191,046	5,255	5.51	
Credit card domestic	56,973	3,664	12.97		66,566	4,348	13.17	
Credit card foreign	11,542	667	11.66		8,354	556	13.41	
Home equity (4)	91,926	3,458	7.59		74,166	2,625	7.14	
Direct/Indirect consumer	62,204	2,575	8.35		47,407	1,761	7.46	
Other consumer (5)	8,452	391	9.32		10,581	566	10.77	
Total consumer	484,493	17,967	7.46		398,120	15,111	7.63	
Commercial domestic	165,083	5,973	7.30		146,580	5,185	7.13	
Commercial real estate (6)	36,454	1,359	7.52		36,713	1,312	7.20	
Commercial lease financing	19,718	392	3.97		20,705	509	4.91	
Commercial foreign	21,445	649	6.10		23,745	883	7.50	
Total commercial	242,700	8,373	6.95		227,743	7,889	6.98	
Total loans and leases	727,193	26,340	7.29		625,863	23,000	7.40	
Other earning assets	67,639	2,118	6.29		49,289	1,526	6.23	
Total earning assets (7)	1,340,172	42,516	6.38		1,236,848	37,982	6.17	
Cash and cash equivalents	33,656				34,964			
Other assets, less allowance for loan and lease losses	167,816				164,486			
Total assets	\$1,541,644				\$1,436,298			
Interest-bearing liabilities								
Domestic interest-bearing deposits:								
Savings	\$32,907	\$88	0.54	%	\$35,616	\$152	0.86	%
NOW and money market deposit accounts	212,290	1,923	1.83		224,384	1,904	1.71	
Consumer CDs and IRAs	160,610	3,689	4.63		138,256	2,570	3.75	
Negotiable CDs, public funds and other time deposits	14,824	327	4.44		10,790	193	3.60	
Total domestic interest-bearing deposits	420,631	6,027	2.89		409,046	4,819	2.38	
Foreign interest-bearing deposits:								
Banks located in foreign countries	41,160	1,053	5.16		31,292	913	5.88	
Governments and official institutions	16,184	402	5.00		11,823	262	4.47	
Time, savings and other	39,937	813	4.11		36,163	521	2.91	
Total foreign interest-bearing deposits	97,281	2,268	4.70		79,278	1,696	4.32	
Total interest-bearing deposits	517,912	8,295	3.23		488,324	6,515	2.69	
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings								
	416,696	10,855	5.25		404,339	9,151	4.56	
Trading account liabilities	81,615	1,713	4.23		56,889	1,113	3.94	
Long-term debt	153,591	4,275	5.57		121,343	3,237	5.34	
Total interest-bearing liabilities (7)	1,169,814	25,138	4.33		1,070,895	20,016	3.76	
Noninterest-bearing sources:								
Noninterest-bearing deposits	173,986				179,026			
Other liabilities	64,275				57,124			
Shareholders equity	133,569				129,253			
Total liabilities and shareholders equity	\$1,541,644				\$1,436,298			
Net interest spread			2.05	%			2.41	%
Impact of noninterest-bearing sources			0.55				0.50	
Net interest income/yield on earning assets		\$17,378	2.60	%		\$17,966	2.91	%

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- (1) Interest income (FTE basis) for the six months ended June 30, 2006, does not include the cumulative tax charge resulting from a change in tax legislation relating to extraterritorial tax income and foreign sales corporation regimes. The FTE impact to net interest income and net interest yield on earning assets of this retroactive tax adjustment was a reduction of \$270 million and 4 bps, respectively, for the six months ended June 30, 2006. Management has excluded this one-time impact to provide a more comparative basis of presentation for net interest income and net interest yield on earning assets on a FTE basis. The impact on any given future period is not expected to be material.
- (2) Yields on AFS debt securities are calculated based on fair value rather than historical cost balances. The use of fair value does not have a material impact on net interest yield.
- (3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis.
- (4) Includes home equity loans of \$14.5 billion and \$8.5 billion for the six months ended June 30, 2007 and 2006.
- (5) Includes consumer finance loans of \$3.2 billion and \$3.0 billion, and foreign consumer loans of \$5.3 billion and \$7.6 billion for the six months ended June 30, 2007 and 2006.
- (6) Includes domestic commercial real estate loans of \$35.8 billion and \$36.0 billion for the six months ended June 30, 2007 and 2006.
- (7) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets \$238 million and \$46 million in the six months ended June 30, 2007 and 2006. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on the underlying liabilities \$386 million and \$223 million in the six months ended June 30, 2007 and 2006. For additional information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 109.

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Business Segment Operations

Segment Description

The Corporation reports the results of its operations through three business segments: *GCSBB*, *GCIB* and *GWIM*, with the remaining operations recorded in *All Other*. Certain prior period amounts have been reclassified to conform to current period presentation. For more information on the Corporation's basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue and net income amounts, see *Note 16 Business Segment Information* to the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 49. We begin by evaluating the operating results of the businesses which by definition excludes merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

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

The Corporation's ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. Some ALM activities are recorded in the businesses (i.e., *Deposits*) such as external product pricing decisions, including deposit pricing strategies, as well as the effects of our internal funds transfer pricing process and other ALM actions such as portfolio positioning. The net effects of other ALM activities are reported in each of the Corporation's segments under *ALM/Other*. In addition, any residual effect of the funds transfer pricing process is retained in *All Other*.

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit's credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 85. ROE is calculated by dividing net income by average allocated equity. Average equity is allocated to the business segments and related businesses and is impacted by the portion of goodwill that is specifically assigned to the businesses and the unallocated portion of goodwill that resides in *ALM/Other*.

Table of Contents**Global Consumer and Small Business Banking**

(Dollars in millions)	Three Months Ended June 30, 2007				
	Total ⁽¹⁾	Deposits	Card Services ⁽¹⁾	Consumer Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$7,150	\$2,378	\$4,044	\$546	\$182
Noninterest income:					
Card income	2,676	539	2,135	2	-
Service charges	1,488	1,487	-	1	-
Mortgage banking income	297	-	-	297	-
Gains (losses) on sales of debt securities	-	-	-	-	-
All other income	328	-	251	10	67
Total noninterest income	4,789	2,026	2,386	310	67
Total revenue, net of interest expense	11,939	4,404	6,430	856	249
Provision for credit losses ⁽⁴⁾	3,094	56	2,857	125	56
Noninterest expense	4,969	2,254	2,058	508	149
Income before income taxes	3,876	2,094	1,515	223	44
Income tax expense ⁽³⁾	1,417	765	554	82	16
Net income	\$2,459	\$1,329	\$961	\$141	\$28
Net interest yield ⁽³⁾	8.29 %	3.03 %	7.91 %	2.07 %	n/m
Return on average equity ⁽⁵⁾	15.80	35.80	8.74	14.92	n/m
Efficiency ratio ⁽³⁾	41.62	51.19	32.00	59.26	n/m
Period end total assets ⁽⁶⁾	\$402,195	\$336,373	\$241,890	\$113,215	n/m

(Dollars in millions)	Three Months Ended June 30, 2006				
	Total ⁽¹⁾	Deposits	Card Services ⁽¹⁾	Consumer Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$6,967	\$2,372	\$4,032	\$478	\$85
Noninterest income:					
Card income	2,528	473	2,054	1	-
Service charges	1,349	1,348	-	1	-
Mortgage banking income	210	-	-	210	-
Gains (losses) on sales of debt securities	-	-	-	-	-
All other income	323	-	242	11	70
Total noninterest income	4,410	1,821	2,296	223	70
Total revenue, net of interest expense	11,377	4,193	6,328	701	155
Provision for credit losses ⁽⁴⁾	1,807	30	1,733	15	29
Noninterest expense	4,508	2,126	1,883	413	86
Income before income taxes	5,062	2,037	2,712	273	40
Income tax expense ⁽³⁾	1,858	748	997	100	13
Net income	\$3,204	\$1,289	\$1,715	\$173	\$27
Net interest yield ⁽³⁾	8.15 %	2.93 %	8.59 %	2.16 %	n/m
Return on average equity ⁽⁵⁾	20.14	35.63	15.02	22.87	n/m
Efficiency ratio ⁽³⁾	39.62	50.70	29.76	58.94	n/m
Period end total assets ⁽⁶⁾	\$396,150	\$347,735	\$225,289	\$93,395	n/m

⁽¹⁾ Presented on a managed basis, specifically *Card Services*.

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(2) Effective January 1, 2007, *GCSBB* combined the former *Mortgage* and *Home Equity* businesses into *Consumer Real Estate*.

(3) FTE basis

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

(5) Average allocated equity for *GCSBB* was \$62.4 billion and \$63.8 billion for the three months ended June 30, 2007 and 2006.

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

n/m = not meaningful

Table of Contents**Global Consumer and Small Business Banking**

(Dollars in millions)	Six Months Ended June 30, 2007				
	Total ⁽¹⁾	Deposits	Card Services ⁽¹⁾	Consumer Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$14,179	\$4,745	\$8,035	\$1,070	\$329
Noninterest income:					
Card income	5,127	1,038	4,086	3	-
Service charges	2,865	2,862	-	3	-
Mortgage banking income	599	-	-	599	-
Gains (losses) on sales of debt securities	(1)	-	-	-	(1)
All other income	593	-	440	20	133
Total noninterest income	9,183	3,900	4,526	625	132
Total revenue, net of interest expense	23,362	8,645	12,561	1,695	461
Provision for credit losses ⁽⁴⁾	5,505	94	5,156	155	100
Noninterest expense	9,700	4,411	4,062	953	274
Income before income taxes	8,157	4,140	3,343	587	87
Income tax expense ⁽³⁾	3,003	1,524	1,231	216	32
Net income	\$5,154	\$2,616	\$2,112	\$371	\$55
Net interest yield ⁽³⁾	8.27 %	3.04 %	7.96 %	2.10 %	n/m
Return on average equity ⁽⁵⁾	16.67	35.39	9.67	20.29	n/m
Efficiency ratio ⁽³⁾	41.52	51.03	32.34	56.22	n/m
Period end total assets ⁽⁶⁾	\$402,195	\$336,373	\$241,890	\$113,215	n/m

(Dollars in millions)	Six Months Ended June 30, 2006				
	Total ⁽¹⁾	Deposits	Card Services ⁽¹⁾	Consumer Real Estate ⁽²⁾	ALM/Other
Net interest income ⁽³⁾	\$14,059	\$4,660	\$8,170	\$974	\$255
Noninterest income:					
Card income	4,635	901	3,730	4	-
Service charges	2,539	2,538	-	1	-
Mortgage banking income	415	-	-	415	-
Gains (losses) on sales of debt securities	(1)	-	-	-	(1)
All other income	571	-	427	23	121
Total noninterest income	8,159	3,439	4,157	443	120
Total revenue, net of interest expense	22,218	8,099	12,327	1,417	375
Provision for credit losses ⁽⁴⁾	3,708	58	3,542	29	79
Noninterest expense	9,119	4,321	3,803	819	176
Income before income taxes	9,391	3,720	4,982	569	120
Income tax expense ⁽³⁾	3,462	1,372	1,838	210	42
Net income	\$5,929	\$2,348	\$3,144	\$359	\$78
Net interest yield ⁽³⁾	8.25 %	2.91 %	8.76 %	2.23 %	n/m
Return on average equity ⁽⁵⁾	18.42	32.62	13.93	23.72	n/m
Efficiency ratio ⁽³⁾	41.04	53.36	30.85	57.75	n/m

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Period end	total asset ⁽⁶⁾	\$396,150	\$347,735	\$225,289	\$93,395	n/m
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(1) Presented on a managed basis, specifically *Card Services*.

(2) Effective January 1, 2007, *GCSBB* combined the former *Mortgage* and *Home Equity* businesses into *Consumer Real Estate*.

(3) FTE basis

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

(5) Average allocated equity for *GCSBB* was \$62.3 billion and \$64.9 billion for the six months ended June 30, 2007 and 2006.

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

n/m = not meaningful

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(Dollars in millions)	Ending Balance		Average Balance			
	June 30		Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006	2007	2006
Total loans and leases	\$324,452	\$285,885	\$317,246	\$282,390	\$312,701	\$280,821
Total earning assets ⁽¹⁾	344,765	337,138	346,045	343,093	345,803	343,753
Total assets ⁽¹⁾	402,195	396,150	401,425	396,054	401,026	396,434
Total deposits	326,978	338,827	326,741	336,105	326,647	334,413

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

The strategy for *GCSBB* is to attract, retain and deepen customer relationships. We achieve this strategy through our ability to offer a wide range of products and services through a franchise that stretches coast to coast through 30 states and the District of Columbia. We also provide credit card products to customers in Canada, Ireland, Spain and the United Kingdom. In the U.S., we serve approximately 57 million consumer and small business relationships utilizing our network of 5,749 banking centers, 17,183 domestic branded ATMs, and telephone and Internet channels. Within *GCSBB*, there are three primary businesses: *Deposits*, *Card Services*, and *Consumer Real Estate*. In addition, *ALM/Other* includes the results of ALM activities and other consumer-related businesses (e.g., insurance). *GCSBB*, specifically *Card Services*, is presented on a managed basis. For a reconciliation of managed *GCSBB* to held *GCSBB*, see *Note 16 - Business Segment Information* to the Consolidated Financial Statements.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income decreased \$745 million to \$2.5 billion compared to the same period in 2006. The increase in total revenue was more than offset by an increase in provision for credit losses in *Card Services* and an increase in noninterest expense.

Net interest income remained relatively flat compared to the same period in 2006. Noninterest income increased \$379 million, or nine percent, compared to the same period in 2006, mainly due to increases of \$148 million in card income, \$139 million in service charges and \$87 million in mortgage banking income. Card income was higher mainly due to increases in cash advance fees and interchange income from debit and credit cards. Service charges increased due to new account growth. Mortgage banking income increased due to the impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale and the net favorable performance of the MSRs.

Provision for credit losses increased \$1.3 billion, or 71 percent, to \$3.1 billion compared to the same period in 2006. This increase primarily resulted from a \$1.1 billion increase in *Card Services* which was mainly driven by portfolio seasoning reflective of growth in the businesses and increased losses from the unusually low levels experienced in 2006 post bankruptcy reform. Additionally, within *Consumer Real Estate*, higher losses inherent in our home equity portfolio reflective of the growth and seasoning of the portfolio also contributed to the increase. For further discussion of the increase in provision for credit losses related to *Card Services*, see the *Card Services* discussion on page 60.

Noninterest expense increased \$461 million, or 10 percent, to \$5.0 billion mainly due to increases in technology, overhead and personnel including the ongoing impact of adopting SFAS 159.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income decreased \$775 million to \$5.2 billion compared to the same period in 2006. The increase in noninterest income of \$1.0 billion was more than offset by the \$1.8 billion increase in provision for credit losses, driven by *Card Services*, and an increase in noninterest expense of \$581 million. These period over period changes were largely driven by the same factors as described in the three month discussion above. In addition, the change in card income was impacted by an unfavorable change in the value of the interest-only strip in the prior year compared to a favorable change in the current year.

Table of Contents**Deposits**

Deposits provides a comprehensive range of products to consumers and small businesses. Our products include traditional savings accounts, money market savings accounts, CDs and IRAs, and non-interest and interest-bearing checking accounts. Debit card results are also included in *Deposits*.

Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. *Deposits* also generate various account fees such as account service fees, non-sufficient fund fees and overdraft charges while debit cards generate interchange fees. Interchange fees are volume-based and paid by merchants to have the debit transactions processed.

We added approximately 717 thousand net new retail checking accounts and 516 thousand net new retail savings accounts for the three months ended June 30, 2007. We added approximately 1.2 million net new retail checking accounts and 943 thousand net new retail savings accounts for the six months ended June 30, 2007. These additions resulted from continued improvement in sales and service results in the Banking Center Channel, the success of innovative products such as Keep the Change and \$0 Online Equity Trades, as well as eCommerce accessibility and customer referrals.

The Corporation continues to migrate qualifying affluent customers and their related deposit balances from *GCSBB* to *GWIM*. For the three and six months ended June 30, 2007, a total of \$2.9 billion and \$6.4 billion of deposits were migrated from *GCSBB* to *GWIM* compared to \$2.1 billion and \$5.3 billion for the same periods in 2006. After migration, the associated net interest income, service charges and noninterest expense is recorded in *GWIM*.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income increased \$40 million, or three percent, compared to the same period in 2006. Net interest income remained relatively flat at \$2.4 billion compared to the same period in 2006. Average deposits decreased \$9.6 billion, or three percent, largely due to the migration of deposit balances to *GWIM*, partially offset by organic growth. Offsetting the decline in average deposits was an increase in deposit spreads of 10 bps to 3.04 percent as a result of disciplined pricing. The increase in noninterest income was driven by higher service charges of \$139 million, or 10 percent, and higher debit card interchange income of \$66 million, or 14 percent. The increase to service charges was attributable to new account growth. Debit card interchange income grew due to a higher number of checking accounts, increased usage and continued improvements in penetration rates (i.e., increase in the number of existing account holders with debit cards).

Noninterest expense increased \$128 million, or six percent, compared to the same period in 2006, primarily due to costs associated with higher transaction volume and an increase in litigation reserves.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income increased \$268 million, or 11 percent, compared to the same period in 2006. The increase in net income was driven by an increase in noninterest income of \$461 million, or 13 percent, partially offset by an increase in noninterest expense of \$90 million. Net interest income remained relatively flat at \$4.7 billion. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Card Services

Card Services, which excludes the results of debit cards (included in *Deposits*), provides a broad offering of products, including U.S. Consumer and Business Card, Unsecured Lending, Merchant Services and International Card Businesses. We offer a variety of co-branded and affinity credit card products and have become the leading issuer of credit cards through endorsed marketing in the U.S. and Europe.

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

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income decreased \$754 million, or 44 percent, compared to the same period in 2006. The decrease was driven by \$1.1 billion in higher provision for credit losses. Net interest income remained relatively flat at \$4.0 billion compared to the same period in 2006 as an increase in average loans and leases of \$16.4 billion was partially offset by spread compression.

Noninterest income increased \$90 million, or four percent, compared to the same period in 2006, mainly due to organic growth which increased cash advance fees and interchange income.

Provision for credit losses increased \$1.1 billion, or 65 percent, compared to the same period in 2006. The increase was primarily driven by higher managed net losses. Reserve increases for higher losses inherent in our small business card portfolio reflective of growth in the business, as well as from seasoning of the domestic consumer credit card and unsecured lending portfolios also contributed to the increase in provision for credit losses.

Noninterest expense increased \$175 million, or nine percent, compared to the same period in 2006, largely due to increases in overhead and technology related costs.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income decreased \$1.0 billion, or 33 percent, compared to the same period in 2006. The decrease was driven by increases in provision for credit losses of \$1.6 billion and noninterest expense of \$259 million, partially offset by an increase in noninterest income of \$369 million. These period over period changes were primarily driven by the same factors as described in the three month discussion above. In addition, the change in card income was impacted by an unfavorable change in the value of the interest-only strip in the prior year compared to a favorable change in the current year. Also, the increase in provision for credit losses was partially offset by a higher level of reserve reduction from the addition of legacy Bank of America accounts which have a higher loss profile to the domestic consumer credit card securitization master trust.

Table of Contents**Key Statistics**

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Card Services				
Average total loans and leases:				
Managed	\$204,332	\$187,898	\$202,758	\$187,222
Held	102,427	92,946	100,917	93,352
Period end total loans and leases:				
Managed	208,130	189,887	208,130	189,887
Held	105,378	93,039	105,378	93,039
Managed net losses ⁽¹⁾ :				
Amount	2,534	1,684	4,865	3,016
Percent	4.98 %	3.59 %	4.84 %	3.25 %
Credit Card ⁽²⁾				
Average total loans and leases:				
Managed	\$167,569	\$161,317	\$167,481	\$161,725
Held	68,181	73,285	68,515	74,920
Period end total loans and leases:				
Managed	169,852	162,130	169,852	162,130
Held	69,241	71,566	69,241	71,566
Managed net losses ⁽¹⁾ :				
Amount	2,099	1,474	4,052	2,720
Percent	5.02 %	3.67 %	4.88 %	3.39 %

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

⁽²⁾ Includes U.S. consumer card and foreign credit card. Does not include business card.

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

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Managed net losses increased \$850 million to \$2.5 billion, or 4.98 percent of average *Card Services* outstandings, compared to \$1.7 billion, or 3.59 percent in the same period in 2006. This increase was primarily driven by portfolio seasoning and increases from the unusually low loss levels experienced in 2006 post bankruptcy reform.

Managed *Card Services* total average loans and leases increased \$16.4 billion to \$204.3 billion compared to the same period in 2006, predominantly driven by growth in the foreign and unsecured lending portfolios.

Managed credit card net losses increased \$625 million to \$2.1 billion, or 5.02 percent of average credit card outstandings, compared to \$1.5 billion, or 3.67 percent for the same period in 2006. The increase was driven by portfolio seasoning and increases from the unusually low loss levels experienced in 2006 post bankruptcy reform.

Managed credit card total average loans and leases increased \$6.3 billion to \$167.6 billion compared to the same period in 2006. The increase was mainly driven by growth in the foreign portfolios.

Table of Contents**Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006**

Managed net losses increased \$1.8 billion to \$4.9 billion, or 4.84 percent of average *Card Services* outstandings, compared to \$3.0 billion, or 3.25 percent (\$3.3 billion or 3.50 percent excluding the impact of SOP 03-3) in the same period in 2006. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Managed credit card net losses increased \$1.3 billion to \$4.1 billion, or 4.88 percent of average credit card outstandings, compared to \$2.7 billion, or 3.39 percent (\$2.8 billion or 3.54 percent excluding SOP 03-3) for the same period in 2006. Managed credit card total average loans and leases increased \$5.8 billion to \$167.5 billion compared to the same period in 2006. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

Consumer Real Estate

Consumer Real Estate generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Consumer Real Estate* products are available to our customers through a retail network of personal bankers located in 5,749 banking centers, mortgage loan officers in nearly 200 locations and through a sales force offering our customers direct telephone and online access to our products. Additionally, we serve our customers through a partnership with more than 7,000 mortgage brokers in all 50 states. *Consumer Real Estate* products include fixed and adjustable rate loans for home purchase and refinancing needs, lines of credit and home equity loans. Mortgage products are either sold into the secondary mortgage market to investors, while retaining the Bank of America customer relationships, or are held on our balance sheet for ALM purposes. *Consumer Real Estate* is not impacted by the Corporation's mortgage production retention decisions as *Consumer Real Estate* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*.

The consumer real estate business includes the origination, fulfillment, sale and servicing of first mortgage loan products, reverse mortgage products and home equity products. Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Servicing income includes ancillary income derived in connection with these activities such as late fees.

Consumer Real Estate first mortgage and home equity production within *GCSBB* was \$44.3 billion and \$82.3 billion for the three and six months ended June 30, 2007 compared to \$38.1 billion and \$68.3 billion for the same periods in 2006. During the second quarter, the Corporation completed the purchase of a reverse mortgage business which will increase the Corporation's offerings of reverse mortgages.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income for *Consumer Real Estate* decreased \$32 million, or 18 percent, compared to the same period in 2006. The decrease in net income was driven by \$110 million in higher provision for credit losses and an increase in noninterest expense of \$95 million, partially offset by an increase in total revenue of \$155 million. The increase in total revenue was due to an increase of \$68 million, or 14 percent, in net interest income and an increase of \$87 million, or 41 percent, in mortgage banking income. Net interest income growth was predominantly driven by loan production in our home equity business, partially offset by spread compression. Average loans and leases increased \$18.5 billion, or 22 percent. The increase in mortgage banking income was primarily due to the ongoing impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale, the net favorable performance of the MSR's and increased production income. For more information on the adoption of SFAS 159 on mortgage banking income, see Mortgage Banking Risk Management on page 114.

Provision for credit losses increased \$110 million to \$125 million compared to the same period in 2006. This increase was largely driven by higher losses inherent in the home equity portfolio, reflective of growth and seasoning of the portfolio.

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Noninterest expense increased \$95 million, or 23 percent, compared to the same period in 2006, mainly driven by costs associated with increased volume and the ongoing impact of the adoption of SFAS 159 on *Consumer Real Estate* loans held-for-sale which resulted in direct origination costs related to loans for which the fair value option was elected being recorded in earnings as incurred.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income for *Consumer Real Estate* increased \$12 million, or three percent, compared to the same period in 2006. The increase in net income was driven by an increase of \$96 million, or 10 percent, in net interest income and an increase of \$184 million, or 44 percent, in mortgage banking income, partially offset by a \$126 million increase in provision for credit losses and a \$134 million increase in noninterest expense. These period over period changes were primarily driven by the same factors as described in the three month discussion above.

The *Consumer Real Estate* servicing portfolio includes loans serviced for others and originated and retained residential mortgages. The servicing portfolio at June 30, 2007 was \$460.1 billion, \$40.6 billion higher than at December 31, 2006, largely driven by production. Included in this amount was \$232.0 billion of residential first mortgage loans serviced for others.

At June 30, 2007, the residential first mortgage MSR balance was \$3.3 billion, an increase of \$400 million, or 14 percent, from December 31, 2006. This value represented 141 bps of the related unpaid principal balance, a 16 bps increase from December 31, 2006. The increase of 16 bps was primarily due to an increase in interest rates during the second quarter of 2007.

ALM/Other

ALM/Other is comprised primarily of the allocation of a portion of the Corporation's net interest income from ALM activities and the results of other consumer-related businesses (e.g., insurance).

Net income remained relatively flat at \$28 million for the three months ended June 30, 2007 and decreased \$23 million for the six months ended June 30, 2007 compared to the same periods in 2006 as an increase in noninterest expense was mostly offset by a higher contribution from ALM activities.

Table of Contents**Global Corporate and Investment Banking**

(Dollars in millions)	Three Months Ended June 30, 2007				
	Total	Business Lending	Capital Markets and Advisory Services ⁽¹⁾	Treasury Services	ALM/Other
Net interest income ⁽²⁾	\$2,618	\$1,106	\$657	\$927	\$(72)
Noninterest income:					
Service charges	683	122	36	525	-
Investment and brokerage services	221	1	210	10	-
Investment banking income	821	-	820	-	1
Trading account profits	877	5	850	16	6
Gains (losses) on sales of debt securities	-	-	-	-	-
All other income	594	268	90	211	25
Total noninterest income	3,196	396	2,006	762	32
Total revenue, net of interest expense	5,814	1,502	2,663	1,689	(40)
Provision for credit losses	41	34	(2)	9	-
Noninterest expense	3,135	533	1,654	859	89
Income before income taxes	2,638	935	1,011	821	(129)
Income tax expense (benefit) ⁽²⁾	968	346	372	303	(53)
Net income	\$1,670	\$589	\$639	\$518	\$(76)
Net interest yield ⁽²⁾	1.56 %	1.91 %	n/m	2.63 %	n/m
Return on average equity ⁽³⁾	16.15	16.21	21.09 %	28.44	n/m
Efficiency ratio ⁽²⁾	53.91	35.56	62.06	50.87	n/m
Period end total assets ⁽⁴⁾	\$728,498	\$250,751	\$435,121	\$163,076	n/m

Three Months Ended June 30, 2006

(Dollars in millions)	Three Months Ended June 30, 2006				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/Other
Net interest income ⁽²⁾	\$2,441	\$1,158	\$380	\$960	\$(57)
Noninterest income:					
Service charges	663	123	28	511	1
Investment and brokerage services	246	5	234	8	(1)
Investment banking income	644	-	644	-	-
Trading account profits	855	19	802	13	21
Gains (losses) on sales of debt securities	(4)	(4)	(1)	-	1
All other income	470	202	75	181	12
Total noninterest income	2,874	345	1,782	713	34
Total revenue, net of interest expense	5,315	1,503	2,162	1,673	(23)
Provision for credit losses	22	20	8	(5)	(1)
Noninterest expense	2,764	522	1,388	827	27
Income before income taxes	2,529	961	766	851	(49)
Income tax expense (benefit) ⁽²⁾	934	368	283	315	(32)

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Net income	\$1,595	\$593	\$483	\$536	\$(17)
Net interest yield ⁽²⁾	1.65 %	2.04 %	n/m	2.77 %	n/m
Return on average equity ⁽³⁾	15.09	14.23	17.26 %	31.19	n/m
Efficiency ratio ⁽²⁾	52.01	34.71	64.21	49.44	n/m
Period end total assets ⁽⁴⁾	\$646,861	\$237,649	\$359,013	\$157,738	n/m

⁽¹⁾ Includes \$22 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income.

⁽²⁾ FTE basis

⁽³⁾ Average allocated equity for GCIB was \$41.5 billion and \$42.4 billion for the three months ended June 30, 2007 and 2006.

⁽⁴⁾ Total assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

Table of Contents**Global Corporate and Investment Banking**

Six Months Ended June 30, 2007

(Dollars in millions)	Six Months Ended June 30, 2007				
	Total	Business Lending	Capital Markets and Advisory Services ⁽¹⁾	Treasury Services	ALM/ Other
Net interest income ⁽²⁾	\$5,030	\$2,181	\$1,141	\$1,860	\$(152)
Noninterest income:					
Service charges	1,336	247	63	1,026	-
Investment and brokerage services	453	1	431	21	-
Investment banking income	1,524	-	1,523	-	1
Trading account profits	1,715	2	1,672	28	13
Gains on sales of debt securities	2	-	2	-	-
All other income	1,077	419	191	377	90
Total noninterest income	6,107	669	3,882	1,452	104
Total revenue, net of interest expense	11,137	2,850	5,023	3,312	(48)
Provision for credit losses	156	139	9	10	(2)
Noninterest expense	6,035	1,049	3,162	1,704	120
Income before income taxes	4,946	1,662	1,852	1,598	(166)
Income tax expense (benefit) ⁽²⁾	1,829	615	685	591	(62)
Net income	\$3,117	\$1,047	\$1,167	\$1,007	\$(104)
Net interest yield ⁽²⁾	1.53 %	1.89 %	n/m	2.67 %	n/m
Return on average equity ⁽³⁾	15.27	14.61	19.81 %	27.73	n/m
Efficiency ratio ⁽²⁾	54.18	36.85	62.94	51.45	n/m
Period end total assets ⁽⁴⁾	\$728,498	\$250,751	\$435,121	\$163,076	n/m

Six Months Ended June 30, 2006

(Dollars in millions)	Six Months Ended June 30, 2006				
	Total	Business Lending	Capital Markets and Advisory Services	Treasury Services	ALM/ Other
Net interest income ⁽²⁾	\$4,930	\$2,320	\$792	\$1,907	\$(89)
Noninterest income:					
Service charges	1,313	249	61	1,004	(1)
Investment and brokerage services	492	9	467	15	1
Investment banking income	1,166	-	1,166	-	-
Trading account profits	1,831	34	1,748	25	24
Gains on sales of debt securities	10	5	4	-	1
All other income	857	245	233	348	31
Total noninterest income	5,669	542	3,679	1,392	56
Total revenue, net of interest expense	10,599	2,862	4,471	3,299	(33)
Provision for credit losses	47	35	11	1	-
Noninterest expense	5,596	1,028	2,861	1,644	63
Income before income taxes	4,956	1,799	1,599	1,654	(96)
Income tax expense (benefit) ⁽²⁾	1,836	678	592	612	(46)
Net income	\$3,120	\$1,121	\$1,007	\$1,042	\$(50)
Net interest yield ⁽²⁾	1.71 %	2.07 %	n/m	2.75 %	n/m
Return on average equity ⁽³⁾	14.91	13.60	18.22 %	28.24	n/m
Efficiency ratio ⁽²⁾	52.80	35.92	63.99	49.83	n/m
Period end total assets ⁽⁴⁾	\$646,861	\$237,649	\$359,013	\$157,738	n/m

(1) Includes \$22 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income.

(2) FTE basis

(3) Average allocated equity for GCIB was \$41.2 billion and \$42.2 billion for the six months ended June 30, 2007 and 2006.

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

n/m = not meaningful

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(Dollars in millions)	Ending Balance		Average Balance			
	June 30		Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006	2007	2006
Total loans and leases	\$257,537	\$234,643	\$253,895	\$231,073	\$250,913	\$228,080
Total trading-related assets	342,629	292,891	377,171	330,816	368,896	323,316
Total market-based earning assets ⁽¹⁾	386,187	322,574	425,647	357,617	416,928	347,170
Total earning assets ⁽²⁾	637,880	566,750	673,184	595,013	661,832	582,075
Total assets ⁽²⁾	728,498	646,861	762,794	681,000	747,997	664,968
Total deposits	221,771	191,661	220,063	193,620	214,307	190,142

⁽¹⁾ Total market-based earning assets represents earning assets included in *Capital Markets and Advisory Services* but excludes loans for which the fair value option has been elected.

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

GCIB provides a wide range of financial services to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products and advisory solutions. *GCIB*'s products and services are delivered from three primary businesses: *Business Lending*, *Capital Markets and Advisory Services* and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of ALM activities and other *GCIB* activities. Our clients are supported through offices in 23 countries that are divided into four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East, and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 101.

Effective January 1, 2007, the Corporation adopted SFAS 159 and elected to account for loans and loan commitments to certain large corporate clients at fair value. For more information on the adoption of SFAS 159, see *Note 14 Fair Value Disclosures* to the Consolidated Financial Statements and see page 92 for a discussion of loans and loan commitments measured at fair value in accordance with SFAS 159. Effective April 1, 2007, the results of loans and loan commitments to certain large corporate clients for which the Corporation elected the fair value option (including the associated risk mitigation tools) were transferred to *Capital Markets and Advisory Services* to reflect management's view of the underlying economics and the manner in which they are managed. These results were previously recorded in *Business Lending* and the impact of SFAS 159 was not material to the results of *Business Lending* or *Capital Markets and Advisory Services* for the three months ended March 31, 2007 and June 30, 2007.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income increased \$75 million, or five percent, compared to the same period in 2006. Increases in net interest income, investment banking income, and all other income were partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased \$177 million, or seven percent, attributable to an increase of \$255 million in market-based net interest income and growth in average loans and leases, partially offset by declines in margin on core lending and deposit related activities. *GCIB* experienced overall growth in average loans and leases of \$22.8 billion, or 10 percent, and an increase in average deposits of \$26.4 billion, or 14 percent, compared to the same period in 2006.

Noninterest income increased \$322 million, or 11 percent, compared to the same period in 2006, driven largely by the increases in investment banking income and all other income. The increase in investment banking income was due to increased market activity and deal flow which continued to produce higher debt underwriting and advisory fees. The increase in all other income was due to gains recognized on certain lease transactions, lower losses in credit mitigation and higher card income.

Provision for credit losses increased \$19 million to \$41 million compared to the same period in 2006. The increase was primarily driven by a lower level of commercial recoveries.

Noninterest expense increased \$371 million, or 13 percent, compared to the same period in 2006, mainly due to higher personnel expense, including performance-based incentive compensation, increased other general operating costs driven by transaction volume and an increase in litigation reserves.

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Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income remained unchanged at \$3.1 billion. The increase in total revenue of \$538 million was largely due to increases in investment banking income of \$358 million, all other income of \$220 million and net interest income of \$100 million which was offset by the increases in noninterest expense of \$439 million and provision for credit losses of \$109 million. These period over period changes were primarily driven by the same factors above. Additionally, trading account profits decreased \$116 million compared to record results for the same period in the prior year. Also, a portion of the increase in provision for credit losses was attributable to the absence of 2006 releases of reserves related to favorable commercial credit market conditions.

Business Lending

Business Lending provides a wide range of lending-related products and services to our clients through client relationship teams along with various product partners. Products include commercial and corporate bank loans and commitment facilities which cover our business banking clients, middle market commercial clients and our large multinational corporate clients. Real estate lending products are issued primarily to public and private developers, homebuilders and commercial real estate firms. Leasing and asset-based lending products offer our clients innovative financing solutions. Products also include indirect consumer loans which allow us to offer financing through automotive, marine, motorcycle and recreational vehicle dealerships across the U.S. *Business Lending* also contains the results for the economic hedging of our risk to certain credit counterparties utilizing various risk mitigation tools such as CDS and may also include the results of other products to help reduce hedging costs.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income was flat compared to the same period in 2006 as an increase in all other income was more than offset by a decrease in net interest income combined with an increase in provision for credit losses. Net interest income decreased \$52 million, or five percent, as loan growth of seven percent was more than offset by the adverse impact of lower spreads. The increase in average loans and leases was attributable to growth in the commercial and indirect consumer loan portfolio including bulk retail automotive loan purchases of \$7.5 billion. The increase in all other income was due to gains recognized on certain lease transactions and lower losses in credit mitigation. Provision for credit losses increased \$14 million to \$34 million compared to the same period in 2006, mainly due to a lower level of commercial recoveries.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net income decreased \$74 million, or seven percent, compared to the same period in 2006. The increase in all other income of \$174 million was more than offset by a decrease in net interest income of \$139 million combined with an increase in provision for credit losses of \$104 million. These period over period changes were primarily driven by the same factors as described in the three month discussion above. In addition, a portion of the increase in provision for credit losses was attributable to the absence of 2006 releases of reserves related to favorable commercial credit market conditions.

Capital Markets and Advisory Services

Capital Markets and Advisory Services provides products, advisory services and financing globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities, merger-related advisory services and risk management solutions using interest rate, equity, credit and commodity derivatives, foreign exchange, fixed income and mortgage-related products. In support of these activities, 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, and mortgage-backed and asset-backed securities. Underwriting debt and equity, securities research and certain market-based activities are executed through *Banc of America Securities, LLC* which is a primary dealer in the U.S. and several other countries.

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Capital Markets and Advisory Services market-based revenue includes net interest income, noninterest income, including equity income, and gains (losses) on sales of debt securities but excludes net interest income on loans for which the fair value option has been elected. We evaluate our trading results and strategies based on market-based revenue. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation. The following table presents further detail regarding market-based revenue. Sales and trading revenue is segregated into fixed income from liquid products (primarily interest rate and commodity derivatives, foreign exchange contracts and public finance), credit products (primarily investment and noninvestment grade corporate debt obligations and credit derivatives), structured products (primarily commercial mortgage-backed securities, residential mortgage-backed securities, and collateralized debt obligations), and equity income from equity-linked derivatives and cash equity activity.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Investment banking income				
Advisory fees	\$110	\$53	\$240	\$129
Debt underwriting	610	478	1,113	858
Equity underwriting	100	113	170	179
Total investment banking income	820	644	1,523	1,166
Sales and trading				
Fixed income:				
Liquid products	539	640	946	1,269
Credit products	326	140	803	438
Structured products	521	382	873	730
Total fixed income	1,386	1,162	2,622	2,437
Equity income	435	356	856	868
Total sales and trading	1,821	1,518	3,478	3,305
Total <i>Capital Markets and Advisory Services</i> market-based revenue ⁽¹⁾	\$2,641	\$2,162	\$5,001	\$4,471

⁽¹⁾ Market-based revenue for the three and six months ended June 30, 2007 excludes \$22 million of net interest income on loans for which the fair value option has been elected.

Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006

Net income increased \$156 million, or 32 percent, compared to the same period in 2006. Market-based revenue increased \$479 million, or 22 percent, driven by increased sales and trading of \$303 million and increased investment banking income of \$176 million. The increase in sales and trading revenue was attributable to strong performances in credit and structured products partially offset by a decrease in liquid products. The increase in investment banking income was due to increased market activity and deal flow which continued to produce higher debt underwriting and advisory fees. Noninterest expense increased \$266 million, or 19 percent, due to higher personnel expense, including performance-based incentive compensation, increased other general operating costs driven by transaction vo