BANK OF AMERICA CORP /DE/
Form 10-Q
August 08, 2006
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2006

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:

(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 x 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 x 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 x

On July 31, 2006, there were 4,525,878,588 shares of Bank of America Corporation Common Stock outstanding.

Table of Contents

Bank of America Corporation

June 30, 2006 Form 10-Q

INDEX

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended June 30 2006	Three Months Ended June 30 2005	Six Months Ended June 30 2006	Six Months Ended June 30 2005
Interest income				
Interest and fees on loans and leases	**$ 11,804**	$ 8,294	**$ 22,931**	$ 16,374
Interest and dividends on securities	**3,121**	2,796	**6,135**	5,329
Federal funds sold and securities purchased under agreements to resell	**1,900**	1,249	**3,609**	2,153
Trading account assets	**1,627**	1,426	**3,175**	2,608
Other interest income	**845**	502	**1,572**	939
Total interest income	**19,297**	14,267	**37,422**	27,403
Interest expense				
Deposits	**3,508**	2,363	**6,515**	4,545
Short-term borrowings	**4,842**	2,582	**9,151**	4,570
Trading account liabilities	**596**	611	**1,113**	1,038
Long-term debt	**1,721**	1,074	**3,237**	2,107
Total interest expense	**10,667**	6,630	**20,016**	12,260
Net interest income	**8,630**	7,637	**17,406**	15,143
Noninterest income				
Service charges	**2,077**	1,920	**3,978**	3,697
Investment and brokerage services	**1,146**	1,049	**2,249**	2,062
Mortgage banking income	**89**	189	**226**	410
Investment banking income	**612**	431	**1,113**	797
Equity investment gains	**646**	492	**1,306**	891
Card income	**3,662**	1,437	**7,093**	2,726
Trading account profits	**915**	222	**1,975**	907
Other income	**451**	1,215	**559**	1,497
Total noninterest income	**9,598**	6,955	**18,499**	12,987
Total revenue	**18,228**	14,592	**35,905**	28,130
Provision for credit losses	**1,005**	875	**2,275**	1,455
Gains (losses) on sales of debt securities	**(9)**	325	**5**	984
Noninterest expense				
Personnel	**4,480**	3,671	**9,293**	7,372
Occupancy	**703**	615	**1,404**	1,251
Equipment	**316**	297	**660**	594
Marketing	**551**	346	**1,126**	683
Professional fees	**233**	216	**451**	393
Amortization of intangibles	**441**	204	**881**	412
Data processing	**409**	368	**819**	732
Telecommunications	**228**	196	**448**	402
Other general operating	**1,162**	985	**2,267**	2,004
Merger and restructuring charges	**194**	121	**292**	233
Total noninterest expense	**8,717**	7,019	**17,641**	14,076

Income before income taxes	**8,497**	7,023	**15,994**	13,583
Income tax expense	**3,022**	2,366	**5,533**	4,533
Net income	**$ 5,475**	$ 4,657	**$ 10,461**	$ 9,050
Net income available to common shareholders	**$ 5,471**	$ 4,653	**$ 10,452**	$ 9,041
Per common share information				
Earnings	**$ 1.21**	$ 1.16	**$ 2.29**	$ 2.25
Diluted earnings	**$ 1.19**	$ 1.14	**$ 2.25**	$ 2.21
Dividends paid	**$ 0.50**	$ 0.45	**$ 1.00**	$ 0.90
Average common shares issued and outstanding (in thousands)	**4,534,627**	4,005,356	**4,572,013**	4,019,089
Average diluted common shares issued and outstanding (in thousands)	**4,601,169**	4,065,355	**4,636,959**	4,081,921

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	June 30 2006	December 31 2005
Assets		
Cash and cash equivalents	**$ 34,545**	$ 36,999
Time deposits placed and other short-term investments	**14,652**	12,800
Federal funds sold and securities purchased under agreements to resell (includes **$136,626** and $148,299 pledged as collateral)	**136,645**	149,785
Trading account assets (includes **$95,049** and $68,223 pledged as collateral)	**134,708**	131,707
Derivative assets	**25,526**	23,712
Securities:		
Available-for-sale (includes **$109,180** and $116,659 pledged as collateral)	**235,785**	221,556
Held-to-maturity, at cost (market value **- $61** and $47)	**61**	47
Total securities	**235,846**	221,603
Loans and leases	**667,953**	573,791
Allowance for loan and lease losses	**(9,080)**	(8,045)
Loans and leases, net of allowance	**658,873**	565,746
Premises and equipment, net	**9,334**	7,786
Mortgage servicing rights (includes **$3,083** measured at fair value at June 30, 2006)	**3,231**	2,806
Goodwill	**66,095**	45,354
Intangible assets	**10,338**	3,194
Other assets	**115,400**	90,311
Total assets	**$ 1,445,193**	$ 1,291,803
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 177,209**	$ 179,571
Interest-bearing	**410,940**	384,155
Deposits in foreign offices:		
Noninterest-bearing	**6,765**	7,165
Interest-bearing	**81,951**	63,779
Total deposits	**676,865**	634,670
Federal funds purchased and securities sold under agreements to repurchase	**259,108**	240,655
Trading account liabilities	**57,486**	50,890
Derivative liabilities	**18,633**	15,000
Commercial paper and other short-term borrowings	**136,886**	116,269
Accrued expenses and other liabilities (includes **$395** and $395 of reserve for unfunded lending commitments)	**39,318**	31,938
Long-term debt	**129,056**	100,848
Total liabilities	**1,317,352**	1,190,270
Commitments and contingencies (Notes 8 and 10)		

Shareholders equity		
Preferred stock, $0.01 par value; authorized - 100,000,000 shares; issued and outstanding **- 1,090,189** shares	**271**	271
Common stock and additional paid-in capital, $0.01 par value; authorized - 7,500,000,000 shares; issued and outstanding **- 4,527,940,943** and 3,999,688,491 shares	**65,822**	41,693
Retained earnings	**73,393**	67,552
Accumulated other comprehensive income (loss)	**(10,973)**	(7,556)
Other	**(672)**	(427)
Total shareholders equity	**127,841**	101,533
Total liabilities and shareholders equity	**$ 1,445,193**	$ 1,291,803

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss) [1]	Other	Total Shareholders Equity	Comprehensive Income
Balance, December 31, 2004	$ 271	4,046,546	$ 44,236	$ 58,773	$ (2,764)	$ (281)	$ 100,235	
Net income				9,050			9,050	$ 9,050
Net unrealized gains on available-for-sale debt and marketable equity securities					584		584	584
Net unrealized gains on foreign currency translation adjustments					30		30	30
Net losses on derivatives					(2,873)		(2,873)	(2,873)
Cash dividends paid:								
Common				(3,640)			(3,640)	
Preferred				(9)			(9)	
Common stock issued under employee plans and related tax benefits		53,672	2,090			(292)	1,798	
Common stock repurchased		(83,514)	(3,819)				(3,819)	
Other				(20)		(1)	(21)	
Balance, June 30, 2005	$ 271	4,016,704	$ 42,507	$ 64,154	$ (5,023)	$ (574)	$ 101,335	$ 6,791
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 unrealized losses on available-for-sale debt and marketable equity securities					**(4,373)**		**(4,373)**	**(4,373)**
Net unrealized gains on foreign currency translation adjustments					**90**		**90**	**90**
Net gains on 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**

[1] At June 30, 2006 and December 31, 2005, Accumulated Other Comprehensive Income (Loss) (OCI) includes Net Unrealized Gains (Losses) on Available-for-sale (AFS) Debt and Marketable Equity Securities of $(7,351) million and $(2,978) million; Net Gains (Losses) on Derivatives of $(3,472) million and $(4,338) million; Net Unrealized Gains (Losses) on Foreign Currency Translation Adjustments of

$(32) million and $(122) million; and Other of $(118) million and $(118) million. Amounts shown are net of tax. For additional information on Accumulated OCI, see Note 11 of the Consolidated Financial Statements.

(2) Includes the fair value of outstanding MBNA Corporation (MBNA) stock options of $435 million that were exchanged for the Corporation s options as part of the MBNA merger.

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 2006	2005
Operating activities		
Net income	**$ 10,461**	$ 9,050
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**2,275**	1,455
Gains on sales of debt securities	**(5)**	(984)
Depreciation and premises improvements amortization	**557**	478
Amortization of intangibles	**881**	412
Deferred income tax expense	**503**	425
Net (increase) decrease in trading and derivative instruments	**9,670**	(6,897)
Net increase in other assets	**(14,912)**	(299)
Net increase (decrease) in accrued expenses and other liabilities	**4,320**	(5,869)
Stock-based compensation expense	**683**	403
Other operating activities, net	**(4,403)**	(5,557)
Net cash provided by (used in) operating activities	**10,030**	(7,383)
Investing activities		
Net (increase) decrease in time deposits placed and other short-term investments	**(824)**	2,679
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	**13,140**	(57,927)
Proceeds from sales of available-for-sale securities	**7,341**	132,006
Proceeds from maturities of available-for-sale securities	**11,616**	21,808
Purchases of available-for-sale securities	**(34,795)**	(190,755)
Proceeds from maturities of held-to-maturity securities		156
Proceeds from sales of loans and leases	**12,111**	11,944
Other changes in loans and leases, net	**(71,238)**	(21,297)
Net purchases of premises and equipment	**(206)**	(563)
Proceeds from sales of foreclosed properties	**71**	58
Net cash paid for business acquisitions	**(3,519)**	
Other investing activities, net	**(516)**	306
Net cash used in investing activities	**(66,819)**	(101,585)
Financing activities		
Net increase in deposits	**13,437**	16,847
Net increase in federal funds purchased and securities sold under agreements to repurchase	**17,668**	87,969
Net increase in commercial paper and other short-term borrowings	**18,669**	15,165
Proceeds from issuance of long-term debt	**21,886**	7,806
Retirement of long-term debt	**(6,744)**	(7,714)
Proceeds from issuance of common stock	**1,734**	1,524
Common stock repurchased	**(8,066)**	(3,819)
Cash dividends paid	**(4,620)**	(3,649)
Excess tax benefits of share-based payments	**203**	
Other financing activities, net	**111**	(58)
Net cash provided by financing activities	**54,278**	114,071
Effect of exchange rate changes on cash and cash equivalents	**57**	(104)
Net increase (decrease) in cash and cash equivalents	**(2,454)**	4,999

Cash and cash equivalents at January 1	**36,999**	28,936
Cash and cash equivalents at June 30	**$ 34,545**	$ 33,935

The fair values of noncash assets acquired and liabilities assumed in the MBNA merger were $83.5 billion and $50.6 billion.

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

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

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, provide a diverse range of financial services and products throughout the U.S. and in selected international markets. At June 30, 2006, the Corporation operated its banking activities primarily under three charters: Bank of America, National Association (Bank of America, N.A.), Bank of America, N.A. (USA), and FIA Card Services, N.A. Effective June 10, 2006, MBNA America Bank N.A. was renamed FIA Card Services, N.A.

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA). The MBNA merger was accounted for under the purchase method of accounting. Consequently, MBNA s results of operations were included in the Corporation s results beginning as of January 1, 2006.

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.

Certain historical financial statements and other selected financial data were restated to comply with the accounting treatment for certain derivative transactions under the Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). For additional information on this restatement, see Note 1 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

As part of its credit portfolio management, the Corporation purchases credit protection through credit derivatives. Effective January 1, 2006, the Corporation classifies the impact of these credit derivatives that economically hedge the portfolio in Other Income. Prior to January 1, 2006, the impact was classified in Trading Account Profits.

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

Recently Issued or Proposed Accounting Pronouncements

On July 13, 2006, the Financial Accounting Standards Board (FASB) issued 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. FSP 13-2 is effective as of January 1, 2007 and requires that the cumulative effect of adoption be reflected as an adjustment to the beginning balance of Retained Earnings in the period of adoption with a corresponding offset decreasing the net investment in leveraged leases. Management currently estimates that the adoption of FSP 13-2 will result in an adjustment increasing Goodwill by approximately $400 million for leveraged leases acquired as part of the FleetBoston Merger and a charge of approximately $350 million to Retained Earnings as of January 1, 2007.

On July 13, 2006, the FASB released 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 Corporation will adopt FIN 48 on January 1, 2007. The cumulative effect, if any, of applying FIN 48 will be recorded as an adjustment to the beginning balance of Retained Earnings. Management is currently evaluating the effect of FIN 48 on the Corporation.

Table of Contents

On March 31, 2006, the FASB issued an exposure draft, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). The exposure draft requires the recognition of a plan s over-funded or under-funded status as an asset or liability and an adjustment to Accumulated OCI. Additionally, the exposure draft requires determination of the fair values of a plan s assets at a company s year-end and recognition of actuarial gains and losses, and prior service costs and credits, as a component of Accumulated OCI. A final standard is expected to be issued during the second half of 2006 and is expected to be effective December 31, 2006. If the provisions in this exposure draft had been applied as of December 31, 2005, Shareholders Equity would have been reduced by approximately $2.9 billion before tax and approximately $1.9 billion after tax. For additional information on the Corporation s pension and postretirement plans, see Note 16 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

On March 17, 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 133 and 140 (SFAS 156), which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights, or MSRs) at fair value, with the changes in fair value recorded in the Consolidated Statement of Income. The Corporation elected to early adopt the standard and to account for consumer MSRs using the fair value measurement method on January 1, 2006. Commercial related MSRs continue to be accounted for using the amortization method (i.e., lower of cost or market). The adoption of this standard did not have a material impact on the Corporation s results of operations or financial condition. For additional information on MSRs, see Note 7 of the Consolidated Financial Statements.

On February 16, 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Instruments (SFAS 155), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. The statement also subjects beneficial interests issued by securitization vehicles to the requirements of SFAS 133. The statement is effective as of January 1, 2007, with earlier adoption permitted. The adoption of SFAS No. 155 will not have a material impact on the Corporation s results of operations and financial condition.

Effective January 1, 2006, the Corporation adopted SFAS No. 123 (revised 2004), Share-based Payment (SFAS 123R). Previously, the Corporation accounted for stock-based employee compensation under the fair value-based method of accounting. For additional information on stock-based employee compensation, see Note 13 of the Consolidated Financial Statements.

For additional information on recently issued accounting pronouncements and other significant accounting principles, see Note 1 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

NOTE 2 MBNA Merger and Restructuring Activity

The Corporation acquired 100 percent of the outstanding stock of MBNA on January 1, 2006 under the terms of the MBNA merger agreement. As a result, 1,260 million shares of MBNA common stock were exchanged for 631 million shares of the Corporation s common stock. Prior to the MBNA merger, this represented approximately 16 percent of the Corporation s outstanding common stock. MBNA shareholders also received cash of $5.2 billion. The MBNA merger was a tax-free merger for the Corporation. The acquisition expands the Corporation s customer base and its opportunity to deepen customer relationships across the full breadth of the Corporation by delivering innovative deposit, lending and investment products and services to MBNA s customer base. Additionally, the acquisition allows the Corporation to significantly increase its affinity relationships through MBNA s credit card operations and sell these credit cards through its delivery channels (including the retail branch network). MBNA s results of operations were included in the Corporation s results beginning January 1, 2006.

The MBNA merger was accounted for under the purchase method of accounting in accordance with SFAS No. 141, Business Combinations. The purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the MBNA merger date as summarized below. This allocation is based on management s current estimation and could change as the fair value calculations are finalized and more information becomes available.

Table of Contents

MBNA Purchase Price Allocation (In millions, except per share amounts)

Purchase price		
Purchase price per share of the Corporation s common stock[1]	$ 45.856	
Exchange ratio	0.5009	
Purchase price per share of the Corporation s common stock exchanged	$ 22.969	
Cash portion of the MBNA merger consideration	4.125	
Implied value of one share of MBNA common stock	27.094	
MBNA common stock exchanged	1,260	
Total value of the Corporation s common stock and cash exchanged		$ 34,139
Fair value of outstanding stock options and direct acquisition costs		467
Total purchase price		**$ 34,606**
Allocation of the purchase price		
MBNA stockholders equity		$ 13,410
MBNA goodwill and other intangible assets		(3,564)
Adjustments to reflect assets acquired and liabilities assumed at fair value:		
Loans and leases		(292)
Premises and equipment		(550)
Identified intangibles [2]		7,886
Other assets		(840)
Deposits		(97)
Exit and termination liabilities		(368)
Other personnel-related liabilities		(685)
Other liabilities and deferred income taxes		(585)
Long-term debt		(409)
Estimated fair value of net assets acquired		13,906
Estimated goodwill resulting from the MBNA merger [3]		**$ 20,700**

(1) The value of the shares of common stock exchanged with MBNA shareholders was based upon the average of the closing prices of the Corporation s common stock for the period commencing two trading days before, and ending two trading days after, June 30, 2005, the date of the MBNA merger announcement.

(2) Includes purchased credit card relationships of $5,698 million, affinity relationships of $1,641 million, core deposit intangibles of $214 million, and other intangibles of $333 million. The amortization life for core deposit intangibles is 10 years, and purchased credit card relationships and affinity relationships are 15 years and are amortized on an accelerated basis.

(3) No Goodwill is expected to be deductible for tax purposes. Substantially all Goodwill was allocated to *Global Consumer and Small Business Banking*.

As a result of the MBNA merger, the Corporation acquired certain loans for which there was, at the time of the merger, evidence of deterioration of credit quality since origination and for which it was probable that all contractually required payments would not be collected. These loans were accounted for in accordance with American Institute of Certified Public Accountants Statement of Position No. 03-3 Accounting for Certain Loans or Debt Securities Acquired in a Transfer , which requires that purchased impaired loans be recorded at fair value at the time of acquisition. The purchase accounting adjustment to reduce impaired loans to fair value results in an increase in Goodwill. In addition, an adjustment was made to the Allowance for Loan and Lease Losses for those impaired loans resulting in a decrease in Goodwill. The outstanding balance and fair value of such loans was approximately $1.3 billion and $940 million as of the merger date. At June 30, 2006, the outstanding balance of such loans was approximately $297 million.

9

Table of Contents

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information presents the results of operations of the Corporation had the MBNA merger taken place at January 1, 2005.

	Pro Forma	
	Three Months Ended	Six Months Ended
(Dollars in millions)	June 30, 2005	
Net interest income	$ 8,437	$ 16,778
Noninterest income	8,834	16,609
Total revenue	17,271	33,387
Provision for credit losses	1,064	1,946
Gains on sales of debt securities	325	984
Merger and restructuring charges	136	1,016
Other noninterest expense	8,388	16,787
Income before income taxes	8,008	14,622
Net income	5,280	9,717

Merger and Restructuring Charges in the above table includes a nonrecurring restructuring charge related to legacy MBNA of $15 million and $783 million for the three and six months ended June 30, 2005. Pro forma Earnings per Common Share and Diluted Earnings per Common Share were $1.14 and $1.12 for the three months ended June 30, 2005, and $2.08 and $2.05 for the six months ended June 30, 2005.

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 MBNA. 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 a discussion of the prior year Merger and Restructuring Charges related to FleetBoston Financial Corporation, see Note 2 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

	Three Months Ended	Six Months Ended
(Dollars in millions)	June 30, 2006	
Severance and employee-related charges	$ 20	$ 33
Systems integrations and related charges	132	180
Other	42	79
Total merger and restructuring charges	**$ 194**	**$ 292**

Table of Contents

Exit Costs and Restructuring Reserves
On January 1, 2006, liabilities of $468 million for MBNA s exit and termination costs were recorded as purchase accounting adjustments resulting in an increase in Goodwill. Included in the $468 million were $409 million for severance, relocation and other employee-related expenses and $59 million for contract terminations. During the three months ended June 30, 2006, a reduction of $100 million to the exit cost reserves was recorded to reflect the impact of updated integration plans, including site consolidations. The reductions were related to severance, relocation and other employee-related expenses. In addition, cash payments of $45 million and $67 million were charged against this liability during the three and six months ended June 30, 2006, including $35 million and $37 million of severance, relocation and other employee-related costs, and $10 million and $30 million of contract terminations reducing the balance in the liability to $301 million at June 30, 2006.

Restructuring reserves were established for legacy Bank of America associate severance, other employee-related expenses, and contract terminations. During the three and six months ended June 30, 2006, $20 million and $33 million was recorded to the restructuring reserves related to associate severance and other employee-related expenses, and another $20 million and $41 million for contract terminations. During the three months ended June 30, 2006, cash payments of $4 million for severance and other employee-related costs reduced this liability. The net impact of these items increased the balance from $34 million at March 31, 2006 to $70 million at June 30, 2006.

Payments under exit costs and restructuring reserves associated with the MBNA merger are expected to be substantially complete by the end of 2007. The following table presents the changes in Exit Costs and Restructuring Reserves for the six months ended June 30, 2006.

(Dollars in millions)	**Exit Cost Reserves(1)**	**Restructuring Reserves(2)**
Balance, January 1, 2006	$	$
MBNA exit costs	468	
Restructuring charges		34
Cash payments	(22)	
Balance, March 31, 2006	446	34
MBNA exit costs	(100)	
Restructuring charges		40
Cash payments	(45)	(4)
Balance, June 30, 2006	**$ 301**	**$ 70**

(1) Exit costs reserves were established in purchase accounting resulting in an increase in Goodwill.
(2) Restructuring reserves were established by a charge to income.

Table of Contents

NOTE 3 - Trading Account Assets and Liabilities

The Corporation engages in a variety of trading-related activities that are either for clients or its own account.

The following table presents the fair values of the components of Trading Account Assets and Liabilities at June 30, 2006 and December 31, 2005.

(Dollars in millions)	June 30 2006	December 31 2005
Trading account assets		
Corporate securities, trading loans and other	**$ 44,287**	$ 46,554
U.S. government and agency securities [1]	**32,086**	31,091
Equity securities	**31,121**	31,029
Mortgage trading loans and asset-backed securities	**12,513**	12,290
Foreign sovereign debt	**14,701**	10,743
Total	**$ 134,708**	$ 131,707
Trading account liabilities		
U.S. government and agency securities [2]	**$ 18,190**	$ 23,179
Equity securities	**18,896**	11,371
Foreign sovereign debt	**10,312**	8,915
Corporate securities and other	**10,088**	7,425
Total	**$ 57,486**	$ 50,890

(1) Includes $23.8 billion at June 30, 2006 and $22.1 billion at December 31, 2005 of government-sponsored enterprise obligations that are not backed by the full faith and credit of the U.S. government.

(2) Includes $1.1 billion at June 30, 2006 and $1.4 billion at December 31, 2005 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 133 accounting purposes. Non-hedging derivatives held for trading purposes are included in Derivative Assets or Derivative Liabilities with changes in fair value reflected in Trading Account Profits. Other non-hedging derivatives that are considered 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 on the Consolidated Statement of Income. A detailed discussion of derivative trading activities and Asset and Liability Management (ALM) activities are presented in Note 5 of the Consolidated Financial Statements filed as Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

The following table presents the contract/notional amounts and credit risk amounts at June 30, 2006 and December 31, 2005 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, 2006 and December 31, 2005, the cash collateral applied against Derivative Assets on the Consolidated Balance Sheet was $10.9 billion and $9.3 billion. In addition, at June 30, 2006 and December 31, 2005, the cash collateral placed against Derivative Liabilities was $10.7 billion and $7.6 billion.

Table of Contents

(Dollars in millions)	June 30, 2006 Contract/ Notional	June 30, 2006 Credit Risk	December 31, 2005 Contract/ Notional	December 31, 2005 Credit Risk
Interest rate contracts				
Swaps	**$ 16,732,275**	**$ 13,444**	$ 14,401,577	$ 11,085
Futures and forwards	**2,065,411**	**130**	2,113,717	
Written options	**1,271,293**		900,036	
Purchased options	**1,186,715**	**2,968**	869,471	3,345
Foreign exchange contracts				
Swaps	**389,201**	**4,646**	333,487	3,735
Spot, futures and forwards	**1,242,271**	**2,785**	944,321	2,481
Written options	**403,992**		214,668	
Purchased options	**434,367**	**1,909**	229,049	1,214
Equity contracts				
Swaps	**31,440**	**721**	28,287	548
Futures and forwards	**13,060**	**24**	6,479	44
Written options	**104,657**		69,048	
Purchased options	**103,223**	**7,230**	57,693	6,729
Commodity contracts				
Swaps	**4,868**	**1,586**	8,809	2,475
Futures and forwards	**7,702**	**1**	5,533	
Written options	**7,031**		7,854	
Purchased options	**2,823**	**327**	3,673	546
Credit derivatives (1)	**986,472**	**651**	722,190	766
Credit risk before cash collateral		**36,422**		32,968
Less: Cash collateral applied		**10,896**		9,256
Total derivative assets (2)		**$ 25,526**		$ 23,712

(1) The December 31, 2005 notional amount has been restated to conform with new regulatory guidance, which defined the notional as the contractual loss protection for structured basket transactions.

(2) Includes long and short derivative positions.

The average fair value of Derivative Assets for the three months ended June 30, 2006 and December 31, 2005 was $26.1 billion and $25.2 billion. The average fair value of Derivative Liabilities for the three months ended June 30, 2006 and December 31, 2005 was $18.2 billion and $16.9 billion.

Fair Value and Cash Flow Hedges

The Corporation uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). During the next 12 months, net losses on derivative instruments included in Accumulated OCI of approximately $300 million (pre-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.

Table of Contents

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, 2006 and 2005:

(Dollars in millions)	Three Months Ended June 30 2006	Three Months Ended June 30 2005	Six Months Ended June 30 2006	Six Months Ended June 30 2005
Fair value hedges				
Hedge ineffectiveness recognized in earnings (1)	**$ 18**	$ 40	**$ (1)**	$ 45
Net gain (loss) excluded from assessment of effectiveness (2)		(4)		2
Cash flow hedges				
Hedge ineffectiveness recognized in earnings (3)	**4**	(13)	**3**	(15)
Net investment hedges				
Gains (losses) included in foreign currency translation adjustments within Accumulated OCI	**(212)**	32	**(202)**	79

(1) Included $18 million and $(1) million recorded in Net Interest Income in the Consolidated Statement of Income for the three and six months ended June 30, 2006. Included $46 million and $51 million recorded in Mortgage Banking Income for the three and six months ended June 30, 2005. Included $(6) million and $(6) million recorded in Equity Investment Gains for the three and six months ended June 30, 2005.

(2) Amounts are recorded in Mortgage Banking Income in the Consolidated Statement of Income for the three and six months ended June 30, 2005.

(3) Included $3 million and $(5) million recorded in Net Interest Income and $1 million and $(8) million recorded in Mortgage Banking Income in the Consolidated Statement of Income for the three months ended June 30, 2006 and 2005. Included $2 million and $(1) million recorded in Net Interest Income and $1 million and $(14) million recorded in Mortgage Banking Income in the Consolidated Statement of Income for the six months ended June 30, 2006 and 2005.

NOTE 5 - Outstanding Loans and Leases

Outstanding loans and leases at June 30, 2006 and December 31, 2005 were:

(Dollars in millions)	June 30 2006	December 31 2005
Consumer		
Residential mortgage	**$ 222,803**	$ 182,596
Credit card domestic	**62,990**	58,548
Credit card foreign	**8,576**	
Home equity lines	**68,856**	62,098
Direct/Indirect consumer	**59,281**	45,490
Other consumer (1)	**10,846**	6,725
Total consumer	**433,352**	355,457
Commercial		
Commercial domestic	**149,871**	140,533
Commercial real estate (2)	**37,262**	35,766
Commercial lease financing	**20,974**	20,705
Commercial foreign	**26,494**	21,330
Total commercial	**234,601**	218,334
Total	**$ 667,953**	$ 573,791

(1) Includes foreign consumer of $7.9 billion and $3.8 billion, and consumer finance of $3.0 billion and $2.8 billion at June 30, 2006 and December 31, 2005.

(2) Includes domestic commercial real estate loans of $36.5 billion and $35.2 billion, and foreign commercial real estate loans of $789 million and $585 million at June 30, 2006 and December 31, 2005.

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, 2006 and December 31, 2005. SFAS 114 impairment includes performing troubled debt restructurings and excludes all commercial leases.

(Dollars in millions)	**June 30 2006**	**December 31 2005**
Commercial domestic	**$ 618**	$ 613
Commercial real estate	**59**	49
Commercial foreign	**54**	34
Total impaired loans	**$ 731**	$ 696

Table of Contents

At June 30, 2006 and December 31, 2005, nonperforming loans and leases, including impaired loans and nonaccrual consumer loans, totaled $1.6 billion and $1.5 billion. In addition, included in Other Assets were nonperforming loans held-for-sale of $114 million and $69 million at June 30, 2006 and December 31, 2005.

NOTE 6 - Allowance for Credit Losses

The following table summarizes the changes in the allowance for credit losses for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	**2006**	**2005**	**2006**	**2005**
Allowance for loan and lease losses, beginning of period	**$ 9,067**	$ 8,313	**$ 8,045**	$ 8,626
MBNA balance, January 1, 2006			**577**	
Loans and leases charged off	**(1,407)**	(1,222)	**(2,524)**	(2,380)
Recoveries of loans and leases previously charged off	**384**	342	**679**	611
Net charge-offs	**(1,023)**	(880)	**(1,845)**	(1,769)
Provision for loan and lease losses	**1,005**	886	**2,275**	1,474
Other	**31**		**28**	(12)
Allowance for loan and lease losses, June 30	**9,080**	8,319	**9,080**	8,319
Reserve for unfunded lending commitments, beginning of period	**395**	394	**395**	402
Provision for unfunded lending commitments		(11)		(19)
Reserve for unfunded lending commitments, June 30	**395**	383	**395**	383
Total allowance for credit losses	**$ 9,475**	$ 8,702	**$ 9,475**	$ 8,702

NOTE 7 Mortgage Servicing Rights

Effective January 1, 2006, the Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income. The Corporation economically hedges these MSRs with certain derivatives such as purchased options and interest rate swaps. Prior to January 1, 2006, MSRs were accounted for on a lower of cost or market basis and hedged with derivatives that qualified for SFAS 133 hedge accounting.

Table of Contents

The following table presents activity for consumer-related MSRs for the three and six months ended June 30, 2006 and 2005.

(Dollars in millions)	Three Months Ended June 30 2006	Three Months Ended June 30 2005	Six Months Ended June 30 2006	Six Months Ended June 30 2005
Balance, beginning of period	**$ 2,925**	$ 2,547	**$ 2,673**	$ 2,358
Additions	**133**	221	**276**	386
Impact of customer payments	**(167)**		**(338)**	
Amortization		(149)		(293)
Other changes in MSR market value (1)	**192**		**472**	
Valuation adjustment of MSRs (2)		(386)		(218)
Balance, June 30 (3)	**$ 3,083**	$ 2,233	**$ 3,083**	$ 2,233

(1) Reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates and the passage of time.

(2) For the three and six months ended June 30, 2005, includes $(354) million and $(204) million related to change in value attributed to SFAS 133 hedged MSRs, and $(32) million and $(14) million of impairment charges.

(3) Net of impairment allowance of $258 million at June 30, 2005.

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 MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial MSRs were $148 million at both June 30, 2006 and December 31, 2005 and are not included in the table above.

NOTE 8 - Securitizations

The Corporation securitizes assets and may continue to hold a portion or all of the securities, subordinated tranches, interest-only strips and, in some cases, a cash reserve account, all of which are considered interests that continue to be held by a transferor in the securitized assets. Those assets may be serviced by the Corporation or by third parties. The Corporation also uses other special purpose financing entities to access the commercial paper market and for other lending, leasing and real estate activities.

As a result of the MBNA merger, the Corporation acquired interests in credit card, other consumer, and commercial loan securitization vehicles. These acquired interests include interest-only strips, subordinated tranches, cash reserve accounts, and subordinated accrued interest receivable. Changes in the fair value of the interest-only strips are recorded in Card Income. Their aggregate debt securities outstanding as of January 1, 2006, the date of acquisition, were $81.6 billion in credit card, $5.6 billion in other consumer, and $1.5 billion in commercial.

Table of Contents

Key economic assumptions used in measuring the fair value of certain interests that continue to be held by the Corporation (included in Other Assets) in credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	June 30 2006	December 31 2005
Carrying amount of residual interests (at fair value) [1]	**$ 2,522**	$ 203
Balance of unamortized securitized loans	**90,564**	2,237
Weighted average life to call or maturity (in years)	**0.3**	0.5
Revolving structures - payment rate	**12.0-19.0%**	12.1%
Impact on fair value of 100 bps favorable change	**$ 22**	$ 2
Impact on fair value of 200 bps favorable change	**49**	3
Impact on fair value of 100 bps adverse change	**(20)**	(2)
Impact on fair value of 200 bps adverse change	**(40)**	(3)
Expected credit losses (annual rate)	**3.4-5.1%**	4.0-4.3%
Impact on fair value of 10% favorable change	**$ 65**	$ 3
Impact on fair value of 25% favorable change	**184**	8
Impact on fair value of 10% adverse change	**(66)**	(3)
Impact on fair value of 25% adverse change	**(166)**	(8)
Residual cash flows discount rate (annual rate)	**12.0-12.5%**	12.0%
Impact on fair value of 100 bps favorable change	**$ 7**	$
Impact on fair value of 200 bps favorable change	**10**	
Impact on fair value of 100 bps adverse change	**(11)**	
Impact on fair value of 200 bps adverse change	**(21)**	

(1) Residual interests include interest-only strips, one or more subordinated tranches, accrued interest receivable, and in some cases, a cash reserve account.

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. The other consumer and commercial loan securitization vehicles acquired with MBNA were not material to the Corporation.

Principal proceeds from collections reinvested in revolving credit card securitizations were $40.2 billion and $79.3 billion for the three and six months ended June 30, 2006, and $1.2 billion and $3.2 billion for the three and six months ended June 30 2005. Contractual credit card servicing fee income totaled $448 million and $888 million for the three and six months ended June 30, 2006, and $29 million and $63 million for the three and six months ended June 30, 2005. Other cash flows received on interests that continued to be held by the Corporation were $1.6 billion and $3.4 billion for the three and six months ended June 30, 2006, and $45 million and $120 million for the three and six months ended June 30, 2005, for credit card securitizations.

The Corporation reviews its loans and leases portfolio on a managed basis. Managed loans and leases are defined as on-balance sheet Loans and Leases as well as those loans in revolving securitizations and other securitizations where servicing is retained that are undertaken for liquidity or other corporate purposes, which include credit card, home equity lines, commercial loans, auto and certain mortgage securitizations. Managed loans and leases excludes originate-to-distribute loans and other loans in securitizations where the Corporation has not retained servicing. New advances on accounts for which previous loan balances were sold to the securitization trusts will be recorded on the Corporation s Consolidated Balance Sheet after the revolving period of the securitization, which has the effect of increasing Loans and Leases on the Corporation s Consolidated Balance Sheet and increasing Net Interest Income and charge-offs, with a corresponding reduction in Noninterest Income.

Portfolio balances, delinquency and historical loss amounts of the managed loans and leases portfolio as of June 30, 2006 and December 31, 2005, and for the three and six months ended June 30, 2006 and 2005 were as follows:

	June 30, 2006			December 31, 2005 (1)		
(Dollars in millions)	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More	Non-performing Loans and Leases	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More	Non-performing Loans and Leases
Residential mortgage (2)	**$ 227,997**	**$ 32**	**$ 537**	$ 188,502	$	$ 570
Credit card - domestic	**137,588**	**3,188**		60,785	1,217	
Credit card - foreign	**24,542**	**557**				
Home equity lines	**69,229**		**136**	62,553	3	117
Direct/Indirect consumer	**68,099**	**364**	**35**	49,486	75	37
Other consumer	**10,846**	**39**	**99**	6,725	15	61
Total consumer	**538,301**	**4,180**	**807**	368,051	1,310	785
Commercial - domestic	**153,008**	**202**	**606**	142,437	117	581
Commercial real estate	**37,262**	**9**	**59**	35,766	4	49
Commercial lease financing	**20,974**	**21**	**43**	20,705	15	62
Commercial - foreign	**26,494**	**12**	**54**	21,330	32	34
Total commercial	**237,738**	**244**	**762**	220,238	168	726
Total managed loans and leases	**776,039**	**4,424**	**1,569**	588,289	1,478	1,511
Managed loans in securitizations	**(108,086)**	**(1,991)**	**(2)**	(14,498)	(23)	
Total held loans and leases	**$ 667,953**	**$ 2,433**	**$ 1,567**	$ 573,791	$ 1,455	$ 1,511

(1) The amounts for December 31, 2005 have been restated to include certain mortgage and auto securitizations as these are now included in the Corporation s definition of managed loans and leases.

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

Table of Contents

(Dollars in millions)	Three Months Ended June 30, 2006 Average Loans and Leases Outstanding	Three Months Ended June 30, 2006 Loans and Leases Net Losses	Three Months Ended June 30, 2006 Net Loss Ratio[(2)]	Three Months Ended June 30, 2005 [(1)] Average Loans and Leases Outstanding	Three Months Ended June 30, 2005 [(1)] Loans and Leases Net Losses	Three Months Ended June 30, 2005 [(1)] Net Loss Ratio[(2)]
Residential mortgage	**$ 202,552**	**$ 14**	**0.03%**	$ 170,619	$ 11	0.03%
Credit card - domestic	**137,315**	**1,227**	**3.58**	58,537	909	6.23
Credit card - foreign	**24,002**	**247**	**4.13**			
Home equity lines	**67,590**	**12**	**0.07**	55,537	9	0.07
Direct/Indirect consumer	**65,975**	**184**	**1.12**	44,552	46	0.43
Other consumer	**10,804**	**75**	**2.80**	6,968	43	2.48
Total consumer	**508,238**	**1,759**	**1.39**	336,213	1,018	1.23
Commercial - domestic	**151,794**	**63**	**0.17**	127,277	(7)	(0.02)
Commercial real estate	**36,749**	**1**		33,484	1	0.01
Commercial lease financing	**20,896**	**(17)**	**(0.33)**	20,446	9	0.19
Commercial - foreign	**24,345**	**5**	**0.08**	17,780	(6)	(0.15)
Total commercial	**233,784**	**52**	**0.09**	198,987	(3)	(0.01)
Total managed loans and leases	**742,022**	**1,811**	**0.98%**	535,200	1,015	0.77%
Managed loans in securitizations	**(106,373)**	**(788)**		(14,785)	(135)	
Total held loans and leases	**$ 635,649**	**$ 1,023**		$ 520,415	$ 880	

(Dollars in millions)	Six Months Ended June 30, 2006 Average Loans and Leases Outstanding	Six Months Ended June 30, 2006 Loans and Leases Net Losses	Six Months Ended June 30, 2006 Net Loss Ratio[(2)]	Six Months Ended June 30, 2005 [(1)] Average Loans and Leases Outstanding	Six Months Ended June 30, 2005 [(1)] Loans and Leases Net Losses	Six Months Ended June 30, 2005 [(1)] Net Loss Ratio[(2)]
Residential mortgage	**$ 196,522**	**$ 24**	**0.02%**	$ 177,693	$ 15	0.02 %
Credit card - domestic	**138,329**	**2,300**	**3.35**	58,342	1,794	6.20
Credit card - foreign	**23,396**	**420**	**3.62**			
Home equity lines	**66,123**	**20**	**0.06**	53,793	15	0.06
Direct/Indirect consumer	**65,318**	**319**	**0.98**	43,712	114	0.53
Other consumer	**10,581**	**117**	**2.25**	7,136	99	2.81
Total consumer	**500,269**	**3,200**	**1.29**	340,676	2,037	1.21
Commercial - domestic	**149,978**	**126**	**0.17**	127,214	19	0.03
Commercial real estate	**36,713**			33,252	1	
Commercial lease financing	**20,705**	**(40)**	**(0.39)**	20,594	34	0.34
Commercial - foreign	**23,745**	**6**	**0.05**	17,676	(35)	(0.40)
Total commercial	**231,141**	**92**	**0.08**	198,736	19	0.02
Total managed loans and leases	**731,410**	**3,292**	**0.91%**	539,412	2,056	0.78%
Managed loans in securitizations	**(105,547)**	**(1,447)**		(16,756)	(287)	
Total held loans and leases	**$ 625,863**	**$ 1,845**		$ 522,656	$ 1,769	

(1) The amounts for the three and six months ended June 30, 2005 have been restated to include certain mortgage and auto securitizations as these are now included in the Corporation s definition of managed loans and leases.

(2) The net loss ratio is calculated by dividing annualized managed loans and leases net losses by average managed loans and leases outstanding for each loan and lease category.

Variable Interest Entities

At June 30, 2006 and December 31, 2005, the assets and liabilities of the Corporation s multi-seller asset-backed commercial paper conduits that have been consolidated in accordance with FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 were reflected in Available-for-sale Securities, Other Assets, and Commercial Paper and Other Short-term Borrowings in *Global Corporate and Investment Banking*. As of June 30, 2006 and December 31, 2005, the Corporation held $8.7 billion and $6.6 billion of assets in these entities, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum loss exposure associated with these entities including unfunded lending commitments would be approximately $10.6 billion and $8.3 billion. 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, 2006 and December 31, 2005, the amount of assets of these entities was $1.5 billion and $750 million, and in the unlikely event that all of the assets in the VIEs become worthless, the Corporation s maximum possible loss exposure would be $1.0 billion and $212 million.

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 other special purpose vehicles that engage in lending, investing, or real estate activities. Total assets of these entities at June 30, 2006 and December 31, 2005 were approximately $38.1 billion and $32.5 billion. Revenues associated with administration, liquidity, letters of credit and other services were approximately $44 million and $74 million for the three and six months ended June 30, 2006, and $51 million and $101 million for the three and six months ended June 30, 2005. At June 30, 2006 and December 31, 2005, 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 $30.8 billion and $26.7 billion, which is net of amounts syndicated.

Management does not believe losses resulting from its involvement with the entities discussed above will be material. See Notes 1 and 9 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s 2005 Current Report on Form 8-K filed on May 25, 2006 for additional discussion of securitizations and special purpose financing entities.

NOTE 9- Goodwill and Intangibles

The following table presents allocated Goodwill at June 30, 2006 and December 31, 2005 for each business segment and *All Other*.

(Dollars in millions)	June 30 2006	December 31 2005
Global Consumer and Small Business Banking	**$ 39,199**	$18,491
Global Corporate and Investment Banking	**21,304**	21,292
Global Wealth and Investment Management	**5,333**	5,333
All Other	**259**	238
Total	**$ 66,095**	$45,354

Table of Contents

The gross carrying values and accumulated amortization related to Intangible Assets at June 30, 2006 and December 31, 2005 are presented below:

	June 30, 2006		December 31, 2005	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	**Gross Carrying Value**	**Accumulated Amortization**
Purchased credit card relationships	**$ 6,477**	**$ 627**	$ 660	$ 217
Core deposit intangibles	**3,875**	**2,147**	3,661	1,881
Affinity relationships	**1,656**	**103**		
Other intangibles	**2,036**	**829**	1,693	722
Total	**$ 14,044**	**$ 3,706**	$ 6,014	$ 2,820

For additional information on the impact of the MBNA merger, see Note 2 of the Consolidated Financial Statements.

Amortization expense on intangibles was $441 million and $204 million for the three months ended June 30, 2006 and 2005, and $881 million and $412 million for the six months ended June 30, 2006 and 2005. The Corporation estimates that aggregate amortization expense will be approximately $440 million for both the third and fourth quarters of 2006. In addition, the Corporation estimates the aggregate amortization expense will be approximately $1.5 billion, $1.3 billion, $1.2 billion, $1.0 billion and $900 million for 2007, 2008, 2009, 2010 and 2011, respectively.

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 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006. The outstanding unfunded lending commitments shown in the following table have been reduced by amounts participated to other financial institutions of $31.8 billion and $30.4 billion at June 30, 2006 and December 31, 2005. The carrying amount for these commitments, which represents the liability recorded related to these instruments, at June 30, 2006 and December 31, 2005 was $443 million and $458 million. At June 30, 2006, the carrying amount included deferred revenue of $48 million and a reserve for unfunded lending commitments of $395 million. At December 31, 2005, the carrying amount included deferred revenue of $63 million and a reserve for unfunded lending commitments of $395 million.

Table of Contents

(Dollars in millions)	June 30 2006	December 31 2005
Loan commitments [1]	**$ 320,309**	$ 277,757
Home equity lines of credit	**89,869**	78,626
Standby letters of credit and financial guarantees	**45,894**	43,095
Commercial letters of credit	**5,528**	5,154
Legally binding commitments	**461,600**	404,632
Credit card lines [2]	**830,259**	192,968
Total	**$ 1,291,859**	$ 597,600

(1) At June 30, 2006 and December 31, 2005, there were equity commitments of $1.5 billion and $1.4 billion, related to obligations to further fund Principal Investing equity investments.

(2) As part of the MBNA merger, on January 1, 2006, the Corporation acquired $588.4 billion of unused credit card lines.

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, 2006 and December 31, 2005, charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. government in the amount of $9.3 billion and $9.4 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were $280 million and $171 million at June 30, 2006 and December 31, 2005.

At June 30, 2006, the Corporation had whole mortgage loan purchase commitments of $974 million, all of which will settle in the third quarter of 2006. At December 31, 2005, the Corporation had whole mortgage loan purchase commitments of $4.0 billion, all of which settled in the first quarter of 2006.

The Corporation has entered into operating leases for certain of its premises and equipment. Commitments under these leases approximate $1.3 billion in 2006, $1.2 billion in 2007, $1.2 billion in 2008, $900 million in 2009, $750 million in 2010 and $5.0 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. In 2005, the Corporation purchased $5.0 billion of such loans. For the six months ending June 30, 2006, the Corporation purchased $5.0 billion of such loans. Under the agreement, the Corporation is committed to purchase up to $5.0 billion of such loans for the period July 1, 2006 through June 30, 2007 and up to $10 billion in each of the agreement s next three fiscal years. As of June 30, 2006, the remaining commitment amount was $35.0 billion.

Other Guarantees

The Corporation provides credit and debit card processing services to various merchants, 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 four 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, 2006 and 2005, the Corporation processed $97.2 billion and $84.3 billion of transactions and recorded losses as a result of these chargebacks of $5 million and $3 million. For the six months ended June 30, 2006 and 2005, the Corporation processed $185.6 billion and $160.0 billion of transactions and recorded losses as a result of these chargebacks of $9 million and $6 million.

Table of Contents

At June 30, 2006 and December 31, 2005, the Corporation held as collateral approximately $376 million and $248 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 four months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of June 30, 2006 and December 31, 2005, the maximum potential exposure totaled approximately $118.0 billion and $118.2 billion.

For additional information on other guarantees, see Note 13 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see Note 9 of the Consolidated Financial Statements filed on Exhibit 99.2 to the Corporation s Current Report on Form 8-K filed on May 25, 2006.

Litigation and Regulatory Matters

The following disclosure supplements the disclosure in the Corporation s Current Report on Form 8-K filed on May 25, 2006, as well as the Form 10-Q for the three months ended March 31, 2006.

Adelphia

Banc of America Securities LLC (BAS) and Bank of America, N.A. (BANA), wholly-owned subsidiaries of Bank of America Corporation (the Corporation), reached an agreement to settle the Adelphia class action securities litigation, *In re Adelphia Communications Corporation Securities and Derivative Litigation*, currently pending in the U. S. District Court for the Southern District of New York. Under the terms of the settlement, 39 financial institutions, including BAS and BANA, collectively will make a pre-tax payment of up to $250 million to the settlement class, which consists, with certain exceptions, of all persons who purchased or otherwise acquired securities issued by Adelphia or Adelphia-related entities between August 16, 1999 through June 10, 2002. The court granted preliminary approval of the settlement on June 15, 2006 and scheduled a hearing on final approval for November 10, 2006.

Interchange Anti-Trust Litigation

In the *In re Payment Card Interchange Fee and Merchant Discount Anti-Trust Litigation* case, plaintiffs filed a supplemental complaint alleging as additional claims (i) federal antitrust claims arising out of MasterCard s initial public offering and (ii) a fraudulent conveyance claim under New York Debtor and Creditor Law. Plaintiffs seek unspecified treble damages and injunctive relief.

Mutual Fund Operations Matters

On April 4, 2006, the Corporation and certain of its subsidiaries, including pre-merger FleetBoston subsidiaries, entered into an agreement in principle to resolve the class and derivative actions concerning mutual fund trading in the Columbia mutual funds. The agreement in principle, which is subject to court approval, provides that the Corporation will pay $9.6 million in settlement consideration.

With respect to the case that was originally filed in a state court in Illinois, on June 15, 2006, the U.S. Supreme Court held that the U.S. Court of Appeals for the Seventh Circuit did not have appellate jurisdiction to review the order remanding the case to state court. This case is part of the settlement concerning trading in the Columbia mutual funds.

Parmalat Finanziaria S.p.A.

On April 10, 2006, certain purchasers of Parmalat-related private placements of securities filed first amended complaints against the Corporation and various related entities in the U.S. District Court for the Northern District of Illinois, entitled *Prudential Insurance Company of America and Hartford Life Insurance v. Bank of America Corporation, et al.* and *Allstate Life Insurance Company Bank of America Corporation, et al*. (collectively, the Illinois Actions). The Illinois Actions allege violations of Illinois state securities law and various state law claims, and seek rescission and unspecified damages based upon the Corporation s and related entities alleged roles in certain private placements of securities issued by Parmalat-related companies. On June 13, 2006, the

Table of Contents

Illinois Actions were transferred and consolidated for pretrial purposes with the *In re Parmalat Securities Litigation* matter pending in the U.S. District Court for the Southern District of New York.

On May 18, 2006, Hartford Life Insurance Company, a purchaser of Parmalat-related private placements of securities filed a complaint against the Corporation and various related entities in U.S. District Court for the Southern District of New York, entitled *Hartford Life Insurance v. Bank of America Corporation, et al.* (the Hartford Action). The Hartford Action alleges violations of federal and Connecticut state securities law and various other state law claims, and seeks rescission and unspecified damages based upon the Corporation s and related entities alleged roles in certain private placements of securities issued by Parmalat-related companies. On May 23, 2006 the Hartford Action was transferred and consolidated for pretrial purposes with the *In Re Parmalat Securities Litigation* matter.

On April 21, 2006, the Plan Administrator of the Plan of Liquidation of Parmalat-USA Corporation filed a complaint in the U.S. District Court for the Southern District of New York against the Corporation and certain of its subsidiaries, as well as other financial institutions and accounting firms entitled *G. Peter Pappas in his capacity as the Plan Administrator of the Plan of Liquidation of Parmalat-USA Corporation v. Bank of America Corporation, et al.* (the Parmalat USA Action). The Parmalat USA Action asserts claims of aiding and abetting, breach of fiduciary duty, civil conspiracy and related claims against the Bank of America defendants and other defendants. The plaintiff seeks unspecified damages.

Pension Plan Matters

In *William L. Pender, et al. v. Bank of America Corporation, et al.,* on May 3, 2006, the court vacated the scheduled September 2006 trial date, to be rescheduled after the court has ruled on defendants motion to dismiss or plaintiffs motion for class certification.

In *Donna C. Richards v. FleetBoston Financial Pension Plan, et al.,* on May 8, 2006, defendants moved to dismiss plaintiff s amended claims alleging violation of ERISA s anti-backloading rule and breach of fiduciary duty. That motion is pending.

Refco

Most of the putative class actions relating to Refco Inc. have been consolidated for pre-trial purposes in the U.S. District Court for the Southern District of New York. BAS and certain other underwriter defendants have moved to dismiss the claims in the consolidated class actions alleging violations of the federal securities laws relating to the Refco senior subordinated notes offering in August 2004. The derivative lawsuits relating to Refco have been dismissed with prejudice for failure to prosecute.

Table of Contents

NOTE 11 - Shareholders   Equity and Earnings Per Common Share

The following table presents share repurchase activity for the three and six months ended June 30, 2006 and 2005, 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)	Number of Common Shares Repurchased under Announced Programs [1]	Weighted Average Per Share Price [1]	Remaining Buyback Authority under Announced Programs [2]	
			Amounts	Shares
Three months ended March 31, 2006	**88,450**	**$ 46.02**	**$ 5,847**	**65,738**
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**		

(Dollars in millions, except per share information; shares in thousands)	Number of Common Shares Repurchased under Announced Programs [3]	Weighted Average Per Share Price [3]	Remaining Buyback Authority under Announced Programs [2]	
			Amounts	Shares
Three months ended March 31, 2005	43,214	$ 46.05	$ 14,688	237,411
April 1-30, 2005	18,200	44.57	13,877	219,211
May 1-31, 2005	11,050	45.70	13,372	208,161
June 1-30, 2005	11,050	46.40	11,865	197,111
Three months ended June 30, 2005	40,300	45.38		
Six months ended June 30, 2005	83,514	45.73		

(1) Reduced Shareholders   Equity by $8.1 billion and increased diluted earnings per common share by $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 $0.01 for the six months ended June 30, 2006.

(2) On January 28, 2004, our Board of Directors (the Board) authorized a stock repurchase program of up to 180 million shares of the Corporation s common stock at an aggregate cost not to exceed $9.0 billion. This repurchase plan was completed during the second quarter of 2005. 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. On April 26, 2006, the Board authorized an additional 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.

(3) Reduced Shareholders   Equity by $3.8 billion and increased diluted earnings per common share by $0.02 for the six months ended June 30, 2005. These repurchases were partially offset by the issuance of approximately 53.7 million shares of common stock under employee plans, which increased Shareholders   Equity by $1.8 billion, net of $292 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by $0.01 for the six months ended June 30, 2005.

The Corporation will continue to 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 at least equal to any shares issued under the Corporation s employee stock plans.

On July 26, 2006, the Board increased the regular quarterly cash dividend on common stock from $0.50 to $0.56 per share, payable on September 22, 2006 to common shareholders of record on September 1, 2006. In April 2006, the Board declared a quarterly cash dividend of $0.50 per common share which was paid on June 23, 2006 to common shareholders of record on June 2, 2006.

Table of Contents

The following table presents the changes in Accumulated OCI for the six months ended June 30, 2006 and 2005.

(Dollars in millions) [1]	Securities	Derivatives [2]	Other	Total
Balance, December 31, 2004	$ (197)	$ (2,279)	$ (288)	$ (2,764)
Net change in fair value recorded in Accumulated OCI	1,335	(3,064)	30	(1,699)
Net realized (gains) losses reclassified into earnings[3]	(751)	191		(560)
Balance, June 30, 2005	$ 387	$ (5,152)	$ (258)	$ (5,023)
Balance, December 31, 2005	**$ (2,978)**	**$ (4,338)**	**$ (240)**	**$ (7,556)**
Net change in fair value recorded in Accumulated OCI	**(4,153)**	**771**	**90**	**(3,292)**
Net realized (gains) losses reclassified into earnings [3]	**(220)**	**95**		**(125)**
Balance, June 30, 2006	**$ (7,351)**	**$ (3,472)**	**$ (150)**	**$ (10,973)**