

BANK OF AMERICA CORP /DE/

Form 10-Q

August 06, 2010

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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, 2010

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:

1-6523

Exact Name of Registrant as Specified in its Charter:

Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:

Delaware

IRS Employer Identification Number:

56-0906609

Address of Principal Executive Offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant's telephone number, including area code:

(704) 386-5681

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(do not check if a smaller reporting company)			

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

Yes ☐ No ☒

On July 31, 2010, there were 10,033,844,854 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation

June 30, 2010 Form 10-Q

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Table of Contents**Part 1. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****Bank of America Corporation and Subsidiaries****Consolidated Statement of Income**

(Dollars in millions, except per share information)	Three Months Ended June		Six Months Ended June 30	
	2010	2009	2010	2009
Interest income				
Interest and fees on loans and leases	\$ 12,887	\$ 12,329	\$ 26,362	\$ 25,678
Interest on debt securities	2,917	3,283	6,033	7,113
Federal funds sold and securities borrowed or purchased under agreements to resell	457	690	905	1,845
Trading account assets	1,808	1,952	3,551	4,380
Other interest income	1,062	1,338	2,159	2,732
Total interest income	19,131	19,592	39,010	41,748
Interest expense				
Deposits	1,031	2,082	2,153	4,625
Short-term borrowings	891	1,396	1,709	3,617
Trading account liabilities	727	450	1,387	1,029
Long-term debt	3,582	4,034	7,112	8,350
Total interest expense	6,231	7,962	12,361	17,621
Net interest income	12,900	11,630	26,649	24,127
Noninterest income				
Card income	2,023	2,149	3,999	5,014
Service charges	2,576	2,729	5,142	5,262
Investment and brokerage services	2,994	2,994	6,019	5,957
Investment banking income	1,319	1,646	2,559	2,701
Equity investment income	2,766	5,943	3,391	7,145
Trading account profits	1,227	2,164	6,463	7,365
Mortgage banking income	898	2,527	2,398	5,841
Insurance income	678	662	1,393	1,350
Gains on sales of debt securities	37	632	771	2,130
Other income	1,861	724	3,065	3,037
Other-than-temporary impairment losses on available-for-sale debt securities:				
Total other-than-temporary impairment losses	(462)	(1,110)	(1,783)	(1,824)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	336	84	1,056	427
Net impairment losses recognized in earnings on available-for-sale debt securities	(126)	(1,026)	(727)	(1,397)

Total noninterest income	16,253	21,144	34,473	44,405
Total revenue, net of interest expense	29,153	32,774	61,122	68,532
Provision for credit losses	8,105	13,375	17,910	26,755
Noninterest expense				
Personnel	8,789	7,790	17,947	16,558
Occupancy	1,182	1,219	2,354	2,347
Equipment	613	616	1,226	1,238
Marketing	495	499	982	1,020
Professional fees	644	544	1,161	949
Amortization of intangibles	439	516	885	1,036
Data processing	632	621	1,280	1,269
Telecommunications	359	345	689	672
Other general operating	3,592	4,041	7,475	7,339
Merger and restructuring charges	508	829	1,029	1,594
Total noninterest expense	17,253	17,020	35,028	34,022
Income before income taxes	3,795	2,379	8,184	7,755
Income tax expense (benefit)	672	(845)	1,879	284
Net income	\$ 3,123	\$ 3,224	\$ 6,305	\$ 7,471
Preferred stock dividends	340	805	688	2,238
Net income applicable to common shareholders	\$ 2,783	\$ 2,419	\$ 5,617	\$ 5,233
Per common share information				
Earnings	\$ 0.28	\$ 0.33	\$ 0.56	\$ 0.75
Diluted earnings	0.27	0.33	0.55	0.75
Dividends paid	0.01	0.01	0.02	0.02
Average common shares issued and outstanding (in thousands)	9,956,773	7,241,515	9,570,166	6,808,262
Average diluted common shares issued and outstanding (in thousands)	10,029,776	7,269,518	10,020,926	6,836,972

See accompanying Notes to Consolidated Financial Statements.

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

(Dollars in millions)	June 30 2010	December 31 2009
Assets		
Cash and cash equivalents	\$ 151,034	\$ 121,339
Time deposits placed and other short-term investments	20,718	24,202
Federal funds sold and securities borrowed or purchased under agreements to resell (includes \$68,109 and \$57,775 measured at fair value and \$247,504 and \$189,844 pledged as collateral)	247,667	189,933
Trading account assets (includes \$33,269 and \$30,921 pledged as collateral)	197,376	182,206
Derivative assets	83,331	80,689
Debt securities:		
Available-for-sale (includes \$138,081 and \$122,708 pledged as collateral)	314,765	301,601
Held-to-maturity, at cost (fair value - \$435 and \$9,684)	435	9,840
Total debt securities	315,200	311,441
Loans and leases (includes \$3,898 and \$4,936 measured at fair value and \$105,034 and \$118,113 pledged as collateral)	956,177	900,128
Allowance for loan and lease losses	(45,255)	(37,200)
Loans and leases, net of allowance	910,922	862,928
Premises and equipment, net	14,536	15,500
Mortgage servicing rights (includes \$14,745 and \$19,465 measured at fair value)	15,041	19,774
Goodwill	85,801	86,314
Intangible assets	10,796	12,026
Loans held-for-sale (includes \$27,464 and \$32,795 measured at fair value)	38,046	43,874
Customer and other receivables	86,466	81,996
Other assets (includes \$56,308 and \$55,909 measured at fair value)	186,944	191,077
Total assets	\$ 2,363,878	\$ 2,223,299

Consolidated Balance Sheet**Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)**

Trading account assets	\$ 10,675
Derivative assets	2,094
Available-for-sale debt securities	9,493
Loans and leases	134,143
Allowance for loan and lease losses	(10,585)
Loans and leases, net of allowance	123,558

Loans held-for-sale	3,371
All other assets	9,190
Total assets of consolidated VIEs	\$ 158,381

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Balance Sheet (continued)**

	June 30 2010	December 31 2009
(Dollars in millions)		
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	\$ 258,988	\$ 269,615
Interest-bearing (includes \$2,081 and \$1,663 measured at fair value)	640,807	640,789
Deposits in foreign offices:		
Noninterest-bearing	5,791	5,489
Interest-bearing	68,881	75,718
Total deposits	974,467	991,611
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes \$42,741 and \$37,325 measured at fair value)	307,211	255,185
Trading account liabilities	89,982	65,432
Derivative liabilities	62,789	43,728
Commercial paper and other short-term borrowings (includes \$6,752 and \$813 measured at fair value)	73,358	69,524
Accrued expenses and other liabilities (includes \$26,297 and \$19,015 measured at fair value and \$1,413 and \$1,487 of reserve for unfunded lending commitments)	132,814	127,854
Long-term debt (includes \$44,170 and \$45,451 measured at fair value)	490,083	438,521
Total liabilities	2,130,704	1,991,855
Commitments and contingencies (<i>Note 8 Securitizations and Other Variable Interest Entities and Note 11 Commitments and Contingencies</i>)		
Shareholders' equity		
Preferred stock, \$0.01 par value; authorized 100,000,000 shares; issued and outstanding 3,960,660 and 5,246,660 shares	17,993	37,208
Common stock and additional paid-in capital, \$0.01 par value; authorized 12,800,000,000 and 10,000,000,000 shares; issued and outstanding 10,033,016,719 and 8,650,243,926 shares	149,175	128,734
Retained earnings	70,497	71,233
Accumulated other comprehensive income (loss)	(4,447)	(5,619)
Other	(44)	(112)
Total shareholders' equity	233,174	231,444
Total liabilities and shareholders' equity	\$ 2,363,878	\$ 2,223,299

Consolidated Balance Sheet

Liabilities of consolidated VIEs included in total liabilities above

Commercial paper and other short-term borrowings (includes \$11,586 of non-recourse liabilities)	\$ 17,848
Long-term debt (includes \$81,243 of non-recourse debt)	85,186
All other liabilities (includes \$1,663 of non-recourse liabilities)	2,535
Total liabilities of consolidated VIEs	\$ 105,569

See accompanying Notes to Consolidated Financial Statements.

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

	Preferred	Common Stock and Additional Paid-in Capital		Retained	Accumulated Other Comprehensive Income		Total	Comprehensive
	Stock	Shares	Amount	Earnings	(Loss)	Other	Equity	(Loss)
Dollars in millions, shares in thousands)								
Balance, December 31, 2008	\$ 37,701	5,017,436	\$ 76,766	\$ 73,823	\$ (10,825)	\$ (413)	\$ 177,052	
cumulative adjustment for accounting change -								
other-than-temporary impairments on debt securities				71	(71)		-	
income				7,471			7,471	\$ 7,471
change in available-for-sale debt and marketable								
equity securities					(993)		(993)	(993)
change in foreign currency translation								
adjustments					(101)		(101)	(101)
change in derivatives					487		487	487
employee benefit plan adjustments					276		276	276
dividends paid:								
common				(150)			(150)	(150)
preferred				(2,235)			(2,235)	(2,235)
exercise of preferred stock and stock warrants	26,800		3,200				30,000	30,000
stock issued in acquisition	8,605	1,375,476	20,504				29,109	29,109
exercise of common stock		1,250,000	13,468				13,468	13,468
change of preferred stock	(14,797)	999,935	14,221	576			-	-
common stock issued under employee plans and								
related tax effects		8,612	558			205	763	763
other	351			(346)			5	5
Balance, June 30, 2009	\$ 58,660	8,651,459	\$ 128,717	\$ 79,210	\$ (11,227)	\$ (208)	\$ 255,152	\$ 7,152
Balance, December 31, 2009	\$ 37,208	8,650,244	\$ 128,734	\$ 71,233	\$ (5,619)	\$ (112)	\$ 231,444	
cumulative adjustment for accounting change -								
consolidation of certain variable interest entities				(6,154)	(116)		(6,270)	(6,270)
income				6,305			6,305	6,305
change in available-for-sale debt and marketable								
equity securities					1,520		1,520	1,520
change in foreign currency translation								
adjustments					146		146	146
change in derivatives					(505)		(505)	(505)
employee benefit plan adjustments					127		127	127
dividends paid:								
common				(202)			(202)	(202)
preferred				(688)			(688)	(688)
common stock issued under employee plans and								
related tax effects		96,773	1,197			61	1,258	1,258
common Equivalent Securities conversion	(19,244)	1,286,000	19,244				-	-
other	29			3		7	39	39

ance, June 30, 2010

\$ 17,993 10,033,017 \$ 149,175 \$ 70,497 \$ (4,447) \$ (44) \$ 233,174 \$ 7,4

See accompanying Notes to Consolidated Financial Statements.

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

(Dollars in millions)	Six Months Ended June 30	
	2010	2009
Operating activities		
Net income	\$ 6,305	\$ 7,471
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses	17,910	26,755
Gains on sales of debt securities	(771)	(2,130)
Depreciation and premises improvements amortization	1,113	1,169
Amortization of intangibles	885	1,036
Deferred income tax expense	1,264	247
Net decrease in trading and derivative instruments	32,108	41,190
Net decrease in other assets	3,205	23,267
Net increase (decrease) in accrued expenses and other liabilities	2,518	(18,629)
Other operating activities, net	(25,186)	(5,605)
Net cash provided by operating activities	39,351	74,771
Investing activities		
Net decrease in time deposits placed and other short-term investments	3,561	17,573
Net (increase) decrease in federal funds sold and securities borrowed or purchased under agreements to resell	(57,734)	36,617
Proceeds from sales of available-for-sale debt securities	63,356	77,402
Proceeds from paydowns and maturities of available-for-sale debt securities	36,458	31,900
Purchases of available-for-sale debt securities	(99,704)	(43,670)
Proceeds from maturities of held-to-maturity debt securities	3	795
Purchases of held-to-maturity debt securities	(100)	(1,819)
Proceeds from sales of loans and leases	3,525	5,846
Other changes in loans and leases, net	19,657	8,646
Net purchases of premises and equipment	(149)	(1,240)
Proceeds from sales of foreclosed properties	1,342	851
Cash received upon acquisition, net	-	31,804
Cash received due to impact of adoption of new consolidation guidance	2,807	-
Other investing activities, net	6,905	9,209
Net cash provided by (used in) investing activities	(20,073)	173,914
Financing activities		
Net decrease in deposits	(17,144)	(10,362)
Net increase (decrease) in federal funds purchased and securities loaned or sold under agreements to repurchase	52,026	(54,539)
Net decrease in commercial paper and other short-term borrowings	(18,303)	(99,715)
Proceeds from issuance of long-term debt	38,920	42,635
Retirement of long-term debt	(44,157)	(60,228)
Proceeds from issuance of preferred stock	-	30,000
Proceeds from issuance of common stock	-	13,468

Cash dividends paid	(890)	(2,385)
Excess tax benefits of share-based payments	47	-
Other financing activities, net	(34)	(18)
Net cash provided by (used in) financing activities	10,465	(141,144)
Effect of exchange rate changes on cash and cash equivalents	(48)	(32)
Net increase in cash and cash equivalents	29,695	107,509
Cash and cash equivalents at January 1	121,339	32,857
Cash and cash equivalents at June 30	\$ 151,034	\$ 140,366

During the six months ended June 30, 2009, the Corporation exchanged \$14.8 billion of preferred stock by issuing approximately 1.0 billion shares of common stock valued at \$11.5 billion.

During the six months ended June 30, 2009, the Corporation transferred \$1.7 billion of ARS from trading account assets to available-for-sale (AFS) debt securities.

During the six months ended June 30, 2009, the Corporation exchanged credit card loans of \$8.5 billion and the related allowance for loan and lease losses of \$750 million for a \$7.8 billion held-to-maturity debt security that was issued by the Corporation's U.S. credit card securitization trust and retained by the Corporation.

The acquisition-date fair values of noncash assets acquired and liabilities assumed in the Merrill Lynch acquisition were \$619.1 billion and \$626.8 billion.

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

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

NOTE 1 - Summary of Significant Accounting Principles

Bank of America Corporation (collectively, with its subsidiaries, the Corporation), a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The Corporation conducts these activities through its banking and nonbanking subsidiaries. On January 1, 2009, the Corporation acquired Merrill Lynch & Co. Inc. (Merrill Lynch) in exchange for common and preferred stock with a value of \$29.1 billion. On July 1, 2008, the Corporation acquired Countrywide Financial Corporation (Countrywide) in exchange for common stock with a value of \$4.2 billion. At June 30, 2010, the Corporation operated its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A.) and FIA Card Services, N.A. In connection with certain acquisitions including Merrill Lynch and Countrywide, the Corporation acquired banking subsidiaries that have been merged into Bank of America, N.A. with no impact on the Consolidated Financial Statements of the Corporation.

Principles of Consolidation and Basis of Presentation

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

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

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

New Accounting Pronouncements

In March 2010, the Financial Accounting Standards Board (FASB) issued new accounting guidance on embedded credit derivatives. This new accounting guidance clarifies the scope exception for embedded credit derivatives and defines which embedded credit derivatives are required to be evaluated for bifurcation and separate accounting. This new accounting guidance was effective on July 1, 2010. Upon adoption, companies may elect the fair value option for any beneficial interests, including those that would otherwise require bifurcation under the new guidance. In connection with the adoption on July 1, 2010, the Corporation elected the fair value option for \$629 million of debt securities, principally collateralized debt obligations (CDOs), that otherwise may be subject to bifurcation under the new guidance. Accordingly, the Corporation recorded a \$232 million charge to retained earnings on July 1, 2010 to reflect the after-tax cumulative effect of the change.

In July 2010, the FASB issued new accounting guidance that requires additional disclosures about a company's allowance for credit losses and the credit quality of the loan portfolio. The additional disclosures include a rollforward of the allowance for credit losses on a disaggregated basis and more information, by type of receivable, on credit quality indicators including aging and troubled debt restructurings as well as significant purchases and sales. These new disclosures are effective for the 2010 annual report. This new accounting guidance does not change the accounting model, and accordingly, will have no impact on the Corporation's consolidated results of operations or

financial position.

On January 1, 2010, the Corporation adopted new FASB accounting guidance on transfers of financial assets and consolidation of VIEs. This new accounting guidance revises sale accounting criteria for transfers of financial assets, including elimination of the concept of and accounting for qualifying special purpose entities (QSPEs), and significantly changes the criteria for consolidation of a VIE. The adoption of this new accounting guidance resulted in the consolidation of certain VIEs that previously were QSPEs and VIEs that were not recorded on the Corporation's Consolidated Balance

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Sheet prior to January 1, 2010. The adoption of this new accounting guidance resulted in a net incremental increase in assets of \$100.4 billion and a net increase in liabilities of \$106.7 billion. These amounts are net of retained interests in securitizations held on the Consolidated Balance Sheet at December 31, 2009 and net of a \$10.8 billion increase in the allowance for loan and lease losses. The Corporation recorded a \$6.2 billion charge, net of tax, to retained earnings on January 1, 2010 for the cumulative effect of the adoption of this new accounting guidance, which resulted principally from the increase in the allowance for loan and lease losses, and a \$116 million charge to accumulated other comprehensive income (OCI). Initial recording of these assets, related allowance and liabilities on the Corporation's Consolidated Balance Sheet had no impact at the date of adoption on the consolidated results of operations.

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

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

On January 1, 2010, the Corporation adopted new FASB accounting guidance that requires disclosure of gross transfers into and out of Level 3 of the fair value hierarchy and adds a requirement to disclose significant transfers between Level 1 and Level 2 of the fair value hierarchy. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and inputs, and valuation techniques. These enhanced disclosures required under this new guidance are included in *Note 14 Fair Value Measurements*. Beginning in 2011, this new accounting guidance also requires separate presentation of purchases, issuances and settlements in the Level 3 reconciliation table.

Significant Accounting Policies

Securities Financing Agreements

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

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

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

At the end of certain quarterly periods during the three years ended December 31, 2009, the Corporation had recorded certain sales of agency mortgage-backed securities (MBS) which, based on a more recent internal review and interpretation, should have been recorded as secured borrowings. These periods and amounts were as follows: March 31, 2009 \$573 million; September 30, 2008 \$10.7 billion; December 31, 2007 \$2.1 billion; and March 31,

2007 \$4.5 billion. As the

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transferred securities were recorded at fair value in trading account assets, the change would have had no impact on consolidated results of operations. Had the sales been recorded as secured borrowings, trading account assets and federal funds purchased and securities loaned or sold under agreements to repurchase would have increased by the amount of the transactions, however, the increase in all cases was less than 0.7 percent of total assets or total liabilities. Accordingly, the Corporation believes that these transactions did not have a material impact on the Corporation's Consolidated Financial Statements.

In repurchase transactions, typically, the termination date for a repurchase agreement is before the maturity date of the underlying security. However, in certain situations, the Corporation may enter into repurchase agreements where the termination date of the repurchase transaction is the same as the maturity date of the underlying security and these transactions are referred to as repo-to-maturity (RTM) transactions. The Corporation enters into RTM transactions only for high quality, very liquid securities such as U.S. Treasury securities or securities issued by government-sponsored enterprises (GSE). The Corporation accounts for RTM transactions as sales in accordance with GAAP, and accordingly, removes the securities from the Consolidated Balance Sheet and recognizes a gain or loss in the Consolidated Statement of Income. At June 30, 2010, the Corporation had no outstanding RTM transactions compared to \$6.5 billion at December 31, 2009, that had been accounted for as sales.

Variable Interest Entities

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

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

NOTE 2 - Merger and Restructuring Activity***Merrill Lynch***

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

common stock at an equivalent exchange ratio.

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The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the Merrill Lynch acquisition date as summarized in the following table. Goodwill of \$5.1 billion was calculated as the purchase premium after adjusting for the fair value of net assets acquired. No goodwill is deductible for federal income tax purposes. The goodwill was allocated principally to the *GWIM* and *Global Banking & Markets (GBAM)* business segments.

Merrill Lynch Purchase Price Allocation

(Dollars in billions, except per share amounts)

Purchase price

Merrill Lynch common shares exchanged (in millions)	1,600
Exchange ratio	0.8595

The Corporation's common shares issued (in millions)	1,375
Purchase price per share of the Corporation's common stock ⁽¹⁾	\$ 14.08

Total value of the Corporation's common stock and cash exchanged for fractional shares	\$ 19.4
Merrill Lynch preferred stock	8.6
Fair value of outstanding employee stock awards	1.1

Total purchase price	\$ 29.1
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Allocation of the purchase price

Merrill Lynch shareholders' equity	19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Derivatives and securities	(1.9)
Loans	(6.1)
Intangible assets ⁽²⁾	5.4
Other assets/liabilities	(0.8)
Long-term debt	16.0

Pre-tax total adjustments	12.6
Deferred income taxes	(5.9)

After-tax total adjustments	6.7
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Fair value of net assets acquired	24.0
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Goodwill resulting from the Merrill Lynch acquisition	\$ 5.1
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⁽¹⁾The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of the Corporation's

common stock at
December 31,
2008, the last
trading day prior
to the date of
acquisition.

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

Merger and Restructuring Charges and Reserves

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

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

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Severance and employee-related charges	\$ 123	\$ 491	\$ 274	\$ 982
Systems integrations and related charges	329	292	639	484
Other	56	46	116	128
Total merger and restructuring charges	\$ 508	\$ 829	\$ 1,029	\$ 1,594

For the three and six months ended June 30, 2010, merger and restructuring charges consisted of \$424 million and \$832 million related to the Merrill Lynch acquisition and \$84 million and \$197 million related to the Countrywide acquisition. For the three and six months ended June 30, 2009, merger and restructuring charges consisted primarily of \$580 million

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and \$1.1 billion related to the Merrill Lynch acquisition, \$227 million and \$420 million related to the Countrywide acquisition, and \$22 million and \$81 million related to previous acquisitions.

For the three and six months ended June 30, 2010, \$424 million and \$832 million of merger-related charges for the Merrill Lynch acquisition included \$112 million and \$234 million of severance and other employee-related costs, \$259 million and \$497 million of system integration costs, and \$53 million and \$101 million of other merger-related costs. For the three and six months ended June 30, 2009, \$580 million and \$1.1 billion of merger-related charges for the Merrill Lynch acquisition included \$448 million and \$880 million of severance and other employee-related costs, \$103 million and \$141 million of system integration costs, and \$29 million and \$72 million of other merger-related costs.

The following table presents the changes in exit cost and restructuring reserves for the three and six months ended June 30, 2010 and 2009. Exit cost reserves were established in purchase accounting resulting in an increase in goodwill. Restructuring reserves are established by a charge to merger and restructuring charges, and the restructuring charges are included in the total merger and restructuring charges in the table above. Exit costs were not recorded in purchase accounting for the Merrill Lynch acquisition in accordance with new accounting guidance on business combinations which was effective January 1, 2009.

(Dollars in millions)	Exit Cost Reserves		Restructuring Reserves	
	2010	2009	2010	2009
Balance, January 1	\$ 112	\$ 523	\$ 403	\$ 86
Exit costs and restructuring charges:				
Merrill Lynch	n/a	n/a	106	382
Countrywide	-	-	30	60
Cash payments and other	(22)	(192)	(294)	(136)
Balance, March 31	90	331	245	392
Exit costs and restructuring charges:				
Merrill Lynch	n/a	n/a	93	350
Countrywide	(18)	-	23	48
Cash payments and other	(35)	(113)	(101)	(360)
Balance, June 30	\$ 37	\$ 218	\$ 260	\$ 430

n/a = not applicable

At December 31, 2009, there were \$112 million of exit cost reserves related principally to the Countrywide acquisition, including \$70 million of severance, relocation and other employee-related costs and \$42 million for contract terminations. Cash payments and other of \$35 million during the three months ended June 30, 2010 consisted of \$13 million in severance, relocation and other employee-related costs, and \$22 million in contract terminations. Cash payments and other of \$57 million during the six months ended June 30, 2010 consisted of \$20 million in severance, relocation and other employee-related costs, and \$37 million in contract terminations. At June 30, 2010, exit cost reserves of \$37 million related principally to Countrywide.

At December 31, 2009, there were \$403 million of restructuring reserves related to the Merrill Lynch and Countrywide acquisitions for severance and other employee-related costs. For the three and six months ended June 30, 2010, \$116 million and \$252 million were added to the restructuring reserves related to severance and other employee-related costs primarily associated with the Merrill Lynch acquisition. Cash payments and other of \$101 million and \$395 million during the three and six months ended June 30, 2010 were all related to severance and other employee-related costs. Payments associated with the Countrywide and Merrill Lynch acquisitions are expected to continue into 2012. At June 30, 2010, restructuring reserves of \$260 million consisted of \$188 million for Merrill Lynch and \$72 million for Countrywide.

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

The following table presents the components of trading account assets and liabilities at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30 2010	December 31 2009
Trading account assets		
U.S. government and agency securities ⁽¹⁾	\$ 54,530	\$ 44,585
Corporate securities, trading loans and other	52,835	57,009
Equity securities	31,341	33,562
Foreign sovereign debt	39,592	28,143
Mortgage trading loans and asset-backed securities	19,078	18,907
Total trading account assets	\$197,376	\$ 182,206
Trading account liabilities		
U.S. government and agency securities	\$ 31,803	\$ 26,519
Equity securities	24,170	18,407
Foreign sovereign debt	23,198	12,897
Corporate securities and other	10,811	7,609
Total trading account liabilities	\$ 89,982	\$ 65,432

⁽¹⁾Includes
\$22.0 billion and
\$23.5 billion at
June 30, 2010
and
December 31,
2009 of GSE
obligations.

Table of Contents**NOTE 4 Derivatives*****Derivative Balances***

Derivatives are held for trading, as economic hedges, or as qualifying accounting hedges. The Corporation enters into derivatives to facilitate client transactions, for principal trading purposes and to manage risk exposures. For additional information on the Corporation's derivatives and hedging activities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K. The following table identifies derivative instruments included on the Corporation's Consolidated Balance Sheet in derivative assets and liabilities at June 30, 2010 and December 31, 2009. Balances are provided on a gross basis, prior to the application of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

(Dollars in billions)	June 30, 2010						
	Gross Derivative Assets				Gross Derivative Liabilities		
	Contract/ Notional (1)	Trading	Economic Accounting Hedges (2)	Total	Trading	Economic Accounting Hedges (2)	Total
		Derivatives			Derivatives		
		and Qualifying			and Qualifying		
		Hedges			Hedges		
Interest rate contracts							
Swaps	\$43,600.3	\$1,470.3	\$ 11.1	\$ 1,481.4	\$1,454.6	\$ 1.9	\$ 1,456.5
Futures and forwards	12,542.3	5.6	-	5.6	7.2	-	7.2
Written options	3,004.8	-	-	-	90.0	-	90.0
Purchased options	2,699.4	93.6	-	93.6	-	-	-
Foreign exchange contracts							
Swaps	616.6	25.1	2.3	27.4	29.7	3.0	32.7
Spot, futures and forwards	2,334.8	38.3	-	38.3	40.2	-	40.2
Written options	477.4	-	-	-	14.5	-	14.5
Purchased options	466.7	14.0	-	14.0	-	-	-
Equity contracts							
Swaps	47.1	1.8	-	1.8	2.3	-	2.3
Futures and forwards	98.0	3.3	-	3.3	2.6	-	2.6
Written options	263.8	-	-	-	25.2	-	25.2
Purchased options	229.8	25.4	-	25.4	-	-	-
Commodity contracts							
Swaps	94.8	6.5	0.2	6.7	6.3	-	6.3
Futures and forwards	464.2	6.8	-	6.8	6.4	-	6.4
Written options	71.6	-	-	-	5.0	-	5.0
Purchased options	69.5	4.8	-	4.8	-	-	-
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,423.0	111.2	-	111.2	22.8	-	22.8
Total return swaps/other	21.2	1.2	-	1.2	0.9	-	0.9
Written credit derivatives:							
Credit default swaps	2,421.3	22.4	-	22.4	104.6	-	104.6
Total return swaps/other	23.3	1.4	-	1.4	0.4	-	0.4

Gross derivative assets/liabilities	\$1,831.7	\$ 13.6	1,845.3	\$1,812.7	\$ 4.9	1,817.6
Less: Legally enforceable master netting agreements			(1,699.1)			(1,699.1)
Less: Cash collateral applied			(62.9)			(55.7)
Total derivative assets/liabilities			\$ 83.3			\$ 62.8

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

⁽²⁾Excludes \$4.0 billion of long-term debt designated as a hedge of foreign currency risk.

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

(1) Represents the total contract/notional amount of the

derivatives
outstanding and
includes both
written and
purchased credit
derivatives.

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

ALM and Risk Management Derivatives

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

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

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

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

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

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

Table of Contents**Derivatives Designated as Accounting Hedges**

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

The following table summarizes certain information related to the Corporation's derivatives designated as fair value hedges for the three and six months ended June 30, 2010 and 2009.

(Dollars in millions)	Amounts Recognized in Income for the Three Months Ended June 30					
	2010			2009		
	Hedged		Hedge	Hedged		Hedge
	Derivative	Item	Ineffectiveness	Derivative	Item	Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt ⁽¹⁾	\$ 3,202	\$ (3,318)	\$ (116)	\$ (3,851)	\$ 3,529	\$ (322)
Interest rate and foreign currency risk on long-term debt ⁽¹⁾	(1,907)	1,704	(203)	1,014	(987)	27
Interest rate risk on available-for-sale securities ^(2, 3)	(5,240)	5,165	(75)	207	(231)	(24)
Commodity price risk on commodity inventory ⁽⁴⁾	(16)	15	(1)	4	1	5
Total	\$ (3,961)	\$ 3,566	\$ (395)	\$ (2,626)	\$ 2,312	\$ (314)

(Dollars in millions)	Amounts Recognized in Income for the Six Months Ended June 30					
	2010			2009		
	Hedged		Hedge	Hedged		Hedge
	Derivative	Item	Ineffectiveness	Derivative	Item	Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt ⁽¹⁾	\$ 4,086	\$ (4,330)	\$ (244)	\$ (4,616)	\$ 4,165	\$ (451)
Interest rate and foreign currency risk on long-term debt ⁽¹⁾	(3,282)	2,955	(327)	63	22	85
Interest rate risk on available-for-sale securities ^(2, 3)	(5,270)	5,184	(86)	260	(312)	(52)
Commodity price risk on commodity inventory ⁽⁴⁾	42	(46)	(4)	60	(57)	3
Total	\$ (4,424)	\$ 3,763	\$ (661)	\$ (4,233)	\$ 3,818	\$ (415)

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

⁽²⁾ Amounts are recorded in interest income

on AFS
securities.

(3) Measurement of ineffectiveness in the three and six months ended June 30, 2010 includes \$0 and \$4 million compared to \$13 million and \$42 million for the same periods of 2009 of interest costs on short forward contracts. The Corporation considers this as part of the cost of hedging, and it is offset by the fixed coupon receipt on the AFS security that is recognized in interest income on securities.

(4) Amounts are recorded in trading account profits.

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The following table summarizes certain information related to the Corporation's derivatives designated as cash flow hedges and net investment hedges for the three and six months ended June 30, 2010 and 2009. During the next 12 months, net losses in accumulated OCI of approximately \$1.2 billion (\$735 million after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to primarily reduce net interest income related to the respective hedged items.

	Three Months Ended June 30					
	2010			2009		
	Hedge Ineffectiveness and			Hedge Ineffectiveness and		
	Amounts	Amounts	Amount	Amounts	Amounts	Amount
	Recognized	Reclassified	Excluded	Recognized	Reclassified	Excluded
	in OCI on Derivatives	from OCI into Income	from Effectiveness Testing (1)	in OCI on Derivatives	from OCI into Income	from Effectiveness Testing (1)
(Dollars in millions, amounts pre-tax)						
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios ^(2, 3, 4)	\$ (856)	\$ (105)	\$ (6)	\$ (193)	\$ (376)	\$ 35
Commodity price risk on forecasted purchases and sales ⁽⁵⁾	(5)	10	1	(54)	2	-
Price risk on restricted stock awards ⁽⁶⁾	(181)	6	-	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities ⁽⁷⁾	180	(226)	-	(10)	-	-
Total	\$ (862)	\$ (315)	\$ (5)	\$ (257)	\$ (374)	\$ 35
Net investment hedges						
Foreign exchange risk ⁽⁸⁾	\$ 906	\$ -	\$ (68)	\$ (3,015)	\$ -	\$ (27)

	Six Months Ended June 30					
	2010			2009		
	Hedge Ineffectiveness and			Hedge Ineffectiveness and		
	Amounts	Amounts	Amount	Amounts	Amounts	Amount
	Recognized	Reclassified	Excluded	Recognized	Reclassified	Excluded
	in OCI on Derivatives	from OCI into Income	from Effectiveness Testing (1)	in OCI on Derivatives	from OCI into Income	from Effectiveness Testing (1)
(Dollars in millions, amounts pre-tax)						
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios ^(2, 3, 4)	\$ (1,358)	\$ (186)	\$ (20)	\$ (42)	\$ (860)	\$ 38

Commodity price risk on forecasted purchases and sales ⁽⁵⁾	27	13	2	14	5	-
Price risk on restricted stock awards ⁽⁶⁾	(37)	17	-	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities ⁽⁷⁾	186	(226)	-	(54)	-	-
Total	\$ (1,182)	\$ (382)	\$ (18)	\$ (82)	\$ (855)	\$ 38
Net investment hedges						
Foreign exchange risk ⁽⁸⁾	\$ 1,885	\$ -	\$ (132)	\$ (1,999)	\$ -	\$ (107)

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

(2) Amounts reclassified from accumulated OCI increased interest income on assets by \$33 million and reduced interest income on assets by \$64 million, and increased interest expense on liabilities by \$138 million and \$312 million during the three months ended June 30, 2010 and 2009. Amounts reclassified from accumulated OCI increased interest income

on assets by
\$80 million and
reduced interest
income on assets
by \$108 million,
and increased
interest expense
on liabilities by
\$266 million and
\$752 million
during the six
months ended
June 30, 2010
and 2009.

(3) Hedge
ineffectiveness
of \$(17) million
and \$(19)
million was
recorded in
interest income
during the three
and six months
ended June 30,
2010 compared
to \$35 million
and \$38 million
for the same
periods in 2009.
Hedge
ineffectiveness
of \$11 million
and \$(1) million
was recorded in
interest expense
during the three
and six months
ended June 30,
2010 compared
to \$0 for the
same periods in
2009.

(4) Amounts
reclassified from
accumulated
OCI exclude
amounts related
to derivative
interest accruals

which increased interest income by \$69 million and \$131 million for the three and six months ended June 30, 2010 compared to \$53 million and \$56 million for the same periods in 2009.

(5) Amounts reclassified from accumulated OCI are recorded in trading account profits with the underlying hedged item.

(6) Amounts reclassified from accumulated OCI are recorded in personnel expense.

(7) Amounts reclassified from accumulated OCI are recorded in equity investment income with the underlying hedged item.

(8) Amounts recognized in accumulated OCI on derivatives exclude gains of \$114 million and \$376 million related to

long-term debt
designated as a
net investment
hedge for the
three and six
months ended
June 30, 2010
compared to
losses of
\$472 million and
\$439 million for
the same periods
in 2009.

n/a = not
applicable

The Corporation entered into total return swaps to hedge a portion of cash-settled restricted stock units (RSUs) granted to certain employees in the three months ended March 31, 2010 as part of their 2009 compensation. These cash-settled RSUs are accrued as liabilities over the vesting period and adjusted to fair value based on changes in the share price of the Corporation's common stock. The Corporation entered into the derivatives to minimize the change in the expense to the Corporation driven by fluctuations in the

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share price of the Corporation's common stock during the vesting period of the RSUs. Certain of these derivatives are designated as cash flow hedges of unrecognized non-vested awards with the changes in fair value of the hedge recorded in accumulated OCI and reclassified into earnings in the same period as the RSUs affect earnings. The remaining derivatives are accounted for as economic hedges and changes in fair value are recorded in personnel expense. For more information on restricted stock units and related hedges, see *Note 12 Shareholders' Equity and Earnings Per Common Share*.

Economic Hedges

Derivatives designated as economic hedges are used by the Corporation to reduce certain risk exposures but are not accounted for as accounting hedges. The following table presents gains (losses) on these derivatives for the three and six months ended June 30, 2010 and 2009. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item. Gains (losses) on derivatives related to price risk on mortgage banking production income and interest rate risk on mortgage banking servicing income are recorded in mortgage banking income. Gains (losses) on derivatives and bonds related to credit risk on loans are recorded in other income, trading account profits and net interest income. Gains (losses) on derivatives related to interest rate and foreign currency risk on long-term debt and other foreign currency exchange transactions are recorded in other income and trading account profits. Gains (losses) on other economic hedge transactions are recorded in other income, trading account profits and personnel expense.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Price risk on mortgage banking production income ⁽¹⁾	\$ 2,041	\$ 2,335	\$ 3,397	\$ 4,492
Interest rate risk on mortgage banking servicing income	2,700	(3,473)	3,312	(3,323)
Credit risk on loans	33	(359)	(24)	(284)
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions	(5,221)	28	(9,209)	(518)
Other	(194)	(31)	(98)	(17)
Total	\$ (641)	\$ (1,500)	\$ (2,622)	\$ 350

⁽¹⁾Includes gains on interest rate lock commitments related to the origination of mortgage loans that are held-for-sale, which are considered derivative instruments, of \$2.8 billion and \$4.6 billion for

the three and six
months ended
June 30, 2010
compared to
\$1.2 billion and
\$3.7 billion for
the same periods
in 2009.

Table of Contents***Sales and Trading Revenue***

The Corporation enters into trading derivatives to facilitate client transactions, for principal trading purposes, and to manage risk exposures arising from trading assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's *GBAM* business segment. The related sales and trading revenue generated within *GBAM* is recorded on various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the vast majority of income related to derivative instruments is recorded in trading account profits. The following table identifies the amounts in the income statement line items attributable to the Corporation's sales and trading revenue categorized by primary risk for the three and six months ended June 30, 2010 and 2009.

(Dollars in millions)	Three Months Ended June 30							
	2010				2009			
	Trading Account	Other Revenues	Net Interest	Total	Trading Account	Other Revenues	Net Interest	Total
	Profits	(1)	Income		Profits	(1)	Income	
Interest rate risk	\$ 434	\$ 34	\$ 132	\$ 600	\$ (298)	\$ 5	\$ 277	\$ (16)
Foreign exchange risk	234	1	1	236	260	4	6	270
Equity risk	176	748	(46)	878	359	817	21	1,197
Credit risk	447	143	913	1,503	1,714	(388)	1,176	2,502
Other risk	(102)	6	(39)	(135)	(25)	(35)	(123)	(183)
Total sales and trading revenue	\$ 1,189	\$ 932	\$ 961	\$ 3,082	\$ 2,010	\$ 403	\$ 1,357	\$ 3,770

(Dollars in millions)	Six Months Ended June 30							
	2010				2009			
	Trading Account	Other Revenues	Net Interest	Total	Trading Account	Other Revenues	Net Interest	Total
	Profits	(1)	Income		Profits	(1)	Income	
Interest rate risk	\$ 1,491	\$ 75	\$ 315	\$ 1,881	\$ 2,666	\$ 20	\$ 610	\$ 3,296
Foreign exchange risk	515	2	1	518	534	5	13	552
Equity risk	1,051	1,358	-	2,409	1,145	1,440	102	2,687
Credit risk	3,067	272	1,907	5,246	1,911	(1,492)	3,080	3,499
Other risk	120	14	(89)	45	657	(75)	(312)	270
Total sales and trading revenue	\$ 6,244	\$ 1,721	\$ 2,134	\$ 10,099	\$ 6,913	\$ (102)	\$ 3,493	\$ 10,304

(1) Represents investment and brokerage services and other income recorded in *GBAM* that the

Corporation
includes in its
definition of
sales and trading
revenue.

Credit Derivatives

The Corporation enters into credit derivatives primarily to facilitate client transactions and to manage credit risk exposures. Credit derivatives derive value based on an underlying third party-referenced obligation or a portfolio of referenced obligations and generally require the Corporation as the seller of credit protection to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Corporation may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

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Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at June 30, 2010 and December 31, 2009 are summarized below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments.

(Dollars in millions)	June 30, 2010 Carrying Value				
	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	\$ 842	\$ 12,003	\$ 17,464	\$ 26,681	\$ 56,990
Non-investment grade	972	10,058	12,089	24,482	47,601
Total	1,814	22,061	29,553	51,163	104,591
Total return swaps/other:					
Investment grade	-	-	56	28	84
Non-investment grade	1	2	37	316	356
Total	1	2	93	344	440
Total credit derivatives	\$ 1,815	\$ 22,063	\$ 29,646	\$ 51,507	\$ 105,031

Maximum Payout/Notional					
Credit default swaps:					
Investment grade	\$ 176,308	\$ 505,328	\$ 591,170	\$ 330,692	\$ 1,603,498
Non-investment grade	87,853	284,748	246,762	198,453	817,816
Total	264,161	790,076	837,932	529,145	2,421,314
Total return swaps/other:					
Investment grade	-	22	8,902	981	9,905
Non-investment grade	579	168	2,378	10,293	13,418
Total	579	190	11,280	11,274	23,323
Total credit derivatives	\$ 264,740	\$ 790,266	\$ 849,212	\$ 540,419	\$ 2,444,637

(Dollars in millions)	December 31, 2009 Carrying Value				
	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total

Credit default swaps:					
Investment grade	\$ 454	\$ 5,795	\$ 5,831	\$ 24,586	\$ 36,666
Non-investment grade	1,342	14,012	16,081	30,274	61,709
Total	1,796	19,807	21,912	54,860	98,375
Total return swaps/other:					
Investment grade	1	20	5	540	566
Non-investment grade	-	194	3	291	488
Total	1	214	8	831	1,054
Total credit derivatives	\$ 1,797	\$ 20,021	\$ 21,920	\$ 55,691	\$ 99,429

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

The notional amount represents the maximum amount payable by the Corporation for most credit derivatives. However, the Corporation does not solely monitor its exposure to credit derivatives based on notional amount because this measure does not take into consideration the probability of occurrence. As such, the notional amount is not a reliable indicator of the Corporation's exposure to these contracts. Instead, a risk framework is used to define risk tolerances and establish limits to help ensure that certain credit risk-related losses occur within acceptable, predefined limits.

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase

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credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms at June 30, 2010 was \$72.1 billion and \$1.7 trillion compared to \$79.4 billion and \$2.3 trillion at December 31, 2009.

Credit Risk Management of Derivatives and Credit-related Contingent Features

The Corporation executes the majority of its derivative contracts in the over-the-counter market with large, international financial institutions, including broker/dealers and, to a lesser degree, with a variety of non-financial companies. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit ratings downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as previously described on page 14, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

Substantially all of the Corporation's derivative contracts contain credit risk-related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master agreements that enhance the creditworthiness of these instruments as compared to other obligations of the respective counterparty with whom the Corporation has transacted (e.g., other debt or equity). These contingent features may be for the benefit of the Corporation, as well as its counterparties with respect to changes in the Corporation's creditworthiness. At June 30, 2010 and December 31, 2009, the Corporation received cash and securities collateral of \$81.9 billion and \$74.6 billion, and posted cash and securities collateral of \$74.5 billion and \$69.1 billion in the normal course of business under derivative agreements.

In connection with certain over-the-counter derivative contracts and other trading agreements, the Corporation could be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of Bank of America Corporation and its subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure. At June 30, 2010 and December 31, 2009, the amount of additional collateral and termination payments that would have been required for such derivatives and trading agreements was approximately \$1.0 billion and \$2.1 billion if the long-term credit rating of Bank of America Corporation and its subsidiaries was incrementally downgraded by one level by all ratings agencies. At June 30, 2010 and December 31, 2009, a second incremental one level downgrade by the ratings agencies would have required approximately \$1.0 billion and \$1.2 billion in additional collateral.

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments can be reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty. During the three and six months ended June 30, 2010, credit valuation losses of \$758 million and \$421 million (\$308 million and \$366 million, net of hedges) compared to gains of \$1.4 billion and \$1.5 billion (\$634 million and \$593 million, net of hedges) for the same periods in 2009 for counterparty credit risk related to derivative assets were recognized in trading account profits. At June 30, 2010 and December 31, 2009, the cumulative counterparty credit risk valuation adjustment reduced the derivative assets balance by \$8.0 billion and \$7.8 billion.

In addition, the fair value of the Corporation's or its subsidiaries' derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During the three and six months ended June 30, 2010, credit valuation gains (losses) of \$206 million and \$368 million (\$85 million and \$251 million, net of hedges) compared to \$(1.6) billion and \$85 million for the same periods in 2009 were recognized in trading account profits for changes in the Corporation's or its subsidiaries' credit risk. At June 30, 2010 and December 31, 2009, the Corporation's cumulative credit risk valuation adjustment reduced the derivative liabilities balance by \$1.2 billion and \$664 million.

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The following table presents the amortized cost, gross unrealized gains and losses in accumulated OCI, and fair value of AFS debt and marketable equity securities at June 30, 2010 and December 31, 2009.

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, June 30, 2010				
U.S. Treasury and agency securities	\$ 50,630	\$ 476	\$ (722)	\$ 50,384
Mortgage-backed securities:				
Agency	148,618	5,025	(62)	153,581
Agency collateralized mortgage obligations	40,139	816	(85)	40,870
Non-agency residential ⁽¹⁾	29,795	597	(1,032)	29,360
Non-agency commercial	6,327	840	(39)	7,128
Foreign securities	3,703	70	(823)	2,950
Corporate bonds	6,249	181	(63)	6,367
Other taxable securities ⁽²⁾	17,176	73	(537)	16,712
Total taxable securities	302,637	8,078	(3,363)	307,352
Tax-exempt securities	7,462	96	(145)	7,413
Total available-for-sale debt securities	\$ 310,099	\$ 8,174	\$ (3,508)	\$ 314,765
Available-for-sale marketable equity securities				
⁽³⁾	\$ 181	\$ 30	\$ (32)	\$ 179
Available-for-sale debt securities, December 31, 2009				
U.S. Treasury and agency securities	\$ 22,648	\$ 414	\$ (37)	\$ 23,025
Mortgage-backed securities:				
Agency	164,677	2,415	(846)	166,246
Agency collateralized mortgage obligations	25,330	464	(13)	25,781
Non-agency residential ⁽¹⁾	37,940	1,191	(4,028)	35,103
Non-agency commercial	6,354	671	(116)	6,909
Foreign securities	4,732	61	(896)	3,897
Corporate bonds	6,136	182	(126)	6,192
Other taxable securities ⁽²⁾	25,469	260	(478)	25,251
Total taxable securities	293,286	5,658	(6,540)	292,404
Tax-exempt securities	9,340	100	(243)	9,197
Total available-for-sale debt securities	\$ 302,626	\$ 5,758	\$ (6,783)	\$ 301,601
Available-for-sale marketable equity securities				
⁽³⁾	\$ 6,020	\$ 3,895	\$ (507)	\$ 9,408

⁽¹⁾ At June 30, 2010, includes approximately 88 percent prime bonds, 10 percent Alt-A bonds, and two percent subprime bonds. At December 31, 2009, includes approximately 85 percent of prime bonds, 10 percent of Alt-A

bonds, and five percent of subprime bonds.

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

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

At June 30, 2010, the accumulated net unrealized gains on AFS debt securities included in accumulated OCI were \$2.9 billion, net of the related income tax expense of \$1.8 billion. At June 30, 2010 and December 31, 2009, the Corporation had nonperforming AFS debt securities of \$197 million and \$467 million.

At June 30, 2010, both the amortized cost and fair value of held-to-maturity (HTM) debt securities were \$435 million. At December 31, 2009, the amortized cost and fair value of HTM debt securities were \$9.8 billion and \$9.7 billion, which included ABS that were issued by the Corporation's credit card securitization trust and retained by the Corporation with an amortized cost of \$6.6 billion and a fair value of \$6.4 billion. As a result of the adoption of new consolidation guidance, the Corporation consolidated the credit card securitization trusts on January 1, 2010 and the ABS were eliminated in consolidation and the related consumer credit card loans were included in loans and leases on the Corporation's Consolidated Balance Sheet. Additionally, \$2.9 billion of debt securities held in consolidated commercial paper conduits were reclassified from HTM to AFS as a result of new regulatory capital requirements related to asset-backed commercial paper conduits.

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During the three and six months ended June 30, 2010 and 2009, the Corporation recorded other-than-temporary impairment (OTTI) losses on AFS debt securities as presented in the table below.

(Dollars in millions)	Three Months Ended June 30, 2010					
	Non-agency Residential	Agency Commercial	Foreign Government	Other Corporate	Taxable Securities	Total
	MBS	MB	Securities	Bond	Securities	Total
Total other-than-temporary impairment losses (unrealized and realized) ⁽¹⁾	\$ (145)	\$ (1)	\$ (285)	\$ -	\$ (31)	\$ (462)
Unrealized other-than-temporary impairment losses recognized in OCI ⁽²⁾	74	-	261	-	1	336
Net impairment losses recognized in earnings ⁽³⁾	\$ (71)	\$ (1)	\$ (24)	\$ -	\$ (30)	\$ (126)
Three Months Ended June 30, 2009						
Total other-than-temporary impairment losses (unrealized and realized) ⁽¹⁾	\$ (832)	\$ -	\$ (103)	\$ (51)	\$ (124)	\$ (1,110)
Unrealized other-than-temporary impairment losses recognized in OCI ⁽²⁾	84	-	-	-	-	84
Net impairment losses recognized in earnings ⁽³⁾	\$ (748)	\$ -	\$ (103)	\$ (51)	\$ (124)	\$ (1,026)
Six Months Ended June 30, 2010						
(Dollars in millions)	Non-agency Residential	Agency Commercial	Foreign Government	Other Corporate	Taxable Securities	Total
	MBS	MB	Securities	Bond	Securities	Total
	MBS	MB	Securities	Bond	Securities	Total
Total other-than-temporary impairment losses (unrealized and realized) ⁽¹⁾	\$ (463)	\$ (1)	\$ (975)	\$ (2)	\$ (342)	\$ (1,783)
Unrealized other-than-temporary impairment losses recognized in OCI ⁽²⁾	119	-	780	-	157	1,056
Net impairment losses recognized in earnings ⁽³⁾	\$ (344)	\$ (1)	\$ (195)	\$ (2)	\$ (185)	\$ (727)
Six Months Ended June 30, 2009						
Total other-than-temporary impairment losses (unrealized and realized) ⁽¹⁾	\$ (1,263)	\$ -	\$ (235)	\$ (68)	\$ (258)	\$ (1,824)
Unrealized other-than-temporary impairment losses recognized in OCI ⁽²⁾	427	-	-	-	-	427
Net impairment losses recognized in earnings ⁽³⁾	\$ (836)	\$ -	\$ (235)	\$ (68)	\$ (258)	\$ (1,397)

⁽¹⁾ For initial other-than-temporary impairments, represents the excess of the amortized cost over the fair value of AFS debt securities. For subsequent impairments of the same security, represents additional declines in fair value subsequent to the previously recorded other-than-temporary impairment(s), if applicable.

⁽²⁾ Represents the non-credit component of OTTI losses on AFS debt securities. For the three and six months ended June 30, 2010, for certain securities, the Corporation recognized credit losses in excess of unrealized losses in accumulated OCI. In these instances, a portion of the credit losses recognized in earnings has been offset by an unrealized gain. Balances above exclude \$16 million and \$49 million of gross gains recorded in accumulated OCI related to these securities for the three and six months ended June 30, 2010 and \$281 million for the same periods in 2009.

(3) Represents the credit component of OTTI losses on AFS debt securities.

The following table presents activity for the three and six months ended June 30, 2010 and 2009 related to the credit component recognized in earnings on debt securities held by the Corporation for which a portion of the OTTI loss remains in accumulated OCI.

(Dollars in millions)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Balance, beginning of period	\$ 875	\$ 40	\$ 442	\$ -
Credit component of other-than-temporary impairment not reclassified to OCI in connection with the cumulative effect transition adjustment ⁽¹⁾	-	-	-	22
Additions for the credit component on debt securities on which other-than-temporary impairment losses were not previously recognized ⁽²⁾	46	256	177	274
Additions for the credit component on debt securities on which other-than-temporary impairment losses were previously recognized	19	-	321	-
Balance, June 30	\$ 940	\$ 296	\$ 940	\$ 296

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

(2) During the three and six months ended June 30, 2010 and 2009, the Corporation recognized \$61 million and \$229 million, and \$770 million and \$1.1 billion of OTTI losses on debt securities on which no portion of OTTI loss remained in accumulated OCI. OTTI losses related to these securities are excluded from these amounts.

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As of June 30, 2010, those debt securities with OTTI for which a portion of the OTTI loss remains in accumulated OCI primarily consisted of non-agency residential mortgage-backed securities (RMBS) and CDOs. The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model. The Corporation estimates the expected cash flows of the underlying collateral using internal credit risk, interest rate risk and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on an impaired debt security are discounted using the book yield of each individual impaired debt security.

Based on the expected cash flows derived from the model, the Corporation expects to recover the unrealized losses in accumulated OCI on non-agency RMBS. Significant assumptions used in the valuation of non-agency RMBS are in the table below. Annual constant prepayment speed and loss severity rates are projected considering collateral characteristics such as loan-to-value (LTV), creditworthiness of borrowers (FICO) and geographic concentrations. The weighted-average severity by collateral type was 36 percent for prime bonds, 44 percent for Alt-A bonds and 48 percent for subprime bonds. Additionally, default rates are projected by considering collateral characteristics including, but not limited to LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 37 percent for prime bonds, 59 percent for Alt-A bonds and 69 percent for subprime bonds.

		Range ⁽¹⁾	
	Weighted- average	10th Percentile (2)	90th Percentile (2)
Prepayment speed	11.8%	3.0%	26.3%
Loss severity	42.4	16.6	51.8
Life default rate	49.9	2.5	98.9

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

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

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

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The following table presents the current fair value and the associated gross unrealized losses on investments in securities with gross unrealized losses at June 30, 2010 and December 31, 2009, and whether these securities have had gross unrealized losses for less than twelve months, or for twelve months or longer.

	Less than Twelve Months Gross Fair Unrealized Value Losses		Twelve Months or Longer Gross Fair Unrealized Value Losses		Total Fair Unrealized Value Losses	
(in millions)						
Temporarily-impaired available-for-sale debt securities at June 30, 2010						
Treasury and agency securities	\$ 40,049	\$ (722)	\$ -	\$ -	\$ 40,049	\$ -
Mortgage-backed securities:						
Agency	5,725	(62)	-	-	5,725	-
Agency collateralized mortgage obligations	5,602	(85)	-	-	5,602	-
Agency residential	9,185	(150)	3,725	(764)	12,910	-
Agency commercial	685	(27)	62	(12)	747	-
Foreign securities	1,012	(12)	150	(32)	1,162	-
Corporate bonds	3,925	(29)	168	(34)	4,093	-
Taxable securities	11,009	(202)	453	(162)	11,462	-
Non-taxable securities	77,192	(1,289)	4,558	(1,004)	81,750	(2,293)
Exempt securities	2,347	(59)	1,486	(86)	3,833	-
Temporarily-impaired available-for-sale debt securities	79,539	(1,348)	6,044	(1,090)	85,583	(2,293)
Temporarily-impaired available-for-sale marketable equity securities	31	(14)	34	(17)	65	-
Temporarily-impaired available-for-sale securities	79,570	(1,362)	6,078	(1,107)	85,648	(2,293)
Other-than-temporarily impaired available-for-sale debt securities ⁽¹⁾						
Mortgage-backed securities:						
Agency residential	191	(20)	522	(99)	713	-
Foreign securities	-	-	641	(779)	641	-
Taxable securities	-	-	701	(173)	701	-
Temporarily-impaired and other-than-temporarily impaired available-for-sale securities	\$ 79,761	\$ (1,382)	\$ 7,942	\$ (2,158)	\$ 87,703	\$ (3,586)
Temporarily-impaired available-for-sale debt securities at December 31, 2009						
Treasury and agency securities	\$ 4,655	\$ (37)	\$ -	\$ -	\$ 4,655	\$ -
Mortgage-backed securities:						
Agency	53,979	(817)	740	(29)	54,719	-
Agency collateralized mortgage obligations	965	(10)	747	(3)	1,712	-
Agency residential	6,907	(557)	13,613	(3,370)	20,520	(3,934)
Agency commercial	1,263	(35)	1,711	(81)	2,974	-
Foreign securities	169	(27)	3,355	(869)	3,524	-
Corporate bonds	1,157	(71)	294	(55)	1,451	-
Taxable securities	3,779	(70)	932	(408)	4,711	-

taxable securities	72,874	(1,624)	21,392	(4,815)	94,266	(6
exempt securities	4,716	(93)	1,989	(150)	6,705	
temporarily-impaired available-for-sale debt securities	77,590	(1,717)	23,381	(4,965)	100,971	(6
temporarily-impaired available-for-sale marketable equity securities	338	(113)	1,554	(394)	1,892	
temporarily-impaired available-for-sale securities	77,928	(1,830)	24,935	(5,359)	102,863	(7
other-than-temporarily impaired available-for-sale debt securities ⁽¹⁾						
agency residential	51	(17)	1,076	(84)	1,127	
temporarily-impaired and other-than-temporarily impaired available-for-sale securities	\$ 77,979	\$ (1,847)	\$ 26,011	\$ (5,443)	\$ 103,990	\$ (7

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

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At June 30, 2010, the amortized cost of approximately 8,000 AFS securities exceeded their fair value by \$3.5 billion. The gross unrealized losses include \$1.0 billion on non-agency RMBS, and \$1.4 billion on foreign securities and other taxable securities, which are primarily CDOs. Combined, these securities represent 68 percent of the \$3.5 billion in gross unrealized losses. Of the \$3.5 billion, \$1.4 billion of gross unrealized losses have existed for less than twelve months and \$2.2 billion of gross unrealized losses have existed for a period of twelve months or longer. Of the gross unrealized losses existing for twelve months or longer, \$862 million related to approximately 200 non-agency RMBS and \$1.1 billion related to foreign securities and other taxable securities. Combined, these securities represented 93 percent of the gross unrealized losses that have existed for a period of twelve months or longer. Gross unrealized losses are principally the result of ongoing illiquidity in the markets and the interest rate environment.

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

The amortized cost and fair value of the Corporation's investment in AFS debt securities from the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) where the investment exceeded 10 percent of consolidated shareholders' equity at June 30, 2010 and December 31, 2009 are presented in the following table.

(Dollars in millions)	June 30, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Federal National Mortgage Association	\$ 90,748	\$93,318	\$ 100,321	\$101,096
Government National Mortgage Association	69,588	71,517	60,610	61,121
Federal Home Loan Mortgage Corporation	28,421	29,616	29,076	29,810

Securities are pledged or assigned to secure borrowed funds, government and trust deposits, and for other purposes. The carrying value of pledged securities was \$138.1 billion and \$122.7 billion at June 30, 2010 and December 31, 2009.

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The expected maturity distribution of the Corporation's MBS and the contractual maturity distribution of the Corporation's other AFS debt securities, and the yields on the Corporation's AFS debt securities portfolio at June 30, 2010 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

	Due in One			Due after One			June 30, 2010 Due after Five			Due after			Total		
	Year or Less		Yield	Year through		Five Years	Years through		Ten Years	Ten Years		Yield	Amount		Yield
(Dollars in millions)	Amount	(1)		Amount	(1)		Amount	(1)		Amount	(1)		Amount	(1)	
Fair value of available-for-sale debt securities															
U.S. Treasury and agency securities	\$ 269	2.18 %		\$ 1,881	2.55 %		\$ 12,725	3.21 %		\$ 35,509	3.82 %		\$ 50,384	3.60 %	
Mortgage-backed securities:															
Agency	41	4.96		102,504	4.53		11,760	4.68		39,276	4.36		153,581	4.50	
Agency collateralized mortgage obligations	425	3.20		15,363	2.85		14,620	4.12		10,462	2.38		40,870	3.19	
Non-agency residential	327	9.54		5,569	7.01		2,612	5.65		20,852	4.39		29,360	5.05	
Non-agency commercial	211	5.41		4,916	5.97		1,642	11.71		359	6.07		7,128	7.28	
Foreign securities	351	1.38		2,390	5.99		171	4.02		38	1.17		2,950	5.15	
Corporate bonds	280	3.60		4,242	3.11		1,573	4.54		272	4.37		6,367	3.54	
Other taxable securities	4,653	1.40		4,224	1.30		389	4.01		7,446	3.83		16,712	2.51	
Total taxable securities	6,557	2.20		141,089	4.36		45,492	4.38		114,214	3.99		307,352	4.17	
Tax-exempt securities	156	3.73		1,698	4.19		2,946	4.16		2,613	3.02		7,413	3.76	
Total available-for-sale debt securities	\$ 6,713	2.23		\$ 142,787	4.36		\$ 48,438	4.37		\$ 116,827	3.96		\$ 314,765	4.16	
Amortized cost of available-for-sale debt securities															
	\$ 6,968			\$ 139,833			\$ 46,892			\$ 116,406			\$ 310,099		

(1) Yields are calculated based on the amortized

cost of the
securities.

The components of realized gains and losses on sales of debt securities for the three and six months ended June 30, 2010 and 2009 are presented in the table below. During the second quarter of 2010, the Corporation entered into a series of transactions in its AFS debt securities portfolio that involved securitizations as well as sales of non-agency RMBS. The Corporation made the decision to enter into these transactions in late May 2010 following a review of corporate risk objectives in light of proposed Basel regulatory capital changes and liquidity targets. The carrying value of the non-agency RMBS portfolio was reduced \$5.2 billion during the quarter primarily as a result of the aforementioned sales and securitizations as well as paydowns. The Corporation recognized net losses of \$711 million on the sales and securitizations, and improved the overall credit quality of the remaining portfolio such that the percentage of the non-agency RMBS portfolio that is below investment grade was reduced significantly.

	Three Months Ended June		Six Months Ended June	
	30		30	
(Dollars in millions)	2010	2009	2010	2009
Gross gains	\$ 942	\$ 744	\$ 1,848	\$ 2,281
Gross losses	(905)	(112)	(1,077)	(151)
Net gains on sales of debt securities	\$ 37	\$ 632	\$ 771	\$ 2,130

The income tax expense attributable to realized net gains on sales on debt securities was \$14 million and \$285 million for the three and six months ended June 30, 2010 compared to \$234 million and \$788 million for the same periods in 2009.

Certain Corporate and Strategic Investments

At both June 30, 2010 and December 31, 2009, the Corporation owned approximately 11 percent, or 25.6 billion common shares of China Construction Bank (CCB). During the six months ended June 30, 2009, the Corporation sold its initial investment of 19.1 billion common shares in CCB for a pre-tax gain of \$7.3 billion. The remaining investment of 25.6 billion common shares is accounted for at cost and classified in other assets. Dividends related to this investment are accrued when declared. Of the total investment, 23.6 billion shares are non-transferable until August 2011. Under applicable accounting guidance, beginning one year prior to the date when the shares become transferrable, the shares will be accounted for as AFS securities and carried at fair value with unrealized gains and losses included in accumulated OCI. At June 30, 2010 and

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December 31, 2009, both the cost and the carrying value of the CCB investment were \$9.2 billion, and the fair value was \$20.8 billion and \$22.0 billion. Dividend income on this investment is recorded in equity investment income and during the second quarter of 2010, the Corporation accrued a dividend of \$535 million from CCB. The Corporation remains a significant shareholder in CCB and intends to continue the important long-term strategic alliance with CCB originally entered into in 2005. As part of this alliance, the Corporation expects to continue to provide advice and assistance to CCB.

In June 2010, the Corporation sold its investment of 188.4 million preferred shares and 56.5 million common shares in Itaú Unibanco Holding S.A. (Itaú Unibanco) for \$3.9 billion. The Itaú Unibanco investment was accounted for at fair value and classified as AFS marketable equity securities in other assets with unrealized gains recorded, net-of-tax, in accumulated OCI. The carrying value of this investment was \$2.6 billion and, after transaction costs, the pre-tax gain was \$1.2 billion.

In June 2010, the Corporation entered into a definitive agreement to sell its 24.9 percent ownership interest in Grupo Financiero Santander, S.A.B. de C.V. to an affiliate of its parent company, Banco Santander, S.A., the majority interest holder. The sale price is \$2.5 billion and the Corporation's carrying value at the agreement date was \$2.9 billion which included the impact of foreign currency translation adjustments in accumulated OCI. This investment is classified in other assets and is accounted for under the equity method of accounting. Because the sale is expected to result in a loss, the Corporation recorded an impairment write-down in the three months ended June 30, 2010 equal to the estimated pre-tax loss of \$428 million. The sale is expected to close during the three months ended September 30, 2010.

In June 2010, the Corporation sold all of its MasterCard equity position, which was acquired primarily upon MasterCard's IPO. In connection with the transaction, the Corporation recorded a pre-tax gain of \$440 million.

In the second quarter of 2010, the Corporation entered into agreements to sell \$2.9 billion of its exposure in certain private equity funds including \$1.5 billion of funded exposure and \$1.4 billion of unfunded commitments. The pre-tax loss recognized in the three months ended June 30, 2010 on these transactions was \$163 million.

At both June 30, 2010 and December 31, 2009, the Corporation had an economic ownership of approximately 34 percent in BlackRock, Inc. (BlackRock), a publicly traded investment company. The carrying value of this investment at June 30, 2010 and December 31, 2009 was \$10.1 billion and \$10.0 billion and the fair value was \$9.3 billion and \$15.0 billion, respectively. This investment is classified in other assets and is accounted for under the equity method of accounting with income recorded as equity investment income.

On June 26, 2009, the Corporation entered into a joint venture agreement with First Data Corporation (First Data) creating Banc of America Merchant Services, LLC. Under the terms of the agreement, the Corporation contributed its merchant processing business to the joint venture and First Data contributed certain merchant processing contracts and personnel resources. During the three months ended June 30, 2009, the Corporation recorded in other income a pre-tax gain of \$3.8 billion related to this transaction. In addition to the Corporation and First Data, the remaining stake was initially held by a third party. During the second quarter of 2010, the third party sold its interest to the joint venture, resulting in an ownership increase in this joint venture to approximately 49 percent for the Corporation and 51 percent for First Data. The investment in the joint venture, which was initially recorded at a fair value of \$4.7 billion, is accounted for under the equity method of accounting with income recorded as equity investment income. The carrying value of the investment at both June 30, 2010 and December 31, 2009 was \$4.7 billion.

Table of Contents**NOTE 6 Outstanding Loans and Leases**

The table below presents outstanding loans and leases at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30 2010 ⁽¹⁾	December 31 2009
Consumer		
Residential mortgage ⁽²⁾	\$245,502	\$242,129
Home equity	146,274	149,126
Discontinued real estate ⁽³⁾	13,780	14,854
Credit card domestic	116,739	49,453
Credit card foreign	26,391	21,656
Direct/Indirect consumer ⁽⁴⁾	98,239	97,236
Other consumer ⁽⁵⁾	3,008	3,110
Total consumer	649,933	577,564
Commercial		
Commercial domestic ⁽⁶⁾	191,458	198,903
Commercial real estate ⁽⁷⁾	61,587	69,447
Commercial lease financing	21,392	22,199
Commercial foreign	27,909	27,079
Total commercial loans	302,346	317,628
Commercial loans measured at fair value ⁽⁸⁾	3,898	4,936
Total commercial	306,244	322,564
Total loans and leases	\$956,177	\$900,128

⁽¹⁾ Periods subsequent to January 1, 2010 are presented in accordance with new consolidation guidance.

⁽²⁾ Includes foreign residential mortgages of \$500 million and \$552 million at June 30, 2010 and December 31, 2009.

- (3) Includes \$12.4 billion and \$13.4 billion of pay option loans, and \$1.4 billion and \$1.5 billion of subprime loans at June 30, 2010 and December 31, 2009. The Corporation no longer originates these products.
- (4) Includes dealer financial services loans of \$46.4 billion and \$41.6 billion, consumer lending of \$15.8 billion and \$19.7 billion, domestic securities-based lending margin loans of \$14.6 billion and \$12.9 billion, student loans of \$10.3 billion and \$10.8 billion, foreign consumer loans of \$7.5 billion and \$8.0 billion and other consumer loans of \$3.7 billion and \$4.2 billion at June 30, 2010 and December 31, 2009.
- (5) Includes consumer finance loans of \$2.1 billion and

\$2.3 billion,
other foreign
consumer loans
of \$733 million
and \$709 million
and consumer
overdrafts of
\$186 million and
\$144 million at
June 30, 2010
and
December 31,
2009.

(6) Includes small
business
commercial
domestic loans,
including card
related products,
of \$15.9 billion
and \$17.5 billion
at June 30, 2010
and
December 31,
2009.

(7) Includes
domestic
commercial real
estate loans of
\$59.1 billion and
\$66.5 billion and
foreign
commercial real
estate loans of
\$2.4 billion and
\$3.0 billion at
June 30, 2010
and
December 31,
2009.

(8) Certain
commercial
loans are
accounted for
under the fair
value option and
include
commercial

domestic loans
of \$2.1 billion
and \$3.0 billion,
commercial
foreign loans of
\$1.7 billion and
\$1.9 billion and
commercial real
estate loans of
\$114 million and
\$90 million at
June 30, 2010
and
December 31,
2009. See *Note*
14 Fair Value
Measurements
for additional
information on
the fair value
option.

The Corporation mitigates a portion of its credit risk on the residential mortgage portfolio through the use of synthetic securitizations which are cash collateralized and provide mezzanine risk protection of \$2.2 billion and \$2.5 billion at June 30, 2010 and December 31, 2009, which will reimburse the Corporation in the event that losses exceed 10 basis points (bps) of the original pool balance. The Corporation does not have a variable interest in the vehicles, which are variable interest entities, and therefore they are not consolidated by the Corporation. As of June 30, 2010 and December 31, 2009, \$61.7 billion and \$70.7 billion of residential mortgage loans were referenced under these agreements. The decrease in these pools was due to \$6.9 billion in principal payments and \$2.1 billion of loan sales. At June 30, 2010 and December 31, 2009, the Corporation had a receivable of \$944 million and \$1.0 billion from these synthetic securitizations for reimbursement of losses. These receivables are fully collectible as there are no claims on the cash collateral that are senior to the Corporation's. In addition, the Corporation has entered into credit protection agreements with FNMA and FHLMC totaling \$7.4 billion and \$6.6 billion as of June 30, 2010 and December 31, 2009, providing full protection on conforming residential mortgage loans that become severely delinquent.

Table of Contents***Nonperforming Loans and Leases***

The following table presents the Corporation's nonperforming loans and leases, including nonperforming TDRs, at June 30, 2010 and December 31, 2009. This table excludes performing TDRs and loans accounted for under the fair value option. Nonperforming loans held-for-sale (LHFS) are excluded from nonperforming loans and leases as they are recorded at the lower of cost or fair value. In addition, purchased credit-impaired loans, consumer credit card, business card loans and in general, consumer loans not secured by real estate, including renegotiated loans, are not considered nonperforming and are therefore excluded from nonperforming loans and leases in the table. Real estate-secured, past due consumer loans that are insured by the Federal Housing Administration (FHA), including repurchased loans pursuant to the Corporation's servicing agreements with GNMA, are not reported as nonperforming as principal repayments are insured by the FHA.

(Dollars in millions)	June 30 2010	December 31 2009
Consumer		
Residential mortgage	\$18,283	\$ 16,596
Home equity	2,951	3,804
Discontinued real estate	293	249
Direct/Indirect consumer	85	86
Other consumer	72	104
Total consumer	21,684	20,839
Commercial		
Commercial – domestic ⁽¹⁾	4,542	5,125
Commercial real estate	6,704	7,286
Commercial lease financing	140	115
Commercial – foreign	130	177
Total commercial	11,516	12,703
Total nonperforming loans and leases ⁽²⁾	\$33,200	\$ 33,542

⁽¹⁾ Includes small business commercial domestic loans of \$222 million and \$200 million at June 30, 2010 and December 31, 2009.

⁽²⁾ Balances exclude nonaccruing TDRs in the

consumer real
estate portfolio
of \$403 million
and \$395 million
at June 30, 2010
and
December 31,
2009 that were
removed from
the purchased
credit-impaired
loan portfolio
prior to the
adoption of new
accounting
guidance
effective
January 1, 2010.

Included in certain loan categories in the nonperforming table above are TDRs that were classified as nonperforming. At June 30, 2010 and December 31, 2009, the Corporation had \$3.5 billion and \$2.9 billion of residential mortgages, \$856 million and \$1.7 billion of home equity, \$669 million and \$486 million of commercial loans and \$79 million and \$43 million of discontinued real estate loans that were TDRs and classified as nonperforming. In addition to these amounts, at June 30, 2010 and December 31, 2009, the Corporation had performing TDRs that were on accrual status of \$4.1 billion and \$2.3 billion of residential mortgages, \$1.0 billion and \$639 million of home equity, \$207 million and \$91 million of commercial loans and \$32 million and \$35 million of discontinued real estate.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, performing commercial TDRs and both performing and nonperforming consumer real estate TDRs. As defined in applicable accounting guidance, impaired loans exclude smaller balance homogeneous loans that are collectively evaluated for impairment, all commercial leases and those commercial loans accounted for under the fair value option. Purchased credit-impaired loans are reported separately and discussed beginning on page 32.

The Corporation seeks to assist customers that are experiencing financial difficulty by renegotiating credit card, consumer lending and small business loans (the renegotiated portfolio) while ensuring compliance with Federal Financial Institutions Examination Council (FFIEC) guidelines. The renegotiated portfolio may include modifications, both short- and long-term, of interest rates or payment amounts or a combination thereof. The Corporation makes loan modifications primarily utilizing internal renegotiation programs via direct customer contact that manage customers debt exposures held only by the Corporation. Additionally, the Corporation makes loan modifications with consumers who have elected to work with external renegotiation agencies and these modifications provide solutions to customers entire unsecured debt structures. Under both internal and external programs, customers receive reduced annual percentage rates with fixed payments that

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amortize loan balances over a 60-month period. Under both programs, a customer's charging privileges are revoked.

The following table provides detailed information on the Corporation's primary modification programs for the renegotiated portfolio.

Renegotiated Portfolio

									Percent of Balances Current or Less Than 30 Days Past Due	
	Internal Programs		External Programs		Other		Total		Days Past Due	
	December June 30 2010	31 2009	June 30 2010	December 31 2009	June 30 2010	December 31 2009	June 30 2010	31 2009	June 30 2010	31 2009
(dollars in millions)										
Consumer										
Credit card domestic	\$ 8,043	\$3,159	\$2,068	\$ 758	\$465	\$283	\$10,576	\$4,200	77.76%	75.43%
Credit card foreign	311	252	199	168	82	435	592	855	81.43	53.02
Direct/Indirect consumer	1,414	1,414	550	539	84	89	2,048	2,042	79.04	75.44
Other consumer	3	54	4	69	1	17	8	140	78.09	68.94
Total consumer	9,771	4,879	2,821	1,534	632	824	13,224	7,237	78.13	72.66
Commercial										
Small business commercial domestic	774	776	62	57	6	11	842	844	64.63	64.90
Total commercial	774	776	62	57	6	11	842	844	64.63	64.90
Total renegotiated loans	\$10,545	\$5,655	\$2,883	\$1,591	\$638	\$835	\$14,066	\$8,081	77.32%	72.96

At June 30, 2010 and December 31, 2009, the Corporation had a renegotiated portfolio of \$14.1 billion and \$8.1 billion of which \$10.9 billion was current or less than 30 days past due under the modified terms at June 30, 2010. The related allowance was \$7.0 billion at June 30, 2010. Current period amounts include the impact of new consolidation guidance which resulted in the consolidation of credit card and other securitization trusts. The average recorded investment in the renegotiated portfolio for the six months ended June 30, 2010 and 2009 was \$15.3 billion and \$5.5 billion. Interest income is accrued on outstanding balances with cash receipts first applied to interest and fees, then to reduce outstanding principal balances. For the three and six months ended June 30, 2010, interest income on the renegotiated portfolio totaled \$205 million and \$412 million compared to \$72 million and \$131 million for the same periods in 2009. The renegotiated portfolio is excluded from nonperforming loans as the Corporation generally does not classify consumer loans not secured by real estate as nonperforming as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due.

At June 30, 2010 and December 31, 2009, the Corporation had \$11.6 billion and \$12.7 billion of impaired commercial loans and \$9.6 billion and \$7.7 billion of impaired consumer real estate loans. The average recorded investment in impaired commercial and consumer real estate loans for the six months ended June 30, 2010 and 2009 was \$21.2 billion and \$11.5 billion. At June 30, 2010 and December 31, 2009, the recorded investment in impaired loans requiring an allowance for loan and lease losses was \$19.0 billion and \$18.6 billion, and the related allowance for loan and lease losses was \$2.7 billion and \$3.0 billion. For the three and six months ended June 30, 2010, interest income on these impaired loans totaled \$123 million and \$234 million. This compared to \$60 million and \$75 million for the same periods in the prior year. At June 30, 2010 and December 31, 2009, remaining commitments to lend

additional funds to debtors whose terms have been modified in a commercial or consumer TDR were immaterial.

Purchased Credit-impaired Loans

Purchased credit-impaired loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. In connection with the Countrywide acquisition in 2008, the Corporation acquired purchased credit-impaired loans, substantially all of which are residential mortgage, home equity and discontinued real estate loans, with a remaining unpaid principal balance at June 30, 2010, March 31, 2010 and December 31, 2009 of \$44.9 billion, \$46.3 billion and \$47.7 billion and a carrying amount, excluding the valuation reserve, of \$36.2 billion, \$37.0 billion and \$37.5 billion. In connection with the Merrill Lynch acquisition in 2009, the Corporation acquired purchased credit-impaired loans, substantially all of which are commercial and residential mortgage loans. At June 30, 2010, the unpaid principal balance of Merrill Lynch purchased credit-impaired consumer and commercial loans was \$2.1 billion and \$1.6 billion and the carrying amount of these loans, excluding the valuation reserve, was \$1.9 billion and \$439 million. At March 31, 2010, the unpaid principal balance of Merrill Lynch purchased credit-impaired consumer and commercial loans was \$2.3 billion and \$1.7 billion and the carrying amount of these loans, excluding the valuation reserve, was \$2.0 billion and \$604 million. At December 31, 2009, the unpaid principal balance of Merrill Lynch purchased credit-impaired consumer and commercial loans was \$2.4 billion and \$2.0 billion and the carrying amount of

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these loans, excluding the valuation reserve, was \$2.1 billion and \$692 million. See *Note 7 Allowance for Credit Losses* for additional information.

As a result of the adoption of new accounting guidance on purchased credit-impaired loans, beginning January 1, 2010, pooled loans that are modified subsequent to acquisition are not removed from the purchased credit-impaired loan pools. Prior to January 1, 2010, pooled loans that were modified subsequent to acquisition were reviewed to compare modified contractual cash flows to the purchased credit-impaired carrying value. If the present value of the modified cash flows was lower than the carrying value, the loan was removed from the purchased credit-impaired loan pool at its carrying value, as well as any related allowance for loan and lease losses, and was classified as a TDR. The carrying value of purchased credit-impaired loan TDRs that were removed from the purchased credit-impaired pool prior to January 1, 2010 totaled \$2.1 billion at June 30, 2010, of which \$1.7 billion were on accrual status. The carrying value of these modified loans, net of allowance, was approximately 65 percent of the unpaid principal balance.

The following table shows activity for the accretable yield on purchased credit-impaired loans. For the three months ended June 30, 2010, there was a \$367 million reclassification from accretable yield to nonaccretable difference primarily related to a reduction in estimated interest cash flows. The reclassification to nonaccretable difference for the six months ended June 30, 2010 was \$167 million as the reduction in estimated interest cash flows was somewhat offset by slower projected prepayment speeds during the first quarter.

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
(Dollars in millions)		
Accretable yield, beginning of period	\$ 7,368	\$ 7,715
Accretion	(460)	(960)
Disposals/transfers	(74)	(121)
Reclassifications to nonaccretable difference	(367)	(167)
Accretable yield, June 30, 2010	\$ 6,467	\$ 6,467

Loans Held-for-Sale

The Corporation had LHFS of \$38.0 billion and \$43.9 billion at June 30, 2010 and December 31, 2009. Proceeds from sales, securitizations and paydowns of LHFS were \$150.4 billion and \$177.0 billion for the six months ended June 30, 2010 and 2009. Proceeds used for originations and purchases of LHFS were \$137.5 billion and \$192.0 billion for the six months ended June 30, 2010 and 2009.

Table of Contents**NOTE 7 Allowance for Credit Losses**

The following table summarizes the changes in the allowance for credit losses for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions)	2010	2009	2010	2009
Allowance for loan and lease losses, beginning of period, before effect of the January 1 adoption of new consolidation guidance	\$ 46,835	\$ 29,048	\$ 37,200	\$ 23,071
Allowance related to adoption of new consolidation guidance	n/a	n/a	10,788	n/a
Allowance for loan and lease losses, beginning of period	46,835	29,048	47,988	23,071
Loans and leases charged off	(10,306)	(9,126)	(21,807)	(16,482)
Recoveries of loans and leases previously charged off	749	425	1,453	839
Net charge-offs	(9,557)	(8,701)	(20,354)	(15,643)
Provision for loan and lease losses	8,105	13,347	17,704	26,699
Other	(128)	91	(83)	(342)
Allowance for loan and lease losses, June 30	45,255	33,785	45,255	33,785
Reserve for unfunded lending commitments, beginning of period	1,521	2,102	1,487	421
Provision for unfunded lending commitments	-	28	206	56
Other	(108)	(138)	(280)	1,515
Reserve for unfunded lending commitments, June 30	1,413	1,992	1,413	1,992
Allowance for credit losses, June 30	\$ 46,668	\$ 35,777	\$ 46,668	\$ 35,777

n/a = not applicable

During the three and six months ended June 30, 2010, the Corporation recorded \$256 million and \$1.1 billion in provision for credit losses with a corresponding increase in the valuation reserve included as part of the allowance for loan and lease losses specifically for the purchased credit-impaired loan portfolio. This compared to \$855 million and \$1.7 billion for the same periods in the prior year. The amount of the allowance for loan and lease losses associated with the purchased credit-impaired loan portfolio was \$5.3 billion, \$5.1 billion and \$3.9 billion at June 30, 2010, March 31, 2010 and December 31, 2009. The increase in the allowance for loan and lease losses was a result of the provision for credit losses and the reclassification to the nonaccretable difference of previous write-downs recorded against the allowance.

The other amount under the reserve for unfunded lending commitments for the three and six months ended June 30, 2010 and 2009 represents the fair value of the acquired Merrill Lynch reserve excluding those commitments

accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded portions.

NOTE 8 Securitizations and Other Variable Interest Entities

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

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

(Dollars in millions)	Ending Balance Sheet December 31, 2009	Net Increase (Decrease)	Beginning Balance Sheet January 1, 2010
Assets			
Cash and cash equivalents	\$ 121,339	\$ 2,807	\$ 124,146
Trading assets	182,206	6,937	189,143
Derivative assets	80,689	556	81,245
Debt securities:			
Available-for-sale	301,601	(2,320)	299,281
Held-to-maturity	9,840	(6,572)	3,268
Total debt securities	311,441	(8,892)	302,549
Loans and leases	900,128	102,595	1,002,723
Allowance for loan and leases losses	(37,200)	(10,788)	(47,988)
Loans and leases, net of allowance	862,928	91,807	954,735
Loans held-for-sale	43,874	3,025	46,899
Deferred tax asset	27,279	3,498	30,777
All other assets	593,543	701	594,244
Total assets	\$ 2,223,299	\$ 100,439	\$ 2,323,738
Liabilities			
Commercial paper and other short-term borrowings	\$ 69,524	\$ 22,136	\$ 91,660
Long-term debt	438,521	84,356	522,877
All other liabilities	1,483,810	217	1,484,027
Total liabilities	1,991,855	106,709	2,098,564
Shareholders' equity			
Retained earnings	71,233	(6,154)	65,079
	(5,619)	(116)	(5,735)

Accumulated other comprehensive income
(loss)

All other shareholders' equity	165,830	-	165,830
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Total shareholders' equity	231,444	(6,270)	225,174
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Total liabilities and shareholders' equity	\$ 2,223,299	\$ 100,439	\$ 2,323,738
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The following tables present the assets and liabilities of consolidated and unconsolidated VIEs if the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE at June 30, 2010 and December 31, 2009. The tables also present the Corporation's maximum exposure to loss resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest at June 30, 2010 and December 31, 2009. The Corporation's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum exposure to loss does not include losses previously recognized through write-downs of assets on the Corporation's Consolidated Balance Sheet.

The Corporation invests in asset-backed securities issued by third party VIEs with which it has no other form of involvement. These securities are included in *Note 3 Trading Account Assets and Liabilities* and *Note 5 Securities*. In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in *Note 13 Long-term Debt* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio as described in *Note 6 Outstanding Loans and Leases*. The Corporation has also provided support to certain cash funds managed within *GWIM*, as described in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K. These VIEs, which are not consolidated by the Corporation, are not included in the tables below.

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Except as described below and in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K, as of June 30, 2010, the Corporation has not provided financial support to consolidated or unconsolidated VIEs that it was not previously contractually required to provide, nor does it intend to do so.

Mortgage-related Securitizations**First-Lien Mortgages**

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originates or purchases from third parties generally in the form of MBS guaranteed by GSEs and from time to time under private label MBS. Securitization occurs in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages it originates or purchases from other entities. The Corporation also typically services loans it securitizes. Further, the Corporation may retain beneficial interests in the securitization vehicles including senior and subordinate securities and the equity tranche. Except as described below, the Corporation does not provide guarantees or recourse to the securitization vehicles other than standard representations and warranties.

The following table summarizes select information related to first-lien mortgage securitizations for the three and six months ended June 30, 2010 and 2009.

(Dollars in millions)	Residential Mortgage									
	Non-Agency								Commercial Mortgage	
	Agency		Prime		Subprime		Alt-A			
			Three Months Ended June 30							
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cash proceeds from new securitizations ⁽¹⁾	\$ 61,301	\$ 96,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,362	\$ -
Gain (loss) on securitizations ^(2, 3)	(402)	21	-	-	-	-	-	-	2	-
Cash flows received on residual interests	-	-	4	8	14	15	1	1	-	6
Initial fair value of assets acquired ⁽⁴⁾	436	n/a	-	n/a	-	n/a	-	n/a	-	n/a

	Six Months Ended June 30									
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cash proceeds from new securitizations ⁽¹⁾	\$ 131,209	\$ 171,285	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 2,383	\$ -
Gain (loss) on securitizations ^(2, 3)	(451)	21	-	-	-	-	-	-	20	-
Cash flows received on residual interests	-	-	9	14	33	31	2	3	1	11
Initial fair value of assets acquired ⁽⁴⁾	18,474	n/a	-	n/a	-	n/a	-	n/a	-	n/a

⁽¹⁾ The Corporation sells residential mortgage loans

to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third party investors for cash proceeds.

- (2) Net of hedges
- (3) Substantially all of the residential mortgages securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. During the three and six months ended June 30, 2010, the Corporation recognized \$1.2 billion and \$2.5 billion of gains on these LHFS compared to \$1.5 billion and \$2.5 billion for the same periods in 2009. The gains were substantially offset by hedges.
- (4) All of the securities and other retained interests acquired from

securitizations
are initially
classified as
Level 2 assets
within the fair
value hierarchy.
During the three
and six months
ended June 30,
2010, there were
no changes to
the initial
classification
within the fair
value hierarchy.

n/a = not applicable

The Corporation recognizes consumer MSR from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were \$1.6 billion and \$3.2 billion during the three and six months ended June 30, 2010 compared to \$1.5 billion and \$3.0 billion for the same periods in 2009. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were \$20.9 billion and \$19.3 billion at June 30, 2010 and December 31, 2009. The Corporation has the option to repurchase delinquent loans out of securitization trusts, which reduces the amount of servicing advances it is required to make. During the three and six months ended June 30, 2010, \$4.3 billion and \$8.4 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or in order to perform modifications, compared to \$201 million and \$957 million for the same periods in 2009. In addition, the Corporation has retained commercial MSR from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income (loss) on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were \$(2) million and \$2 million during the three and six months ended June 30, 2010 compared to \$13 million and \$24 million for the same periods in 2009. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were \$128 million and \$109 million at June 30, 2010 and December 31, 2009. For more information on MSR, see *Note 16 Mortgage Servicing Rights*.

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The following table summarizes select information related to first-lien mortgage securitization trusts in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	<div>Residential Mortgage</div> <div>Non-Agency</div>										Commercial Mortgage	
	Agency		Prime		Subprime		Alt-A					
	June 30 2010	December 31 2009	June 30 2010	December 31 2009	June 30 2010	December 31 2009	June 30 2010	December 31 2009	June 30 2010	December 31 2009	June 30 2010	December 31 2009
Unconsolidated VIEs												
Maximum loss exposure ⁽¹⁾	\$ 57,598	\$ 14,398	\$ 3,235	\$ 4,068	\$ 279	\$ 224	\$ 671	\$ 996	\$ 1,623	\$ 1,877		
On-balance sheet assets												
Senior securities held ⁽²⁾												
Trading account assets	\$ 10,174	\$ 2,295	\$ 150	\$ 201	\$ 16	\$ 12	\$ 397	\$ 431	\$ 92	\$ 469		
AFS debt securities	47,424	12,103	3,029	3,845	188	188	273	561	1,136	1,215		
Subordinate securities held ⁽²⁾												
Trading account assets	-	-	-	-	18	-	-	-	28	122		
AFS debt securities	-	-	42	13	53	22	1	4	-	23		
Residual interests held	-	-	14	9	4	2	-	-	367	48		
Total retained positions	\$ 57,598	\$ 14,398	\$ 3,235	\$ 4,068	\$ 279	\$ 224	\$ 671	\$ 996	\$ 1,623	\$ 1,877		
Principal balance outstanding ⁽³⁾	\$ 1,288,159	\$ 1,255,650	\$ 72,600	\$ 81,012	\$ 73,835	\$ 83,065	\$ 132,488	\$ 147,072	\$ 104,838	\$ 65,397		
Consolidated VIEs												
Maximum loss exposure ⁽¹⁾	\$ 11,390	\$ 1,683	\$ 67	\$ 472	\$ 634	\$ 1,261	\$ -	\$ -	\$ -	\$ -		
On-balance sheet assets												
Loans and leases	\$ 11,442	\$ 1,689	\$ -	\$ -	\$ 400	\$ 450	\$ -	\$ -	\$ -	\$ -		
Loans held-for-sale	-	-	-	436	2,102	2,030	-	-	-	-		
Other assets	(52)	(6)	67	86	185	271	-	-	-	-		

Total assets	\$ 11,390	\$ 1,683	\$ 67	\$ 522	\$ 2,687	\$ 2,751	\$ -	\$ -	\$ -	-
On-balance sheet liabilities										
Long-term debt	\$ -	\$ -	\$ -	48	\$ 1,390	\$ 1,737	\$ -	\$ -	\$ -	-
Other liabilities	-	-	-	3	779	3	-	-	-	-
Total liabilities	\$ -	\$ -	\$ -	51	\$ 2,169	\$ 1,740	\$ -	\$ -	\$ -	-

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

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three and six months ended June 30, 2010 and 2009, there were no significant OTTI losses recorded on those securities classified as AFS debt securities.

(3) Principal balance outstanding includes loans the Corporation transferred and with which it has continuing involvement, and may include servicing the

loans. However,
these amounts
do not merely
represent loans
transferred by
the Corporation
where servicing
is retained.

On January 1, 2010, the Corporation consolidated \$2.5 billion of commercial mortgage securitization trusts in which it had a controlling financial interest. These trusts were subsequently deconsolidated as the Corporation determined that it no longer had a controlling financial interest. When the Corporation is the servicer of the loans or holds certain subordinate investments in a non-agency mortgage trust, the Corporation has control over the activities of the trust. If the Corporation also holds a financial interest that could potentially be significant to the trust, the Corporation is the primary beneficiary of and consolidates the trust. The Corporation does not have a controlling financial interest in and therefore does not consolidate agency trusts unless the Corporation holds substantially all of the issued securities and has the unilateral right to liquidate the trust. Prior to 2010, substantially all of the securitization trusts met the definition of a QSPE and as such were not subject to consolidation.

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Home Equity Mortgages

The Corporation maintains interests in home equity securitization trusts to which the Corporation transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. The Corporation also services the loans in the trusts. There were no securitizations of home equity loans during the three and six months ended June 30, 2010 and 2009. Collections reinvested in revolving period securitizations were \$9 million and \$16 million during the three and six months ended June 30, 2010 compared to \$50 million and \$123 million for the same periods in 2009. Cash flows received on residual interests were \$4 million and \$7 million for the three and six months ended June 30, 2010 compared to \$12 million and \$23 million for the same periods in 2009.

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

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The following table summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	Consolidated VIEs	June 30, 2010 Retained Interests in Unconsolidated VIEs	Total	December 31, 2009 Retained Interests in Unconsolidated VIEs
Maximum loss exposure ⁽¹⁾	\$ 3,380	\$ 9,882	\$ 13,262	\$ 13,947
On-balance sheet assets				
Trading account assets ^(2, 3)	\$ -	\$ 60	\$ 60	\$ 16
Available-for-sale debt securities ^(3, 4)	-	4	4	147
Loans and leases	3,869	-	3,869	-
Allowance for loan and lease losses	(489)	-	(489)	-
Total	\$ 3,380	\$ 64	\$ 3,444	\$ 163
On-balance sheet liabilities				
Long-term debt	\$ 3,934	\$ -	\$ 3,934	\$ -
All other liabilities	28	-	28	-
Total	\$ 3,962	\$ -	\$ 3,962	\$ -
Principal balance outstanding	\$ 3,869	\$ 23,853	\$ 27,722	\$ 31,869

(1) For unconsolidated VIEs, the maximum loss exposure represents outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves and excludes liability for representations and warranties, and corporate guarantees.

- (2) At June 30, 2010 and December 31, 2009, \$38 million and \$15 million of the debt securities classified as trading account assets were senior securities and \$22 million and \$1 million were subordinate securities.
- (3) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the six months ended June 30, 2010 and year ended December 31, 2009, there were no OTTI losses recorded on those securities classified as AFS debt securities.
- (4) At June 30, 2010 and December 31, 2009, \$4 million and \$47 million represent subordinate debt securities held. At December 31, 2009, \$100 million are

residual interests
classified as
AFS debt
securities.

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

The Corporation evaluates all of its home equity loan securitizations for their potential to experience a rapid amortization event by estimating the amount and timing of future losses on the underlying loans, the excess spread available to cover such losses and by evaluating any estimated shortfalls in relation to contractually defined triggers. A maximum funding obligation attributable to rapid amortization cannot be calculated as a home equity borrower has the ability to pay down and re-draw balances. At June 30, 2010 and December 31, 2009, home equity loan securitization transactions in rapid amortization, including both consolidated and unconsolidated trusts, had \$13.4 billion and \$14.1 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. At June 30, 2010, an additional \$438 million of trust certificates outstanding relate to home equity loan securitization transactions that are expected to enter rapid amortization during the next 12 months. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the performance of the loans, the amount of subsequent draws and the timing of related cash flows. At June 30, 2010 and December 31, 2009, the reserve for losses on expected future draw obligations on the home equity loan securitizations in or expected to be in rapid amortization was \$152 million and \$178 million.

The Corporation has consumer MSR's from the sale or securitization of home equity loans. The Corporation recorded \$15 million and \$41 million of servicing fee income related to home equity securitizations during the three and six months ended June 30, 2010 compared to \$34 million and \$69 million for the same periods in 2009. For more information on MSR's, see *Note 16 Mortgage Servicing Rights*.

Table of Contents**Representations and Warranties Obligations and Corporate Guarantees**

The Corporation securitizes first-lien mortgage loans, generally in the form of MBS guaranteed by GSEs. In addition, in prior years, legacy companies have sold pools of first-lien mortgage loans and home equity loans as private label MBS or in the form of whole loans. In connection with these securitizations and whole loan sales the Corporation and its legacy companies made various representations and warranties to the GSEs, private label MBS investors, financial guarantors (monolines), and other whole loan purchasers. These representations and warranties related to, among other things, the ownership of the loan, the validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, the process used to select the loan for inclusion in a transaction, the loan's compliance with any applicable loan criteria established by the buyer, including underwriting standards, and the loan's compliance with applicable federal, state and local laws. Violation of these representations and warranties may result in a requirement to repurchase mortgage loans, indemnify or provide other recourse to an investor or securitization trust. In such cases, the repurchaser bears any subsequent credit loss on the mortgage loans. The repurchaser's credit loss may be reduced by any recourse to sellers of loans for representations and warranties previously provided. These representations and warranties can be enforced by the investor or, in certain first-lien and home equity securitizations where monolines have insured all or some of the related bonds issued, by the insurer at any time over the life of the loan. However, most demands for repurchase have occurred within the first few years of origination, generally after a loan has defaulted. Importantly, the contractual liability to repurchase arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor or securitization trust, or if there is a breach of other standards established by the terms of the related sale agreement.

The Corporation's current operations are structured to attempt to limit the risk of repurchase and accompanying credit exposure by ensuring consistent production of quality mortgages and by servicing those mortgages consistent with secondary mortgage market standards. In addition, certain securitizations include guarantees written to protect purchasers of the loans from credit losses up to a specified amount. The probable losses to be absorbed under the representations and warranties obligations and the guarantees are recorded as a liability when the loans are sold and are updated by accruing a representations and warranties expense in mortgage banking income throughout the life of the loan as necessary when additional relevant information becomes available. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, which include actual defaults, estimated future defaults, historical loss experience, probability that a repurchase request will be received and probability that a loan will be required to be repurchased.

During the three and six months ended June 30, 2010, \$573 million and \$1.2 billion of loans were repurchased from first-lien investors and securitization trusts, including those in which the monolines insured some or all of the related bonds, under its representations and warranties, and corporate guarantees compared to \$222 million and \$580 million for the same periods in 2009. During the three and six months ended June 30, 2010, the amount paid to indemnify investors and securitization trusts, including those in which the monolines insured some or all of the related bonds, was \$165 million and \$462 million compared to \$59 million and \$122 million for the same periods in 2009. The repurchase claims and indemnification payments were primarily as a result of material breaches of representations related to the loan's compliance with the applicable underwriting standards, including borrower misrepresentation, credit exceptions without sufficient compensating factors and non-compliance with underwriting procedures, although the actual representations made in a sales transaction and the resulting repurchase and indemnification activity can vary by transaction or investor.

During the three and six months ended June 30, 2010, \$30 million and \$53 million of loans were repurchased from home equity securitization trusts under representations and warranties and corporate guarantees compared to \$50 million and \$77 million for the same periods in 2009. During the three and six months ended June 30, 2010, \$36 million and \$76 million were paid to indemnify investors or securitization trusts compared to \$37 million and \$52 million for the same periods in 2009. Repurchases of loans from securitization trusts for home equity loans are primarily a result of breaches of representations and warranties, including those where the monolines have insured all or some of the related bonds issued by securitization trusts. In addition, the loans may be repurchased in order to perform modifications.

Although the timing and volume has varied, repurchase and similar requests have increased from buyers and insurers including monolines. However, a very limited number of repurchase requests have been received related to private label MBS transactions. A loan by loan review of all repurchase requests is performed and demands have been and will continue to be contested to the extent not considered valid. Overall, disputes have increased with buyers and insurers regarding representations and warranties. At June 30, 2010, the unpaid principal balance of loans related to unresolved repurchase requests previously received from investors and insurers was approximately \$11.1 billion, including \$5.6 billion from the GSEs, \$4.0 billion from the monolines, and \$1.4 billion from other investors, and \$33 million from private label MBS transactions. Comparable amounts at December 31, 2009, were approximately \$7.6 billion, including \$3.3 billion from the GSEs, \$2.9 billion from the monolines and \$1.4 billion from other investors, and \$30 million from private label MBS transactions.

The liability for representations and warranties, and corporate guarantees, is included in accrued expenses and other liabilities and the related expense is included in mortgage banking income. At June 30, 2010 and December 31, 2009, the liability was \$3.9 billion and \$3.5 billion. For the three and six months ended June 30, 2010, the representations and warranties and corporate guarantees expense was \$1.2 billion and \$1.8 billion, compared to \$446 million and \$880 million for the same periods in 2009. Representations and warranties expense will vary each period as the methodology used to estimate the expense continues to be refined based on the level of repurchase requests, defects identified, the latest experience gained on repurchase requests and other relevant facts and circumstances.

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The Corporation and its legacy companies have an established history of working with the GSEs on repurchase requests and has generally established a mutual understanding of what represents a valid defect and the protocols necessary for loan repurchases. However, unlike the repurchase protocols and experience established with GSEs, experience with the monolines and other third party buyers has been varied and the protocols and experience with the monolines has not been as predictable as with the GSEs. In addition, the Corporation and its legacy companies have very limited experience with private label MBS repurchases as the number of repurchase requests received has been very limited.

Loans have been repurchased and a liability for representations and warranties has been established for monoline repurchase requests, based upon valid identified loan defects. A liability has also been established for monoline repurchase requests that are in the process of review based on historical repurchase experience with each monoline to the extent such experience provides a reliable basis on which to estimate incurred losses from future repurchase activity. A liability has also been established related to repurchase requests subject to negotiation and unasserted requests to repurchase current and future defaulted loans where it is believed a more consistent repurchase experience with certain monolines has been established. For other monolines, in view of the inherent difficulty of predicting the outcome of those repurchase requests where a valid defect has not been identified or the inherent difficulty in predicting future claim requests and the related outcome in the case of unasserted requests to repurchase loans from the securitization trusts in which these monolines have insured all or some of the related bonds, the Corporation cannot reasonably estimate the eventual outcome. In addition, the timing of the ultimate resolution, or the eventual loss, if any, related to those repurchase requests cannot be reasonably estimated. For the monolines where there has not been established sufficient, consistent repurchase experience, it is not possible to estimate the possible loss or a range of loss. Thus, a liability has not been established related to repurchase requests where a valid defect has not been identified, or in the case of any unasserted requests to repurchase loans from the securitization trusts in which such monolines have insured all or some of the related bonds.

At June 30, 2010, the unpaid principal balance of loans related to unresolved repurchase requests previously received from monolines was approximately \$4.0 billion, including \$2.3 billion that have been reviewed where it is believed a valid defect has not been identified which would constitute an actionable breach of representations and warranties and \$1.7 billion that is in the process of review. At June 30, 2010, the unpaid principal balance of loans for which the monolines had requested loan files for review but for which no repurchase request has been received was approximately \$9.8 billion. There will likely be additional requests for loan files in the future leading to repurchase requests. Such requests may relate to loans that are currently in the securitization trusts or loans that have defaulted and are no longer included in the unpaid principal balance of the loans in the trusts. However, it is unlikely that a repurchase request will be made for every loan in a securitization or every file requested or that a valid defect exists for every loan repurchase request. Repurchase requests from the monolines will continue to be evaluated and reviewed and, to the extent not considered valid, contested. The exposure to loss from monoline repurchase requests will be determined by the number and amount of loans ultimately repurchased offset by the applicable underlying collateral value in the real estate securing these loans. In the unlikely event that repurchase would be required for the entire amount of all loans in all securitizations, regardless of whether the loans were current, and without considering whether a repurchase demand might be asserted or whether such demand actually showed a valid defect in any loans from the securitization trusts in which monolines have insured all or some of the related bonds, assuming the underlying collateral has no value, the maximum amount of potential loss would be no greater than the unpaid principal balance of the loans repurchased plus accrued interest.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The securitization trusts' legal documents require the Corporation to maintain a minimum seller's interest of four to five percent and at June 30, 2010, the Corporation was in compliance with this requirement. The seller's interest in the trusts represents the Corporation's undivided interest in the receivables transferred to the trust and is *pari passu* to the

investors' interest. At December 31, 2009, prior to the consolidation of the trusts, the Corporation had \$10.8 billion of seller's interest which was carried at historical cost and classified in loans.

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

The following table summarizes select information related to credit card securitization trusts in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

	June 30, 2010	December 31, 2009
	Consolidated	Retained Interests in Unconsolidated
(Dollars in millions)	VIEs	VIEs
Maximum loss exposure ⁽¹⁾	\$ 24,565	\$ 32,167
On-balance sheet assets		
Trading account assets	\$ -	\$ 80
Available-for-sale debt securities ⁽²⁾	-	8,501
Held-to-maturity securities ⁽²⁾	-	6,573
Loans and leases ⁽³⁾	94,881	10,798
Allowance for loan and lease losses	(9,955)	(1,268)
Derivative assets	1,712	-
All other assets ⁽⁴⁾	3,722	5,195
Total	\$ 90,360	\$ 29,879
On-balance sheet liabilities		
Long-term debt	\$ 65,572	\$ -
All other liabilities	223	-
Total	\$ 65,795	\$ -
Trust loans ⁽⁵⁾	\$ 94,881	\$ 103,309

(1) At December 31, 2009, maximum loss exposure represents the total retained interests held by the Corporation and also includes

\$2.3 billion related to a liquidity support commitment the Corporation provided to the U.S. Credit Card Securitization Trust s commercial paper program.

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

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

(4) At December 31, 2009, All other assets includes discount receivables, subordinate

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

- (5) At
December 31,
2009, Trust
loans represents
the principal
balance of credit
card receivables
that have been
legally isolated
from the
Corporation
including those
loans
represented by
the seller's
interest that
were held on the
Corporation's
Consolidated
Balance Sheet.
At June 30,
2010, Trust
loans includes
accrued interest
receivables of
\$1.3 billion.
Prior to
consolidation,
subordinate
accrued interest
receivables were
included in All
other assets.
These credit
card receivables
are legally assets
of the Trust and

not of the
Corporation and
can only be used
to settle
obligations of
the Trust.

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For the three and six months ended June 30, 2010, \$2.9 billion of new senior debt securities were issued to external investors from the credit card securitization trusts. There were no new debt securities issued to external investors from the credit card securitization trusts for the three and six months ended June 30, 2009. Collections reinvested in revolving period securitizations were \$33.4 billion and \$69.1 billion and cash flows received on residual interests were \$1.1 billion and \$2.5 billion for the three and six months ended June 30, 2009.

At December 31, 2009, there were no recognized servicing assets or liabilities associated with any of the credit card securitization transactions. The Corporation recorded \$520 million and \$1.0 billion in servicing fees related to credit card securitizations for the three and six months ended June 30, 2009.

During the three and six months ended June 30, 2010, subordinate securities of \$1.9 billion and \$10.0 billion with a stated interest rate of zero percent were issued by the U.S. Credit Card Securitization Trusts to the Corporation. In addition, the Corporation extended its election of designating a specified percentage of new receivables transferred to the Trusts as discount receivables through September 30, 2010. As the U.S. Credit Card Securitization Trusts were consolidated on January 1, 2010, the additional subordinate securities issued and the extension of the discount receivables election had no impact on the Corporation's consolidated results for the three and six months ended June 30, 2010. For additional information on these transactions, see *Note 8 Securitizations* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K.

During the six months ended June 30, 2010, similar actions were also taken with the U.K. Credit Card Securitization Trusts. Additional subordinate securities of \$1.5 billion with a stated interest rate of zero percent were issued by the U.K. Credit Card Securitization Trusts to the Corporation and the Corporation specified that from February 22, 2010 through October 31, 2010, a percentage of new receivables transferred to the Trusts will be deemed discount receivables. Both actions were taken in an effort to address the decline in the excess spread of the U.K. Credit Card Securitization Trusts. As the U.K. Credit Card Securitization Trusts were consolidated on January 1, 2010, the additional subordinate securities issued and the designation of discount receivables had no impact on the Corporation's results for the three and six months ended June 30, 2010.

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

Multi-seller Conduits

The Corporation administers four multi-seller conduits which provide a low-cost funding alternative to its customers by facilitating their access to the commercial paper market. These customers sell or otherwise transfer assets to the conduits, which in turn issue short-term commercial paper that is rated high-grade and is collateralized by the underlying assets. The Corporation receives fees for providing combinations of liquidity and standby letters of credit (SBLCs) or similar loss protection commitments to the conduits for the benefit of third party investors. The Corporation also receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. The Corporation's liquidity commitments, which had an aggregate notional amount outstanding of \$17.7 billion and \$34.5 billion at June 30, 2010 and December 31, 2009, are collateralized by various classes of assets and incorporate features such as overcollateralization and cash reserves that are designed to provide credit support to the conduits at a level equivalent to investment grade as determined in accordance with internal risk rating guidelines. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation.

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The following table summarizes select information related to multi-seller conduits in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010	December 31, 2009		Total
	Consolidated	Consolidated	Unconsolidated	
Maximum loss exposure	\$ 17,770	\$ 9,388	\$ 25,135	\$ 34,523
On-balance sheet assets				
Available-for-sale debt securities	\$ 6,698	\$ 3,492	\$ -	\$ 3,492
Held-to-maturity debt securities	-	2,899	-	2,899
Loans and leases	4,435	318	318	636
Allowance for loan and lease losses	(3)	-	-	-
All other assets	495	4	60	64
Total	\$ 11,625	\$ 6,713	\$ 378	\$ 7,091
On-balance sheet liabilities				
Commercial paper and other short-term borrowings	\$ 11,586	\$ 6,748	\$ -	\$ 6,748
Total	\$ 11,586	\$ 6,748	\$ -	\$ 6,748
Total assets of VIEs	\$ 11,625	\$ 6,713	\$ 13,893	\$ 20,606

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

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

The assets of the conduits typically carry a risk rating of AAA to BBB based on the Corporation's current internal risk rating equivalent which reflects structural enhancements of the assets including third party insurance. Approximately 86 percent of commitments in the conduits are supported by senior exposures. At June 30, 2010, the assets of the consolidated conduits and the conduits' unfunded liquidity commitments were mainly collateralized by \$3.6 billion in trade receivables (20 percent), \$2.9 billion in auto loans (16 percent), \$2.5 billion in student loans (14 percent), \$720 million in credit card loans (four percent) and \$1.4 billion in equipment loans (eight percent). In addition, \$2.3 billion (13 percent) of the conduits' assets and unfunded commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these

arrangements will be repaid when cash flows due under the long-term contracts are received. Substantially all of this exposure is insured. In addition, \$3.6 billion (20 percent) of the conduits' assets and unfunded commitments were collateralized by the conduits' short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by commitments from a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls.

One of the previously unconsolidated conduits held CDO investments with aggregate funded amounts and unfunded commitments totaling \$543 million at December 31, 2009. The conduit had transferred the investments to a subsidiary of the Corporation in accordance with existing contractual requirements and the transfers were initially accounted for as financing transactions. After the capital notes issued by the conduit were redeemed in 2010, the conduit no longer had any continuing exposure to credit losses of the investments and the transfers were recharacterized by the conduit as sales to the subsidiary of the Corporation. At June 30, 2010, these CDO exposures were recorded on the Corporation's Consolidated Balance Sheet in trading account assets and derivative liabilities and are included in the Corporation's disclosure of variable interests in CDO vehicles beginning on page 45.

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Assets of the Corporation are not available to pay creditors of the conduits except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the conduits are not available to pay creditors of the Corporation. At June 30, 2010 and December 31, 2009, the Corporation did not hold any commercial paper issued by the conduits other than incidentally and in its role as a commercial paper dealer.

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

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days' notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. The Corporation is not obligated to purchase the certificates under the standby liquidity facilities if a bond's credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. In addition to standby liquidity facilities, the Corporation also provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts.

Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by the Corporation. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the Corporation will make any required payments to the holders of the floating-rate certificates. The Corporation or a customer of the Corporation may hold the residual interest in the trust. If a customer holds the residual interest, that customer typically has the unilateral ability to liquidate the trust at any time, while the Corporation typically has the ability to trigger the liquidation of that trust if the market value of the bonds held in the trust declines below a specified threshold. This arrangement is designed to limit market losses to an amount that is less than the customer's residual interest, effectively preventing the Corporation from absorbing losses incurred on assets held within the trust when a customer holds the residual interest. The weighted average remaining life of bonds held in the trusts at June 30, 2010 was 12.8 years. There were no material write-downs or downgrades of assets or issuers during the three and six months ended June 30, 2010.

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The following table summarizes select information related to municipal bond trusts in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010			December 31, 2009		
	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	\$ 4,668	\$ 4,313	\$ 8,981	\$ 241	\$ 10,143	\$ 10,384
On-balance sheet assets						
Trading account assets	\$ 4,668	\$ 274	\$ 4,942	\$ 241	\$ 191	\$ 432
Derivative assets	-	-	-	-	167	167
Total	\$ 4,668	\$ 274	\$ 4,942	\$ 241	\$ 358	\$ 599
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	\$ 4,888	\$ -	\$ 4,888	\$ -	\$ -	\$ -
All other liabilities	-	-	-	2	287	289
Total	\$ 4,888	\$ -	\$ 4,888	\$ 2	\$ 287	\$ 289
Total assets of VIEs	\$ 4,668	\$ 6,442	\$ 11,110	\$ 241	\$ 12,247	\$ 12,488

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

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

During the three and six months ended June 30, 2010, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of \$369 million and \$782 million as compared to none during the same periods in 2009. At June 30, 2010 and December 31, 2009, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was \$1.9 billion and \$6.9 billion.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts totaled \$4.0 billion and \$9.8 billion at June 30, 2010 and December 31, 2009. At June 30, 2010 and December 31, 2009, the Corporation held \$274 million and \$155 million of floating-rate certificates issued by unconsolidated municipal bond trusts in trading account assets. At December 31, 2009, the Corporation also held residual interests of \$203 million.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed-income securities, typically corporate debt or asset-backed securities, which they fund by issuing multiple tranches of debt and equity securities. Synthetic CDOs enter into a portfolio of credit default swaps to synthetically create exposure to fixed-income securities. Collateralized loan obligations (CLOs) are a subset of CDOs which hold pools of loans, typically corporate loans or commercial mortgages. CDOs are typically managed by third party portfolio managers. The Corporation transfers assets to these CDOs, holds securities issued by the CDOs and may be a derivative counterparty to the CDOs, including a credit default swap counterparty for synthetic CDOs. The Corporation has also entered into total return swaps with certain CDOs whereby the Corporation will absorb the economic returns generated by specified assets held by the CDO. The Corporation receives fees for structuring CDOs and providing liquidity support for super senior tranches of securities issued by certain CDOs. No third parties provide a significant amount of similar commitments to these CDOs.

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The following table summarizes select information related to CDO vehicles in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010			December 31, 2009		
	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure ⁽¹⁾	\$ 3,474	\$ 4,588	\$ 8,062	\$ 3,863	\$ 6,987	\$ 10,850
On-balance sheet assets						
Trading account assets	\$ 2,898	\$ 1,234	\$ 4,132	\$ 2,785	\$ 1,253	\$ 4,038
Derivative assets	-	1,103	1,103	-	2,085	2,085
Available-for-sale debt securities	1,008	268	1,276	1,414	368	1,782
All other assets	39	129	168	-	166	166
Total	\$ 3,945	\$ 2,734	\$ 6,679	\$ 4,199	\$ 3,872	\$ 8,071
On-balance sheet liabilities						
Derivative liabilities	\$ 10	\$ 45	\$ 55	\$ -	\$ 781	\$ 781
Long-term debt	3,032	-	3,032	2,753	-	2,753
Total	\$ 3,042	\$ 45	\$ 3,087	\$ 2,753	\$ 781	\$ 3,534
Total assets of VIEs	\$ 3,945	\$ 48,510	\$ 52,455	\$ 4,199	\$ 56,590	\$ 60,789

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

The Corporation's maximum loss exposure of \$8.1 billion includes \$2.2 billion of super senior CDO exposure, \$2.4 billion of exposure to CDO financing facilities and \$3.5 billion of other non-super senior exposure. This exposure is calculated on a gross basis and does not reflect any benefit from purchased insurance. Net of purchased insurance but including securities retained from liquidations of CDOs, the Corporation's net exposure to super senior CDO-related positions was \$1.5 billion at June 30, 2010. The CDO financing facilities, which are consolidated, obtain funding from third parties for CDO positions which are principally classified in trading account assets on the Corporation's Consolidated Balance Sheet. The CDO financing facilities' long-term debt at June 30, 2010 totaled \$2.5 billion, all of which has recourse to the general credit of the Corporation.

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

assets of the CDO.

At June 30, 2010, the Corporation had \$2.2 billion notional amount of super senior liquidity exposure to CDO vehicles. This amount includes \$920 million notional amount of liquidity support provided to certain synthetic CDOs, including \$333 million to a consolidated CDO, in the form of unfunded lending commitments related to super senior securities. The lending commitments obligate the Corporation to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. The Corporation also had \$1.3 billion notional amount of liquidity exposure to non-special purpose entity (SPE) third parties that hold super senior cash positions on the Corporation's behalf.

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

The Corporation's \$3.6 billion of aggregate liquidity exposure to CDOs at June 30, 2010 is included in the above table to the extent that the Corporation sponsored the CDO vehicle or the liquidity exposure to the CDO vehicle is more than insignificant as compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

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

Customer Vehicles

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

The following table summarizes select information related to customer vehicles in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010			December 31, 2009		
	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	\$ 4,019	\$ 3,423	\$ 7,442	\$ 277	\$ 10,229	\$ 10,506
On-balance sheet assets						
Trading account assets	\$ 1,812	\$ 223	\$ 2,035	\$ 183	\$ 1,334	\$ 1,517
Derivative assets	-	937	937	78	4,815	4,893
Loans and leases	-	-	-	-	65	65
Loans held-for-sale	839	-	839	-	-	-
All other assets	2,248	16	2,264	16	-	16
Total	\$ 4,899	\$ 1,176	\$ 6,075	\$ 277	\$ 6,214	\$ 6,491
On-balance sheet liabilities						
Derivative liabilities	\$ -	\$ 46	\$ 46	\$ -	\$ 267	\$ 267
Commercial paper and other short-term borrowings	18	-	18	22	-	22
Long-term debt	2,308	-	2,308	50	74	124
All other liabilities	-	133	133	-	1,357	1,357
Total	\$ 2,326	\$ 179	\$ 2,505	\$ 72	\$ 1,698	\$ 1,770
Total assets of VIEs	\$ 4,899	\$ 5,673	\$ 10,572	\$ 277	\$ 16,487	\$ 16,764

On January 1, 2010, the Corporation consolidated \$5.9 billion of customer vehicles in which it has a controlling financial interest.

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. In certain instances, the Corporation has entered into derivative contracts, typically total return swaps, with vehicles which obligate the Corporation to purchase securities held as collateral at the vehicle's cost, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to

loss consists principally of counterparty risk to the insurers. At June 30, 2010, the notional amount of such derivative contracts with unconsolidated vehicles was \$149 million. This amount is included in the \$1.5 billion notional amount of derivative contracts through which the Corporation obtains funding from unconsolidated SPEs, described in *Note 11 Commitments and Contingencies*. The Corporation also had approximately \$453 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at June 30, 2010.

The Corporation consolidates these vehicles when it has control over the initial design of the vehicle and also absorbs potentially significant gains or losses through derivative contracts or the collateral assets. The Corporation does not consolidate a vehicle if a single investor controlled the initial design of the vehicle or if the Corporation does not have a variable interest that could potentially be significant to the vehicle. Credit-linked and equity-linked note vehicles were not

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consolidated prior to 2010 because the Corporation did not absorb a majority of the economic risks and rewards of the vehicles.

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

Other VIEs

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

The following table summarizes select information related to other VIEs in which the Corporation held a variable interest at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010			December 31, 2009		
	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	\$ 15,617	\$ 31,363	\$ 46,980	\$ 13,111	\$ 14,373	\$ 27,484
On-balance sheet assets						
Trading account assets	\$ 1,297	\$ 2,142	\$ 3,439	\$ 269	\$ 543	\$ 812
Derivative assets	229	250	479	1,096	86	1,182
Available-for-sale debt securities	1,787	17,465	19,252	1,822	2,439	4,261
Loans and leases	19,116	2,862	21,978	16,112	1,200	17,312
Allowance for loan and lease losses	(86)	(31)	(117)	(130)	(10)	(140)
Loans held-for-sale	430	726	1,156	197	-	197
All other assets	2,587	8,895	11,482	1,310	8,875	10,185
Total	\$ 25,360	\$ 32,309	\$ 57,669	\$ 20,676	\$ 13,133	\$ 33,809
On-balance sheet liabilities						
Derivative liabilities	\$ -	\$ 20	\$ 20	\$ -	\$ 80	\$ 80
Commercial paper and other short-term borrowings	1,356	-	1,356	965	-	965
Long-term debt	8,950	890	9,840	7,341	-	7,341
All other liabilities	1,495	1,411	2,906	3,123	1,626	4,749
Total	\$ 11,801	\$ 2,321	\$ 14,122	\$ 11,429	\$ 1,706	\$ 13,135
Total assets of VIEs	\$ 25,360	\$ 50,243	\$ 75,603	\$ 20,676	\$ 25,914	\$ 46,590

Investment Vehicles

The Corporation sponsors, invests in or provides financing to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors. At June 30, 2010 and December 31, 2009, the Corporation's consolidated investment vehicles had total assets of \$7.5 billion and \$5.7 billion. The Corporation also held investments in unconsolidated vehicles with total assets of \$11.5 billion and \$8.8 billion at June 30, 2010 and December 31, 2009. The Corporation's maximum exposure to loss associated with consolidated and unconsolidated investment vehicles totaled \$12.9 billion and \$10.7 billion at June 30, 2010 and December 31, 2009.

The Corporation consolidated \$2.5 billion of investment vehicles on January 1, 2010. This amount included a real estate investment fund with \$1.5 billion of assets which is designed to provide returns to clients through limited partnership holdings. Affiliates of the Corporation are the general partner and also have a limited partnership interest in the fund.

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Although it is without any obligation or commitment to do so, the Corporation anticipates that it may, in its sole discretion, elect to provide support to the entity and therefore considers the entity to be a VIE. The Corporation consolidates an investment vehicle that meets the definition of a VIE if it manages the assets or otherwise controls the activities of the vehicle and also holds a variable interest that could potentially be significant to the vehicle. Prior to 2010, the Corporation consolidated an investment vehicle that met the definition of a VIE if the Corporation's investment or guarantee was expected to absorb a majority of the variability created by the assets of the funds.

Leveraged Lease Trusts

The Corporation's net investment in consolidated leveraged lease trusts totaled \$5.3 billion and \$5.6 billion at June 30, 2010 and December 31, 2009. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation consolidates these trusts because it structured the trusts, giving the Corporation power over the limited activities of the trusts, and holds a significant residual interest. Prior to 2010, the Corporation consolidated these trusts because the residual interest was expected to absorb a majority of the variability driven by credit risk of the lessee and, in some cases, by the residual risk of the leased property. The net investment represents the Corporation's maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Automobile and Other Securitization Trusts

At June 30, 2010 and December 31, 2009, the Corporation serviced asset-backed securitization trusts with outstanding unpaid principal balances of \$12.0 billion and \$11.9 billion, substantially all of which held automobile loans. The Corporation's maximum exposure to loss associated with these consolidated and unconsolidated trusts totaled \$2.6 billion and \$3.5 billion at June 30, 2010 and December 31, 2009. The Corporation transferred \$1.4 billion and \$3.0 billion of automobile loans to these trusts in the three and six months ended June 30, 2010 and \$9.0 billion during the year ended December 31, 2009.

On January 1, 2010, the Corporation consolidated one automobile securitization trust with \$2.6 billion of assets in which it had a controlling financial interest. Prior to 2010, this trust met the definition of a QSPE and was therefore not subject to consolidation. The Corporation held \$2.1 billion of senior securities, \$195 million of subordinate securities and \$83 million of residual interests issued by this trust at December 31, 2009. The remaining automobile trusts, which were not QSPEs, were previously consolidated and continue to be consolidated under the new consolidation guidance because the Corporation services the automobile loans and also holds a significant amount of beneficial interests issued by the trusts. The assets of the automobile trusts are legally assets of the trusts and not the Corporation and can only be used to settle obligations of the trusts. The creditors of the automobile trusts have no recourse to the Corporation.

Asset Acquisition Conduits

The Corporation administers three asset acquisition conduits which acquire assets on behalf of the Corporation or its customers. These conduits had total assets of \$1.4 billion and \$965 million at June 30, 2010 and December 31, 2009. Two of the conduits, which were unconsolidated prior to 2010, acquire assets at the request of customers who wish to benefit from the economic returns of the specified assets on a leveraged basis, which consist principally of liquid exchange-traded equity securities. The third conduit holds subordinate debt securities for the Corporation's benefit. The conduits obtain funding by issuing commercial paper and subordinate certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swaps between the Corporation and the conduits. When a conduit acquires assets for the benefit of the Corporation's customers, the Corporation enters into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. The Corporation's exposure to the counterparty credit risk of its customers is mitigated by the ability to liquidate an asset held in the conduit if the customer defaults on its obligation. The Corporation receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits. At June 30, 2010 and December 31, 2009, the Corporation did not hold any commercial paper issued by the asset acquisition conduits other than incidentally and in its role as a commercial paper dealer.

On January 1, 2010, the Corporation consolidated the two previously unconsolidated asset acquisition conduits with total assets of \$1.4 billion. In its role as administrator, the Corporation has the power to determine which assets

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

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

Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of \$5.2 billion and \$4.8 billion at June 30, 2010 and December 31, 2009, which consisted of limited partnership investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Beginning January 1, 2010, the Corporation determines whether it must consolidate these limited partnerships principally based on an identification of the party that has power over the activities of the partnership. Typically, an unrelated third party is the general partner and the Corporation does not consolidate the partnership.

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

Resecuritization Trusts

During the three and six months ended June 30, 2010, the Corporation resecuritized \$27.9 billion and \$68.7 billion of MBS, including \$12.4 billion and \$47.0 billion of securities purchased from third parties, compared to \$11.8 billion and \$16.0 billion for the same periods in 2009. Net losses during the holding period totaled \$53 million and \$86 million for the three and six months ended June 30, 2010 compared to net gains of \$37 million and \$62 million for the same periods in 2009. At June 30, 2010, the Corporation held \$15.9 billion and \$2.0 billion of senior securities classified in AFS debt securities and trading account assets, and \$1.5 billion and \$162 million of subordinate securities classified in AFS debt securities and trading account assets which were issued by unconsolidated resecuritization trusts which had total assets of \$32.6 billion. At December 31, 2009, the Corporation held \$543 million of senior securities classified in trading account assets which were issued by unconsolidated resecuritization trusts which had total assets of \$7.4 billion. All of the retained interests were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy). The Corporation consolidates a resecuritization trust if it has sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued and also retains a variable interest that could potentially be significant to the trust. If one or a limited number of third party investors purchase a significant portion of subordinate securities and share responsibility for the design of the trust, the Corporation does not consolidate the trust. Prior to 2010, these resecuritization trusts were typically QSPEs and as such were not subject to consolidation by the Corporation.

Other Transactions

Prior to 2010, the Corporation transferred pools of securities to certain independent third parties and provided financing for approximately 75 percent of the purchase price under asset-backed financing arrangements. At June 30, 2010 and December 31, 2009, the Corporation's maximum loss exposure under these financing arrangements was \$6.4 billion and \$6.8 billion, substantially all of which was classified as loans on the Corporation's Consolidated Balance Sheet. All principal and interest payments have been received when due in accordance with their contractual

terms. These arrangements are not included in the Other VIEs table on page 48 because the purchasers are not VIEs.

Table of Contents**NOTE 9 Goodwill and Intangible Assets****Goodwill**

The following table presents goodwill balances at June 30, 2010 and December 31, 2009. As discussed in more detail in *Note 17 Business Segment Information*, on January 1, 2010, the Corporation realigned the former *Global Banking* and *Global Markets* business segments. There was no impact on the reporting units used in goodwill impairment testing. The reporting units utilized for goodwill impairment tests are the business segments or one level below the business segments.

(Dollars in millions)	June 30 2010	December 31 2009
Deposits	\$17,875	\$ 17,875
Global Card Services	22,279	22,292
Home Loans & Insurance	4,797	4,797
Global Commercial Banking	20,656	20,656
Global Banking & Markets	10,231	10,252
Global Wealth & Investment Management	9,930	10,411
All Other	33	31
Total goodwill	\$85,801	\$ 86,314

Based on the results of the annual impairment test at June 30, 2009, the interim period tests subsequent thereto, and due to continued stress on *Home Loans & Insurance* and *Global Card Services* as a result of current market conditions, the Corporation concluded that an additional impairment analysis should be performed for these two reporting units in the three months ended June 30, 2010. In performing the first step of the additional impairment analysis, the Corporation compared the fair value of each reporting unit to its carrying value, including goodwill. Consistent with the 2009 annual test, the Corporation utilized a combination of the market approach and the income approach for *Home Loans & Insurance* and the income approach for *Global Card Services*. For both *Home Loans & Insurance* and *Global Card Services*, the carrying value exceeded the fair value, and accordingly, step two of the analysis was performed comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The results of step two of the goodwill impairment test for *Home Loans & Insurance* and *Global Card Services* for the three months ended June 30, 2010 were consistent with the results of the 2009 annual impairment test and the interim impairment tests, indicating that no goodwill was impaired as of June 30, 2010. The Corporation is in the process of completing its annual impairment test for all reporting units as of June 30, 2010.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) was signed into law. Under the Financial Reform Act and its amendment to the Electronic Fund Transfer Act, the Federal Reserve Board must adopt rules within nine months of enactment of the Financial Reform Act regarding the interchange fees that may be charged with respect to electronic debit transactions. Those rules will take effect one year after enactment of the Financial Reform Act. The Financial Reform Act and the applicable rules are expected to materially reduce the future revenues generated by the debit card business of the Corporation. However, the Corporation expects to implement a number of actions that would mitigate some of the impact when the laws and regulations become effective.

The Corporation's consumer and small business card products, including the debit card business, are part of an integrated platform within *Global Card Services*. The Corporation's current estimate of revenue loss due to the Financial Reform Act will materially reduce the carrying value of the \$22.3 billion of goodwill applicable to *Global Card Services*. Based on the Corporation's current estimates of the revenue impact to this business segment, the Corporation expects to record a non-tax deductible goodwill impairment charge for *Global Card Services* in the three months ended September 30, 2010 that is estimated to be in the range of \$7 billion to \$10 billion. This estimate does

not include potential mitigation actions to recapture lost revenue. A number of these actions may not reduce the goodwill impairment because they will generate revenue for business segments other than *Global Card Services* (e.g., *Deposits*) or because the actions may be identified and implemented after the impairment charge has been recorded. The impairment charge, which is a non-cash item, will have no impact on the Corporation's reported Tier 1 and tangible equity capital ratios.

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The following table presents the gross carrying values and accumulated amortization related to intangible assets at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30, 2010		December 31, 2009	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	\$ 7,136	\$ 3,769	\$ 7,179	\$ 3,452
Core deposit intangibles	5,394	3,910	5,394	3,722
Customer relationships	4,232	1,001	4,232	760
Affinity relationships	1,643	826	1,651	751
Other intangibles	3,144	1,247	3,438	1,183
Total intangible assets	\$ 21,549	\$ 10,753	\$ 21,894	\$ 9,868

Amortization of intangibles expense was \$439 million and \$885 million for the three and six months ended June 30, 2010, compared to \$516 million and \$1.0 billion for the same periods in 2009. The Corporation estimates aggregate amortization expense will be approximately \$422 million for each of the remaining quarters of 2010. The Corporation estimates aggregate amortization expense will be approximately \$1.5 billion, \$1.3 billion, \$1.2 billion, \$1.0 billion and \$900 million for 2011 through 2015, respectively.

NOTE 10 Long-term Debt

The following table presents the Corporation's long-term debt at June 30, 2010 and December 31, 2009.

(Dollars in millions)	June 30 2010	December 31 2009
Long-term debt issued by Bank of America Corporation and subsidiaries	\$276,351	\$ 283,570
Long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries	128,546	154,951
Long-term debt issued by consolidated VIEs under new consolidation guidance	85,186	n/a
Total long-term debt	\$490,083	\$ 438,521

n/a = not
applicable

At June 30, 2010, long-term debt issued by consolidated VIEs including credit card, automobile, home equity and first-lien mortgage-related securitization trusts totaled \$65.6 billion, \$8.6 billion, \$3.9 billion and \$1.4 billion, respectively, and \$5.7 billion of long-term debt was issued by other consolidated VIEs. Long-term debt issued by VIEs is collateralized by the assets of the VIEs.

At June 30, 2010, the Corporation has not assumed or guaranteed \$126 billion of long-term debt that was issued or guaranteed by Merrill Lynch & Co., Inc. or its subsidiaries prior to the acquisition of Merrill Lynch by the Corporation. Beginning late in the third quarter of 2009, in connection with the update or renewal of certain Merrill Lynch international securities offering programs, the Corporation agreed to guarantee debt securities, warrants and/or certificates issued by certain subsidiaries of Merrill Lynch & Co., Inc. on a going forward basis. All existing Merrill Lynch & Co., Inc. guarantees of securities issued by those same Merrill Lynch subsidiaries under various international securities offering programs will remain in full force and effect as long as those securities are outstanding, and the Corporation has not assumed any of those prior Merrill Lynch & Co., Inc. guarantees or otherwise guaranteed such

securities.

Certain structured notes issued by Merrill Lynch are accounted for under the fair value option. For more information on these structured notes, see *Note 14 Fair Value Measurements*.

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Aggregate annual maturities of long-term debt obligations at June 30, 2010 are summarized in the following table.

(Dollars in millions)	2010	2011	2012	2013	2014	Thereafter	Total
Bank of America Corporation	\$13,181	\$16,455	\$41,084	\$ 7,436	\$14,859	\$ 88,111	\$181,126
Merrill Lynch & Co., Inc. and subsidiaries	15,857	18,655	17,328	16,666	15,267	44,773	128,546
Bank of America, N.A. and other subsidiaries	15,809	4,117	4,798	6	82	9,871	34,683
Other	13,446	23,786	13,758	5,155	1,728	2,669	60,542
Total long-term debt excluding consolidated VIEs	58,293	63,013	76,968	29,263	31,936	145,424	404,897
Long-term debt issued by consolidated VIEs	13,363	18,344	12,677	16,591	8,777	15,434	85,186
Total long-term debt	\$71,656	\$81,357	\$89,645	\$45,854	\$40,713	\$160,858	\$490,083

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

NOTE 11 Commitments and Contingencies

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

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of \$29.5 billion and \$30.9 billion at June 30, 2010 and December 31, 2009. At June 30, 2010, the carrying amount of these commitments, excluding commitments accounted for under the fair value option, was \$1.4 billion, including deferred revenue of \$33 million and a reserve for unfunded lending commitments of \$1.4 billion. At December 31, 2009, the comparable amounts were \$1.5 billion, \$34 million and \$1.5 billion, respectively. The carrying amount of these commitments is classified in accrued expenses and other liabilities.

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The table below also includes the notional amount of commitments of \$27.6 billion and \$27.0 billion at June 30, 2010 and December 31, 2009, that are accounted for under the fair value option. However, the table below excludes fair value adjustments of \$947 million and \$950 million on these commitments, which are classified in accrued expenses and other liabilities. For information regarding the Corporation's loan commitments accounted for under the fair value option, see *Note 14 Fair Value Measurements*.

(Dollars in millions)	Expires in 1 Year or Less	Expires after 1 Year through 3 Years	Expires after 3 Years through 5 Years	Expires after 5 Years	Total
Credit extension commitments, June 30, 2010					
Loan commitments	\$ 210,051	\$ 166,855	\$ 27,879	\$ 38,073	\$ 442,858
Home equity lines of credit	2,096	3,729	14,664	66,960	87,449
Standby letters of credit and financial guarantees ⁽¹⁾	29,203	22,391	3,156	12,560	67,310
Commercial letters of credit	2,602	34	-	1,853	4,489
Legally binding commitments	243,952	193,009	45,699	119,446	602,106
Credit card lines ⁽²⁾	510,597	-	-	-	510,597
Total credit extension commitments	\$ 754,549	\$ 193,009	\$ 45,699	\$ 119,446	\$ 1,112,703
Credit extension commitments, December 31, 2009					
Loan commitments	\$ 149,248	\$ 187,585	\$ 30,897	\$ 28,489	\$ 396,219
Home equity lines of credit	1,810	3,272	10,667	76,924	92,673
Standby letters of credit and financial guarantees ⁽¹⁾	29,794	21,285	4,923	13,740	69,742
Commercial letters of credit	2,020	40	-	1,465	3,525
Legally binding commitments	182,872	212,182	46,487	120,618	562,159
Credit card lines ⁽²⁾	541,919	-	-	-	541,919
Total credit extension commitments	\$ 724,791	\$ 212,182	\$ 46,487	\$ 120,618	\$ 1,104,078

⁽¹⁾ At June 30, 2010, the notional amounts of SBLCs and financial

guarantees
classified as
investment
grade and
non-investment
grade based on
the credit quality
of the
underlying
reference name
within the
instrument were
\$40.0 billion and
\$27.3 billion
compared to
\$39.7 billion and
\$30.0 billion at
December 31,
2009.

- (2) Includes
business card
unused lines of
credit.

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

Other Commitments

Global Principal Investments and Other Equity Investments

At June 30, 2010 and December 31, 2009, the Corporation had unfunded equity investment commitments of approximately \$1.9 billion and \$2.8 billion. In light of proposed Basel regulatory capital changes related to unfunded commitments, the Corporation has actively reduced these commitments in a series of transactions involving its private equity fund investments. The Corporation entered into agreements to sell \$2.9 billion of its exposure in certain private equity funds. For more information on these transactions, see *Note 5 Securities*. These commitments generally relate to the Corporation's Global Principal Investments business which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund.

Where the Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there is higher potential for loss, unless an orderly disposition of the exposure can be made. At June 30, 2010, the Corporation did not have any unfunded bridge equity commitments. The Corporation had funded equity bridges of \$1.2 billion that were committed prior to the market disruption. These equity bridges were considered held for investment and classified in other assets. During the fourth quarter of 2009, these equity bridges were written down to a zero balance. In the three and six months ended June 30, 2009, the Corporation recorded a total of \$113 million and \$263 million in losses in equity investment income related to these investments.

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Loan Purchases

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period that ended on June 22, 2010. Under this agreement, the Corporation purchased \$6.6 billion of such loans during the six months ended June 30, 2010 and also the year ended December 31, 2009. All loans purchased under this agreement were subject to a comprehensive set of credit criteria. This agreement was accounted for as a derivative liability with a fair value of \$189 million at December 31, 2009. As of June 30, 2010, the Corporation was no longer committed for any additional purchases and the derivative liability was closed.

At June 30, 2010 and December 31, 2009, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of \$3.2 billion and \$2.2 billion, which upon settlement will be included in loans or LHFS.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately \$1.5 billion, \$2.8 billion, \$2.4 billion, \$1.9 billion and \$1.4 billion for the remainder of 2010 through 2014, respectively, and \$7.7 billion in the aggregate for all years thereafter.

Other Commitments

At June 30, 2010 and December 31, 2009, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of \$86.8 billion and \$51.8 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of \$56.2 billion and \$58.3 billion. All of these commitments expire within the next 12 months.

The Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At both June 30, 2010 and December 31, 2009, the minimum fee commitments over the remaining terms of these agreements totaled \$2.3 billion.

Other Guarantees

Bank-owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed-income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed. In addition, investment parameters of the underlying portfolio are restricted. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At June 30, 2010 and December 31, 2009, the notional amount of these guarantees totaled \$15.7 billion and \$15.6 billion and the Corporation's maximum exposure related to these guarantees totaled \$5.0 billion and \$4.9 billion with estimated maturity dates between 2030 and 2040. As of June 30, 2010, the Corporation has not made a payment under these products. The probability of surrender has increased due to the deteriorating financial health of policyholders, but remains a small percentage of total notional.

Employee Retirement Protection

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

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of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At June 30, 2010 and December 31, 2009, the notional amount of these guarantees totaled \$36.5 billion and \$36.8 billion with estimated maturity dates between 2010 and 2014 if the exit option is exercised on all deals. As of June 30, 2010, the Corporation has not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

Merchant Services

On June 26, 2009, the Corporation contributed its merchant processing business to a joint venture in exchange for a 46.5 percent ownership interest in the joint venture. During the second quarter of 2010, the joint venture purchased the interest held by one of the three initial investors bringing the Corporation's ownership interest up to 49 percent. For additional information on the joint venture agreement, see *Note 5 Securities*.

The Corporation, on behalf of the joint venture, provides credit and debit card processing services to various merchants by processing credit and debit card transactions on the merchants' behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor and the merchant defaults on its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the joint venture as the merchant processor. If the joint venture is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. The joint venture is primarily liable for any losses on transactions from the contributed portfolio that occur after June 26, 2009. However, if the joint venture fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation could be held liable for the disputed amount. For the three and six months ended June 30, 2010, the Corporation processed \$82.8 billion and \$161.9 billion of transactions and recorded losses of \$5 million and \$8 million. For the three and six months ended June 30, 2009, the Corporation processed \$79.6 billion and \$154.4 billion of transactions and recorded losses of \$7 million and \$14 million.

At June 30, 2010 and December 31, 2009, the Corporation, on behalf of the joint venture, held as collateral \$21 million and \$26 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants. The joint venture also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of June 30, 2010 and December 31, 2009, the maximum potential exposure totaled approximately \$126.0 billion and \$131.0 billion. The Corporation does not expect to make material payments in connection with these guarantees. The maximum potential exposure disclosed above does not include volumes processed by First Data contributed portfolios.

Brokerage Business

For a portion of the Corporation's brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation's clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in its issuing margin to the Corporation's clients. The maximum potential future payment under this indemnification was \$804 million and \$657 million at June 30, 2010 and December 31, 2009. Historically, any payments made under this indemnification have not been material. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract which is expected to occur in the third quarter of 2010.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and SPEs that are not consolidated on the Corporation's Consolidated Balance Sheet. At June 30, 2010 and December 31, 2009, the total notional amount of these derivative

contracts was approximately \$4.1 billion and \$4.9 billion with commercial banks and \$1.5 billion and \$2.8 billion with SPEs. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not

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result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At June 30, 2010 and December 31, 2009, the notional amount of these guarantees totaled \$1.9 billion and \$2.1 billion. These guarantees have various maturities ranging from two to five years. As of June 30, 2010 and December 31, 2009, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements, including lease-end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately \$3.5 billion and \$3.6 billion at June 30, 2010 and December 31, 2009. The estimated maturity dates of these obligations are between 2010 and 2033. The Corporation has made no material payments under these guarantees.

In addition, the Corporation has guaranteed the payment obligations of certain subsidiaries of Merrill Lynch on certain derivative transactions. The aggregate notional amount of such derivative liabilities was approximately \$2.2 billion and \$2.5 billion at June 30, 2010 and December 31, 2009.

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K and in *Note 11 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (collectively, the prior commitments and contingencies disclosures).

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

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

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

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. As a litigation or regulatory matter

develops, the Corporation, in conjunction with

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any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding fees paid to external legal service providers, litigation-related expenses of \$102 million and \$690 million were recognized for the three and six months ended June 30, 2010 as compared to \$159 million and \$370 million for the same periods in 2009.

In some of the matters described below, and in the prior commitments and contingencies disclosures, including but not limited to the Lehman Brothers Holdings, Inc. matters, loss contingencies are not both probable and estimable in the view of management, and accordingly, an accrued liability has not been established for those matters. For those disclosed litigation matters included herein, and in the prior commitments and contingencies disclosures, for which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Corporation is able to estimate a range of possible loss, the current estimated range is \$250 million to \$1.4 billion. This aggregate range represents management's estimate of a possible range of loss with respect to such matters. This estimated range of possible loss is based upon currently available information. Moreover, the litigation matters underlying the estimated range will change from time to time, and actual results may vary significantly. Information is provided below, or in the prior commitments and contingencies disclosures, regarding the nature of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending litigation and regulatory matters, including the litigation and regulatory matters described below, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation. However, in light of the inherent uncertainties involved in these matters, and the very large or indeterminate damages sought in some or all of these matters, an adverse outcome in some or all of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Adelphia Litigation

On May 26, 2010, the decision of the court dismissing approximately 650 defendants was affirmed by the U.S. Court of Appeals for the Second Circuit. Trial is now scheduled for October 25, 2010.

Countrywide Bond Insurance Litigation

On May 28, 2010, defendants filed a notice of appeal from the adverse portions of the order issued by the court on April 29, 2010 in *MBIA Insurance Corporation, Inc., v. Countrywide Home Loans*. On June 11, 2010, MBIA Insurance Corporation (MBIA) filed a notice of cross-appeal.

On March 31, 2010, in the *Syncora Guarantee* action, the court issued an order granting in part and denying in part defendants' motion to dismiss. Both parties filed notices of appeal concerning aspects of the order. On May 6, 2010, Syncora Guarantee Inc. filed an amended complaint reasserting its previously dismissed claims and adding a successor liability claim against the Corporation.

On April 30, 2010, in the *Financial Guaranty Insurance Co.* action, Financial Guaranty Insurance Company (FGIC) filed an amended complaint, which adds the Corporation, Countrywide Financial Corporation, Countrywide Securities Corporation (CSC) and Countrywide Bank F.S.B. as defendants. In the amended complaint, FGIC reasserts its previously dismissed claims and asserts a successor liability claim against the Corporation.

On May 17, 2010, in the *MBIA Insurance Corporation, Inc. v. Bank of America* action, the court issued an order sustaining in part and overruling in part defendants' demurrer, and dismissing the case in its entirety with leave to amend. On June 21, 2010, MBIA filed an amended complaint re-asserting its previously dismissed claims, including a successor liability claim against the Corporation, and adding Countrywide Capital Markets, LLC as a defendant.

Countrywide Equity and Debt Securities Matters

On August 2, 2010, the district court granted preliminary approval of the settlement agreement in *In re Countrywide Financial Corp. Securities Litigation*.

Countrywide FTC Investigation

On April 27, 2010, Countrywide Home Loans, Inc. (CHL) and BAC Home Loans Servicing, LP reached an agreement in principle with the Federal Trade Commission (FTC) to resolve the FTC's investigation into CHL's and BAC Home Loans Servicing, LP's servicing practices. The agreement is evidenced by a consent order under which CHL and BAC Home Loans Servicing, LP agreed, without admitting any wrongdoing, to settle the matter for an amount that is not material to the Corporation's consolidated financial statements. The amount was paid to the FTC as equitable relief for consumers whose loans were serviced by CHL and Countrywide Home Loans Servicing, LP prior to their acquisition by

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the Corporation. The payment to the FTC is not a penalty or a fine. As part of the settlement, CHL and BAC Home Loans Servicing, LP also agreed to a number of additional undertakings relating to the servicing of residential mortgage loans that are in payment default or under which the borrower is a debtor in a Chapter 13 bankruptcy case. The U.S. District Court for the Central District of California entered the consent order on June 15, 2010.

Countrywide Mortgage-Backed Securities Litigation

On July 13, 2010, plaintiffs filed a consolidated amended complaint in the *Maine State Retirement System v. Countrywide Financial Corporation* action.

On June 9, 2010, plaintiffs filed amended complaints in the *Federal Home Loan Bank of San Francisco* action.

On June 10, 2010, plaintiffs filed amended complaints in the *Federal Home Loan Bank of Seattle* action.

IndyMac Litigation

On June 21, 2010, the court dismissed all claims brought against the Corporation because plaintiffs failed to plead facts to support their allegation that the Corporation is the successor-in-interest to Merrill Lynch and Countrywide. A motion to intervene and a motion to amend have been filed. If granted, they would add new plaintiffs and new claims against Merrill Lynch Pierce, Fenner and Smith Incorporated and CSC.

Lehman Brothers Holdings, Inc. Litigation

On June 4, 2010, defendants filed a motion to dismiss the third amended complaint.

Merrill Lynch Subprime-related Matters

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

On June 1, 2010, the district court issued an opinion explaining its March 31, 2010 order in which the court dismissed claims related to 65 of 84 offerings with prejudice on the grounds that plaintiffs lacked standing as no named plaintiff purchased securities in those offerings. The opinion also allows lead plaintiffs to file an amended complaint as to certain parties. As a result, on July 6, 2010, lead plaintiffs filed a consolidated amended complaint relating to the offerings remaining in the case.

Municipal Derivatives Litigation

All six previously disclosed civil cases recently filed in California state court have been transferred and consolidated in the *In re Municipal Derivatives Antitrust Litigation*. In May 2010, five additional cases were filed in the U.S. District Court for the Northern District of California on behalf of additional California cities and counties alleging anticompetitive conduct in violation of the Sherman Act and California's Cartwright Act. The five cases, which seek unspecified damages, including treble damages, have been transferred and consolidated in *In re Municipal Derivatives Antitrust Litigation*.

On June 21, 2010, the State of West Virginia filed an amended complaint, in which it added additional defendants, including Merrill Lynch. The State also added a claim under the Sherman Act to its original claim under the West Virginia Antitrust Act, and seeks treble damages on both counts.

Parmalat Finanziaria S.p.A. Matters

Proceedings in Italy

On May 26, 2010, the Court of Appeals, Milan affirmed the lower court's ruling acquitting the three former employees of the Corporation.

Proceedings in the United States

On June 3, 2010, the Corporation reached agreements to settle the following Parmalat private placement related cases for an aggregate amount that is not material to the Corporation's consolidated financial statements: (1) *Principal Global Investors, LLC, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Southern District of Iowa; (2) *Monumental Life Insurance Company, et al. v. Bank of America Corporation, et al.* in the U.S. District Court for the Northern District of Iowa; (3) *Prudential Insurance Company of America and Hartford Life Insurance Company v. Bank of*

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America Corporation, et al. in the U.S. District Court for the Northern District of Illinois (as previously disclosed, Hartford's claims in this case have already been dismissed); and (4) *John Hancock Life Insurance Company, et al. v. Bank of America Corporation et al.* in the U.S. District Court for the District of Massachusetts.

Tribune PHONES Litigation

On April 19, 2010, the bankruptcy court ruled that the defendants are not required to answer the complaint pending further order of the court. The court also ruled that the examiner appointed in the pending Tribune chapter 11 cases should investigate and report on whether the plaintiff, Wilmington Trust Company, violated the automatic stay in filing the complaint, among other things.

NOTE 12 Shareholders Equity and Earnings Per Common Share

Common Stock

In July 2010, the Board declared a third quarter cash dividend of \$0.01 per common share payable on September 24, 2010 to common shareholders of record on September 3, 2010. In April 2010, the Board declared a second quarter cash dividend of \$0.01 per common share, which was paid on June 25, 2010 to common shareholders of record on June 4, 2010. In January 2010, the Board declared a first quarter cash dividend of \$0.01 per common share, which was paid on March 26, 2010 to common shareholders of record on March 5, 2010.

On April 28, 2010, at the Corporation's 2010 Annual Meeting of Stockholders, the Corporation obtained shareholder approval of an amendment to the Corporation's amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 11.3 billion to 12.8 billion.

In December 2009, the Corporation repurchased the non-voting perpetual preferred stock previously issued to the U.S. Treasury (TARP Preferred Stock) through the use of \$25.7 billion in excess liquidity and \$19.3 billion in proceeds from the sale of 1.3 billion Common Equivalent Securities (CES) valued at \$15.00 per unit. The CES consisted of depositary shares representing interests in shares of Common Equivalent Junior Preferred Stock, Series S (Common Equivalent Stock) and contingent warrants to purchase an aggregate of 60 million shares of the Corporation's common stock. On February 23, 2010, the Corporation held a special meeting of stockholders at which it obtained shareholder approval of an amendment to the Corporation's amended and restated certificate of incorporation to increase the number of authorized shares of common stock, and accordingly, the Common Equivalent Stock automatically converted in full into 1.286 billion shares of common stock on February 24, 2010 following the filing of the amendment with the Delaware Secretary of State on February 23, 2010. In addition, as a result, the contingent warrants expired without having become exercisable and the CES ceased to exist. For additional information on preferred stock, see *Note 15 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements of the Corporation's 2009 Annual Report on Form 10-K.

Through a 2008 authorized share repurchase program, the Corporation had the ability to repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions. The 2008 authorized repurchase program expired on January 23, 2010. In the six months ended June 30, 2010, the Corporation did not repurchase any shares of common stock and issued approximately 96.8 million shares under employee stock plans. At June 30, 2010, the Corporation had reserved 1.6 billion of unissued common shares for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

During the three months ended March 31, 2010, the Corporation issued approximately 191 million RSUs to certain employees under the Key Associate Stock Plan. These awards generally vest in three equal annual installments beginning one year from the grant date. Vested RSUs will be settled in cash unless the Corporation authorizes settlement in common shares. Approximately 58 million of these RSUs have been authorized to settle in common shares. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances. The compensation cost for cash-settled awards and awards subject to certain clawback provisions is accrued over the vesting period and adjusted to fair value based upon changes in the share price of the Corporation's common stock. The compensation cost for the remaining awards is fixed and based on the share price of the common stock on the date of grant, or the date upon which settlement in common stock has been authorized. The Corporation hedges a portion of its exposure to variability in the expected cash flows for unvested awards using a combination of economic and cash flow hedges as described in *Note 4 Derivatives*. Subsequent to June 30, 2010, the Corporation authorized approximately 42 million

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additional RSUs to be settled in common shares and terminated a portion of the corresponding economic and cash flow hedges.

Preferred Stock

During the first and second quarters of 2010, the aggregate dividends declared on preferred stock were \$348 million and \$340 million or a total of \$688 million for the six months ended June 30, 2010.

Accumulated OCI

The following table presents the changes in accumulated OCI for the six months ended June 30, 2010 and 2009, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities	Available-for-Sale Marketable Equity Securities	Derivatives	Employee Benefit Plans ⁽¹⁾	Foreign Currency ⁽²⁾	Total
Balance, December 31, 2009	\$ (628)	\$ 2,129	\$ (2,535)	\$ (4,092)	\$ (493)	\$ (5,619)
Cumulative adjustment for new consolidation guidance	(116)	-	-	-	-	(116)
Net change in fair value recorded in accumulated OCI	3,678	(1,294)	(746)	-	(112)	1,526
Net realized (gains) losses reclassified into earnings	(28)	(836)	241	127	258	(238)
Balance, June 30, 2010	\$ 2,906	\$ (1)	\$ (3,040)	\$ (3,965)	\$ (347)	\$ (4,447)
Balance, December 31, 2008	\$ (5,956)	\$ 3,935	\$ (3,458)	\$ (4,642)	\$ (704)	\$ (10,825)
Cumulative adjustment for accounting change OTTI ⁽³⁾	(71)	-	-	-	-	(71)
Net change in fair value recorded in accumulated OCI	2,835	793	(52)	161	(101)	3,636
Net realized (gains) losses reclassified into earnings	(238)	(4,383)	539	115	-	(3,967)
Balance, June 30, 2009	\$ (3,430)	\$ 345	\$ (2,971)	\$ (4,366)	\$ (805)	\$ (11,227)

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

actuarial
valuations.

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

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

Earnings Per Common Share

For the three and six months ended June 30, 2010, average options to purchase 269 million and 277 million shares of common stock were outstanding but not included in the computation of earnings per common share (EPS) because they were antidilutive under the treasury stock method compared to 319 million and 321 million for the same periods in 2009. For both the three and six months ended June 30, 2010, average warrants to purchase 122 million shares of common stock were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method compared to 272 million and 258 million for the same periods in 2009. For both the three and six months ended June 30, 2010, 117 million average dilutive potential common shares associated with the 7.25%

Non-cumulative Perpetual Convertible Preferred Stock, Series L and the Merrill Lynch & Co., Inc. Mandatory Convertible Preferred Stock Series 2 and Series 3 were excluded from the diluted share count because the result would have been antidilutive under the if-converted method compared to 164 million and 176 million for the same periods in 2009. For purposes of computing basic EPS, CES were considered to be participating securities prior to February 24, 2010 and as such were allocated earnings as required by the two-class method. For purposes of computing diluted EPS, the dilutive effect of the CES, which were outstanding prior to February 24, 2010, was calculated using the if-converted method which was more dilutive than the two-class method for the six months ended June 30, 2010. In addition, for both the three and six months ended June 30, 2009, the Corporation recorded an increase to retained earnings and net income available to common shareholders of \$576 million related to the Corporation's preferred stock exchange for common stock.

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The calculation of EPS and diluted EPS for the three and six months ended June 30, 2010 and 2009 is presented below.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in millions, except per share information; shares in thousands)	2010	2009	2010	2009
Earnings per common share				
Net income	\$ 3,123	\$ 3,224	\$ 6,305	\$ 7,471
Preferred stock dividends	(340)	(805)	(688)	(2,238)
Net income applicable to common shareholders	2,783	2,419	5,617	5,233
Income allocated to participating securities	(42)	(52)	(286)	(117)
Net income allocated to common shareholders	\$ 2,741	\$ 2,367	\$ 5,331	\$ 5,116
Average common shares issued and outstanding	9,956,773	7,241,515	9,570,166	6,808,262
Earnings per common share	\$ 0.28	\$ 0.33	\$ 0.56	\$ 0.75
Diluted earnings per common share				
Net income applicable to common shareholders	\$ 2,783	\$ 2,419	\$ 5,617	\$ 5,233
Income allocated to participating securities	(42)	(52)	(79)	(117)
Net income allocated to common shareholders	\$ 2,741	\$ 2,367	\$ 5,538	\$ 5,116
Average common shares issued and outstanding	9,956,773	7,241,515	9,570,166	6,808,262
Dilutive potential common shares ⁽¹⁾	73,003	28,003	450,760	28,710
Total diluted average common shares issued and outstanding	10,029,776	7,269,518	10,020,926	6,836,972
Diluted earnings per common share	\$ 0.27	\$ 0.33	\$ 0.55	\$ 0.75

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

NOTE 13 Pension and Postretirement Plans

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

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations related to the plans of Merrill Lynch. These plans include a terminated U.S. pension plan, non-U.S. pension plans, nonqualified pension plans and

postretirement plans. The non-U.S. pension plans vary based on the country and local practices.

In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from actual experience and investment performance of the annuity assets. The Corporation contributed \$0 and \$120 million for the six months ended June 30, 2010 and 2009, under this agreement. Additional contributions may be required in the future under this agreement.

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Net periodic benefit cost of the Corporation's plans for the three and six months ended June 30, 2010 and 2009 included the following components.

(Dollars in millions)	Three Months Ended June 30					
	Qualified Pension		Nonqualified and		Postretirement	
	Plans		Other Pension		Health and Life	
	2010	2009	2010	2009	2010	2009
Components of net periodic benefit cost						
Service cost	\$ 95	\$ 87	\$ 8	\$ 7	\$ 3	\$ 3
Interest cost	187	183	64	59	23	22
Expected return on plan assets	(315)	(308)	(57)	(54)	(3)	(2)
Amortization of transition obligation	-	-	-	-	8	8
Amortization of prior service cost (credits)	7	11	(2)	(2)	3	-
Recognized net actuarial loss (gain)	92	89	3	-	(17)	(24)
Recognized termination and settlement benefit cost	-	8	3	-	-	-
Net periodic benefit cost	\$ 66	\$ 70	\$ 19	\$ 10	\$ 17	\$ 7

(Dollars in millions)	Six Months Ended June 30					
	Qualified Pension		Nonqualified and		Postretirement	
	Plans		Other Pension		Health and Life	
	2010	2009	2010	2009	2010	2009
Components of net periodic benefit cost						
Service cost	\$ 198	\$ 194	\$ 16	\$ 14	\$ 7	\$ 8
Interest cost	374	371	125	119	45	45
Expected return on plan assets	(631)	(616)	(114)	(108)	(5)	(4)
Amortization of transition obligation	-	-	-	-	16	16
Amortization of prior service cost (credits)	14	20	(4)	(4)	3	-
Recognized net actuarial loss (gain)	181	188	3	2	(25)	(38)
Recognized termination and settlement benefit cost	-	8	13	-	-	-
Net periodic benefit cost	\$ 136	\$ 165	\$ 39	\$ 23	\$ 41	\$ 27

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

In 2010, the Corporation expects to contribute approximately \$230 million to its nonqualified and other pension plans and \$116 million to its postretirement health and life plans. For the six months ended June 30, 2010, the Corporation contributed \$142 million and \$58 million to these plans. The Corporation does not expect to be required to contribute to its qualified pension plans in 2010.

NOTE 14 Fair Value Measurements

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

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation is based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable

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market data for substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

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

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

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

Derivative Assets and Liabilities

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

Corporate Loans and Loan Commitments

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

Mortgage Servicing Rights

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

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Loans Held-for-Sale

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

Other Assets

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

Securities Financing Agreements

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

Deposits, Commercial Paper and Other Short-term Borrowings

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

Long-term Borrowings

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

Asset-backed Secured Financings

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

Table of Contents**Recurring Fair Value**

Assets and liabilities carried at fair value on a recurring basis at June 30, 2010, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the table below.

Dollars in millions)	June 30, 2010 Fair Value Measurements Using				Assets/Liabilities at
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3	Netting Adjustments ⁽²⁾	Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ -	\$ 68,109	\$ -	\$ -	\$ 68,109
Trading account assets:					
U.S. government and agency securities	29,851	24,679	-	-	54,530
Corporate securities, trading loans and other	1,399	41,563	9,873	-	52,835
Equity securities	22,794	7,821	726	-	31,341
Foreign sovereign debt	27,116	11,524	952	-	39,592
Mortgage trading loans and asset-backed securities	-	11,570	7,508	-	19,078
Total trading account assets	81,160	97,157	19,059	-	197,376
Derivative assets ⁽³⁾	1,284	1,821,378	22,741	(1,762,072)	83,331
Available-for-sale debt securities:					
U.S. Treasury securities and agency securities	46,989	3,395	-	-	50,384
Mortgage-backed securities:					
Agency	-	153,581	-	-	153,581
Agency-collateralized mortgage obligations	-	40,870	-	-	40,870
Non-agency residential	-	27,384	1,976	-	29,360
Non-agency commercial	-	7,078	50	-	7,128
Foreign securities	134	2,583	233	-	2,950
Corporate bonds	-	6,063	304	-	6,367
Other taxable securities	21	2,791	13,900	-	16,712
Tax-exempt securities	-	6,176	1,237	-	7,413
Total available-for-sale debt securities	47,144	249,921	17,700	-	314,765
Loans and leases	-	-	3,898	-	3,898
Mortgage servicing rights	-	-	14,745	-	14,745
Loans held-for-sale	-	21,483	5,981	-	27,464
Other assets	34,950	13,656	7,702	-	56,308
Total assets	\$ 164,538	\$ 2,271,704	\$ 91,826	\$ (1,762,072)	\$ 765,996

Liabilities

Interest-bearing deposits in domestic offices	\$ -	\$ 2,081	\$ -	\$ -	\$ 2,081
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	42,741	-	-	42,741
Trading account liabilities:					
U.S. government and agency securities	27,203	4,600	-	-	31,803
Equity securities	22,626	1,544	-	-	24,170
Foreign sovereign debt	20,199	2,992	7	-	23,198
Corporate securities and other	411	10,327	73	-	10,811
Total trading account liabilities	70,439	19,463	80	-	89,982
Derivative liabilities ⁽³⁾	2,566	1,801,718	13,339	(1,754,834)	62,789
Commercial paper and other short-term borrowings	-	6,752	-	-	6,752
Accrued expenses and other liabilities	24,176	503	1,618	-	26,297
Long-term debt	-	40,080	4,090	-	44,170
Total liabilities	\$ 97,181	\$ 1,913,338	\$ 19,127	\$ (1,754,834)	\$ 274,812

(1) Gross transfers included \$173 million of derivative assets and \$165 million of derivative liabilities transferred from Level 1 to Level 2 during the six months ended June 30, 2010.

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

(3)

For further
disaggregation
of derivative
assets and
liabilities, see
Note 4
Derivatives.

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

	December 31, 2009				
	Fair Value Measurements Using				Assets/Liabilities
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments ⁽¹⁾	at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	\$ -	\$ 57,775	\$ -	\$ -	\$ 57,775
Trading account assets:					
U.S. government and agency securities	17,140	27,445	-	-	44,585
Corporate securities, trading loans and other	4,772	41,157	11,080	-	57,009
Equity securities	25,274	7,204	1,084	-	33,562
Foreign sovereign debt	18,353	8,647	1,143	-	28,143
Mortgage trading loans and asset-backed securities	-	11,137	7,770	-	18,907
Total trading account assets	65,539	95,590	21,077	-	182,206
Derivative assets	3,326	1,467,855	23,048	(1,413,540)	80,689
Available-for-sale debt securities:					
U.S. Treasury securities and agency securities	19,571	3,454	-	-	23,025
Mortgage-backed securities:					
Agency	-	166,246	-	-	166,246
Agency-collateralized mortgage obligations	-	25,781	-	-	25,781
Non-agency residential	-	27,887	7,216	-	35,103
Non-agency commercial	-	6,651	258	-	6,909
Foreign securities	158	3,271	468	-	3,897
Corporate bonds	-	5,265	927	-	6,192
Other taxable securities	676	14,721	9,854	-	25,251
Tax-exempt securities	-	7,574	1,623	-	9,197
Total available-for-sale debt securities	20,405	260,850	20,346	-	301,601
Loans and leases	-	-	4,936	-	4,936
Mortgage servicing rights	-	-	19,465	-	19,465
Loans held-for-sale	-	25,853	6,942	-	32,795
Other assets	35,411	12,677	7,821	-	55,909
Total assets	\$ 124,681	\$ 1,920,600	\$ 103,635	\$ (1,413,540)	\$ 735,376

Liabilities

Interest-bearing deposits in domestic offices	\$ -	\$ 1,663	\$ -	\$ -	\$ 1,663
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	37,325	-	-	37,325
Trading account liabilities:					
U.S. government and agency securities	22,339	4,180	-	-	26,519
Equity securities	17,300	1,107	-	-	18,407
Foreign sovereign debt	12,028	483	386	-	12,897
Corporate securities and other	282	7,317	10	-	7,609
Total trading account liabilities	51,949	13,087	396	-	65,432
Derivative liabilities	2,925	1,443,494	15,185	(1,417,876)	43,728
Commercial paper and other short-term borrowings	-	813	-	-	813
Accrued expenses and other liabilities	16,797	620	1,598	-	19,015
Long-term debt	-	40,791	4,660	-	45,451
Total liabilities	\$ 71,671	\$ 1,537,793	\$ 21,839	\$ (1,417,876)	\$ 213,427

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

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The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2010, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 Fair Value Measurements

	Three Months Ended June 30, 2010						Balance June 30 2010 ⁽¹⁾
	Balance April 1 2010 ⁽¹⁾	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Gross Transfers into Level 3 (1)	Gross Transfers out of Level 3 (1)	
(Dollars in millions)							
Trading account assets:							
Corporate securities, trading loans and other	\$ 10,646	\$ (52)	\$ -	\$ (854)	\$ 715	\$ (582)	\$ 9,873
Equity securities	721	(39)	-	4	41	(1)	726
Foreign sovereign debt	1,064	(73)	-	(52)	16	(3)	952
Mortgage trading loans and asset-backed securities	7,832	182	-	(640)	367	(233)	7,508
Total trading account assets	20,263	18	-	(1,542)	1,139	(819)	19,059
Net derivative assets ⁽²⁾	8,597	3,588	-	(2,555)	(520)	292	9,402
Available-for-sale debt securities:							
Non-agency MBS:							
Residential	5,376	(282)	65	(3,594)	599	(188)	1,976
Commercial	138	-	-	-	-	(88)	50
Foreign securities	284	(3)	(79)	(25)	56	-	233
Corporate bonds	639	-	14	(341)	11	(19)	304
Other taxable securities	16,192	28	(56)	(2,702)	439	(1)	13,900
Tax-exempt securities	1,430	(48)	(17)	(69)	-	(59)	1,237
Total available-for-sale debt securities	24,059	(305)	(73)	(6,731)	1,105	(355)	17,700
Loans and leases ⁽³⁾	4,007	(256)	-	147	-	-	3,898
Mortgage servicing rights	18,842	(3,998)	-	(99)	-	-	14,745
Loans held-for-sale ⁽³⁾	5,984	131	-	(371)	237	-	5,981
Other assets ⁽⁴⁾	7,774	998	-	(1,050)	-	(20)	7,702
Trading account liabilities:							
Foreign sovereign debt	(369)	2	-	(9)	-	369	(7)
Corporate securities and other	(30)	(5)	-	8	(46)	-	(73)
Total trading account liabilities	(399)	(3)	-	(1)	(46)	369	(80)
Accrued expenses and other liabilities ⁽³⁾	(1,390)	(53)	-	(175)	-	-	(1,618)
Long-term debt ⁽³⁾	(4,560)	586	-	188	(560)	256	(4,090)

⁽¹⁾ Assets
(liabilities). For
assets, increase /

(decrease) to
Level 3 and for
liabilities,
(increase) /
decrease to
Level 3.

(2) Net derivatives
at June 30, 2010
include
derivative assets
of \$22.7 billion
and derivative
liabilities of
\$13.3 billion.

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

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

During the three months ended June 30, 2010, the more significant transfers into Level 3 included \$1.1 billion of trading account assets, \$1.1 billion of AFS debt securities and \$520 million of net derivative contracts. Transfers into Level 3 for trading account assets were driven by reduced price transparency as a result of lower levels of trading activity for certain corporate debt securities as well as a change in valuation methodology for certain ABS to a discounted cash flow model. Transfers into Level 3 for AFS debt securities were due to an increase in the number of non-agency RMBS and other taxable securities priced using a discounted cash flow model. Transfers into Level 3 for net derivative contracts primarily related to a lack of price observability for certain credit default and total return swaps. During the three months ended June 30, 2010, the more significant transfers out of Level 3 were \$819 million of trading account assets, driven by increased price verification of certain mortgage-backed and corporate debt securities and increased price observability of index floaters based on the Bond Market Association (BMA) curve held in corporate securities, trading loans and other.

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The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended June 30, 2009, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 Fair Value Measurements

(Dollars in millions)	Three Months Ended June 30, 2009					Balance June 30 2009 ⁽¹⁾
	Balance April 1 2009 ⁽¹⁾	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into/(out of) Level 3 ⁽¹⁾	
Trading account assets:						
Corporate securities, trading						
loans and other	\$ 10,458	\$ 125	\$ -	\$ (1,259)	\$ (746)	\$ 8,578
Equity securities	7,671	(101)	-	(104)	(33)	7,433
Foreign sovereign debt	601	79	-	11	174	865
Mortgage trading loans and asset-backed securities	9,025	(15)	-	2,511	(2,778)	8,743
Total trading account assets	27,755	88	-	1,159	(3,383)	25,619
Net derivative assets ⁽²⁾	7,416	406	-	(2,580)	4,159	9,401
Available-for-sale debt securities:						
Non-agency MBS	10,364	(637)	1,936	(3,510)	744	8,897
Foreign securities	1,219	(79)	(100)	21	-	1,061
Corporate bonds	1,725	(10)	136	(115)	206	1,942
Other taxable securities	8,700	(1)	132	(196)	(859)	7,776
Tax-exempt securities	267	-	(17)	1,326	530	2,106
Total available-for-sale debt securities	22,275	(727)	2,087	(2,474)	621	21,782
Loans and leases ⁽³⁾	6,955	1,171	-	(1,164)	-	6,962
Mortgage servicing rights	14,096	3,829	-	610	-	18,535
Loans held-for-sale ⁽³⁾	7,362	269	-	(198)	(120)	7,313
Other assets ⁽⁴⁾	6,653	257	-	(128)	10	6,792
Trading account liabilities:						
Foreign sovereign debt	(326)	(26)	-	-	-	(352)
Corporate securities and other	-	-	-	(7)	-	(7)
Total trading account liabilities	(326)	(26)	-	(7)	-	(359)
Accrued expenses and other liabilities ⁽³⁾	(2,783)	603	-	78	39	(2,063)
Long-term debt ⁽³⁾	(8,067)	(1,112)	-	370	3,520	(5,289)

(1)

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

(2) Net derivatives
at June 30, 2009
include
derivative assets
of \$34.7 billion
and derivative
liabilities of
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Level 3 Fair Value Measurements

	Six Months Ended June 30, 2010							
	Balance January 1	Consolidation of VIEs	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Gross Transfers into Level 3 (1)	Gross Transfers out of Level 3 (1)	Balance June 30 2010 (1)
(Dollars in millions)	2010 (1)							
Trading account assets:								
Corporate securities, trading loans and other	\$ 11,080	\$ 117	\$ 354	\$ -	\$ (2,798)	\$ 2,189	\$ (1,069)	\$ 9,873
Equity securities	1,084	-	(33)	-	(326)	75	(74)	726
Foreign sovereign debt	1,143	-	(155)	-	(80)	103	(59)	952
Mortgage trading loans and asset-backed securities	7,770	175	157	-	(586)	389	(397)	7,508
Total trading account assets	21,077	292	323	-	(3,790)	2,756	(1,599)	19,059
Net derivative assets (2)	7,863	-	4,991	-	(4,451)	768	231	9,402
Available-for-sale debt securities:								
Non-agency MBS:								
Residential	7,216	(96)	(515)	(310)	(5,829)	1,698	(188)	1,976
Commercial	258	-	(13)	(31)	(128)	52	(88)	50
Foreign securities	468	-	(124)	(89)	(78)	56	-	233
Corporate bonds	927	-	(3)	35	(666)	30	(19)	304
Other taxable securities	9,854	5,812	19	(119)	(2,742)	1,119	(43)	13,900
Tax-exempt securities	1,623	-	(25)	(9)	(561)	316	(107)	1,237
Total available-for-sale debt securities	20,346	5,716	(661)	(523)	(10,004)	3,271	(445)	17,700
Loans and leases (3)	4,936	-	(140)	-	(898)	-	-	3,898
Mortgage servicing rights	19,465	-	(4,696)	-	(24)	-	-	14,745
	6,942	-	67	-	(1,427)	399	-	5,981

Loans held-for-sale
(3)

Other assets (4)	7,821	-	1,537	-	(1,421)	-	(235)	7,702
Trading account liabilities:								
Foreign sovereign debt	(386)	-	23	-	(24)	-	380	(7)
Corporate securities and other	(10)	-	(5)	-	(9)	(52)	3	(73)
Total trading account liabilities	(396)	-	18	-	(33)	(52)	383	(80)
Accrued expenses and other liabilities (3)	(1,598)	-	9	-	(29)	-	-	(1,618)
Long-term debt (3)	(4,660)	-	788	-	(264)	(897)	943	(4,090)

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

(2) Net derivatives at June 30, 2010 include derivative assets of \$22.7 billion and derivative liabilities of \$13.3 billion.

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

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

During the six months ended June 30, 2010, the more significant transfers into Level 3 included \$2.8 billion of trading account assets, \$3.3 billion of AFS debt securities and \$768 million of net derivative contracts. Transfers into Level 3 for trading account assets were driven by reduced price transparency as a result of lower levels of trading

activity for certain municipal auction rate securities and corporate debt securities as well as a change in valuation methodology for certain ABS to a discounted cash flow model. Transfers into Level 3 for AFS debt securities were due to an increase in the number of non-agency RMBS and other taxable securities priced using a discounted cash flow model. Transfers into Level 3 for net derivative contracts primarily related to a lack of price observability for certain credit default and total return swaps. During the six months ended June 30, 2010, the more significant transfers out of Level 3 were \$1.6 billion of trading account assets, driven by increased price verification of certain mortgage-backed and corporate debt securities and increased price observability of index floaters based on the BMA curve held in corporate securities, trading loans and other.

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Level 3 Fair Value Measurements

	Balance January 1 2009 (1)	Merrill Lynch Acquisition	Six Months Ended June 30, 2009 Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into /(out of) Level 3 (1)	Balance June 30 2009 (1)
(Dollars in millions)							
Trading account assets:							
Corporate securities,							
trading loans and other	\$ 4,540	\$ 7,012	\$ (272)	\$ -	\$ (3,445)	\$ 743	\$ 8,578
Equity securities	546	3,848	(278)	-	3,543	(226)	7,433
Foreign sovereign debt	-	30	64	-	10	761	865
Mortgage trading loans and asset-backed securities	1,647	7,294	(289)	-	1,743	(1,652)	8,743
Total trading account assets	6,733	18,184	(775)	-	1,851	(374)	25,619
Net derivative assets (2)	2,270	2,307	4,274	-	(3,991)	4,541	9,401
Available-for-sale debt securities:							
Non-agency MBS	6,096	2,509	(740)	2,109	(1,678)	601	8,897
Foreign securities	1,247	-	(79)				