BANK OF AMERICA CORP /DE/
Form 10-Q
November 05, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 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 ü No

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

Yes ü No

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

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

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

Yes No ü

On October 31, 2010, there were 10,085,147,198 shares of Bank of America Corporation Common Stock outstanding.

Bank of America Corporation

September 30, 2010 Form 10-Q
INDEX

			Page
Part I. Financial Information	Item 1.	Financial Statements: Consolidated Statement of Income for the Three and Nine Months Ended September 30, 2010 and 2009	3
		Consolidated Balance Sheet at September 30, 2010 and December 31, 2009	4
		Consolidated Statement of Changes in Shareholders Equity for the Nine Months Ended September 30, 2010 and 2009	6
		Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2010 and 2009	7
		Notes to Consolidated Financial Statements	8
	Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	
		Table of Contents	91
		Discussion and Analysis	92
	Item 3.	Quantitative and Qualitative Disclosures about Market Risk	210
	Item 4.	Controls and Procedures	210
Part II. Other Information	Item 1.	Legal Proceedings	210
	Item 1A.	Risk Factors	210
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	212
	Item 6.	Exhibits	213
	Signature		214
	Index to Exhibits		215

EX-12
EX-31.A

EX-31.B
EX-32.A
EX-32.B
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

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 September 30 2010	Three Months Ended September 30 2009	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
Interest income				
Interest and fees on loans and leases	**$ 12,485**	$ 11,620	**$ 38,847**	$ 37,298
Interest on debt securities	**2,605**	2,975	**8,638**	10,088
Federal funds sold and securities borrowed or purchased under agreements to resell	**441**	722	**1,346**	2,567
Trading account assets	**1,641**	1,843	**5,180**	6,223
Other interest income	**1,037**	1,363	**3,196**	4,095
Total interest income	**18,209**	18,523	**57,207**	60,271
Interest expense				
Deposits	**950**	1,710	**3,103**	6,335
Short-term borrowings	**848**	1,237	**2,557**	4,854
Trading account liabilities	**635**	455	**2,010**	1,484
Long-term debt	**3,341**	3,698	**10,453**	12,048
Total interest expense	**5,774**	7,100	**18,123**	24,721
Net interest income	**12,435**	11,423	**39,084**	35,550
Noninterest income				
Card income	**1,982**	1,557	**5,981**	6,571
Service charges	**2,212**	3,020	**7,354**	8,282
Investment and brokerage services	**2,724**	2,948	**8,743**	8,905
Investment banking income	**1,371**	1,254	**3,930**	3,955
Equity investment income	**357**	843	**3,748**	7,988
Trading account profits	**2,596**	3,395	**9,059**	10,760
Mortgage banking income	**1,755**	1,298	**4,153**	7,139
Insurance income	**75**	707	**1,468**	2,057
Gains on sales of debt securities	**883**	1,554	**1,654**	3,684
Other income (loss)	**433**	(1,167)	**3,498**	1,870
Other-than-temporary impairment losses on available-for-sale debt securities:				
Total other-than-temporary impairment losses	**(156)**	(847)	**(1,616)**	(2,671)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	**33**	50	**766**	477
Net impairment losses recognized in earnings on available-for-sale debt securities	**(123)**	(797)	**(850)**	(2,194)

Total noninterest income	**14,265**	14,612	**48,738**	59,017
Total revenue, net of interest expense	**26,700**	26,035	**87,822**	94,567
Provision for credit losses	**5,396**	11,705	**23,306**	38,460
Noninterest expense				
Personnel	**8,402**	7,613	**26,349**	24,171
Occupancy	**1,150**	1,220	**3,504**	3,567
Equipment	**619**	617	**1,845**	1,855
Marketing	**497**	470	**1,479**	1,490
Professional fees	**651**	562	**1,812**	1,511
Amortization of intangibles	**426**	510	**1,311**	1,546
Data processing	**602**	592	**1,882**	1,861
Telecommunications	**361**	361	**1,050**	1,033
Other general operating	**3,687**	3,767	**11,162**	11,106
Goodwill impairment	**10,400**	-	**10,400**	-
Merger and restructuring charges	**421**	594	**1,450**	2,188
Total noninterest expense	**27,216**	16,306	**62,244**	50,328
Income (loss) before income taxes	**(5,912)**	(1,976)	**2,272**	5,779
Income tax expense (benefit)	**1,387**	(975)	**3,266**	(691)
Net income (loss)	**$ (7,299)**	$ (1,001)	**$ (994)**	$ 6,470
Preferred stock dividends	**348**	1,240	**1,036**	3,478
Net income (loss) applicable to common shareholders	**$ (7,647)**	$ (2,241)	**$ (2,030)**	$ 2,992
Per common share information				
Earnings (loss)	**$ (0.77)**	$ (0.26)	**$ (0.21)**	$ 0.39
Diluted earnings (loss)	**(0.77)**	(0.26)	**(0.21)**	0.39
Dividends paid	**0.01**	0.01	**0.03**	0.03
Average common shares issued and outstanding (in thousands)	**9,976,351**	8,633,834	**9,706,951**	7,423,341
Average diluted common shares issued and outstanding (in thousands)	**9,976,351**	8,633,834	**9,706,951**	7,449,911

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	**September 30 2010**	December 31 2009
Assets		
Cash and cash equivalents	**$ 131,116**	$ 121,339
Time deposits placed and other short-term investments	**18,946**	24,202
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$81,480** and $57,775 measured at fair value and **$271,593** and $189,844 pledged as collateral)	**271,818**	189,933
Trading account assets (includes **$15,995** and $30,921 pledged as collateral)	**207,695**	182,206
Derivative assets	**84,684**	87,622
Debt securities:		
Available-for-sale (includes **$115,506** and $122,708 pledged as collateral)	**322,424**	301,601
Held-to-maturity, at cost (fair value - **$438** and $9,684)	**438**	9,840
Total debt securities	**322,862**	311,441
Loans and leases (includes **$3,684** and $4,936 measured at fair value and **$84,036** and $118,113 pledged as collateral)	**933,910**	900,128
Allowance for loan and lease losses	**(43,581)**	(37,200)
Loans and leases, net of allowance	**890,329**	862,928
Premises and equipment, net	**14,320**	15,500
Mortgage servicing rights (includes **$12,251** and $19,465 measured at fair value)	**12,540**	19,774
Goodwill	**75,602**	86,314
Intangible assets	**10,402**	12,026
Loans held-for-sale (includes **$22,337** and $32,795 measured at fair value)	**33,276**	43,874
Customer and other receivables	**78,599**	81,996
Other assets (includes **$72,635** and $55,909 measured at fair value)	**187,471**	191,077
Total assets	**$ 2,339,660**	$ 2,230,232

Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)	
Trading account assets	**$ 11,186**
Derivative assets	**2,838**
Available-for-sale debt securities	**7,684**
Loans and leases	**132,106**
Allowance for loan and lease losses	**(9,831)**
Loans and leases, net of allowance	**122,275**

Loans held-for-sale	**3,301**
All other assets	**7,910**
Total assets of consolidated VIEs	**$ 155,194**

See accompanying Notes to Consolidated Financial Statements.

4

Table of Contents

Bank of America Corporation and Subsidiaries
Consolidated Balance Sheet (continued)

(Dollars in millions)	**September 30 2010**	December 31 2009
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 265,672**	$ 269,615
Interest-bearing (includes **$2,745** and $1,663 measured at fair value)	**634,784**	640,789
Deposits in foreign offices:		
Noninterest-bearing	**6,297**	5,489
Interest-bearing	**70,569**	75,718
Total deposits	**977,322**	991,611
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$48,509** and $37,325 measured at fair value)	**296,605**	255,185
Trading account liabilities	**90,010**	65,432
Derivative liabilities	**61,656**	50,661
Commercial paper and other short-term borrowings (includes **$4,924** and $813 measured at fair value)	**64,818**	69,524
Accrued expenses and other liabilities (includes **$23,855** and $19,015 measured at fair value and **$1,294** and $1,487 of reserve for unfunded lending commitments)	**139,896**	127,854
Long-term debt (includes **$49,452** and $45,451 measured at fair value)	**478,858**	438,521
Total liabilities	**2,109,165**	1,998,788
Commitments and contingencies *(Note 8 Securitizations and Other Variable Interest Entities* and *Note 11 Commitments and Contingencies)*		
Shareholders equity		
Preferred stock, $0.01 par value; authorized **100,000,000** shares; issued and outstanding **3,960,660** and 5,246,660 shares	**18,104**	37,208
Common stock and additional paid-in capital, $0.01 par value; authorized **12,800,000,000** and 10,000,000,000 shares; issued and outstanding **10,033,705,046** and 8,650,243,926 shares	**149,563**	128,734
Retained earnings	**62,515**	71,233
Accumulated other comprehensive income (loss)	**336**	(5,619)
Other	**(23)**	(112)
Total shareholders equity	**230,495**	231,444
Total liabilities and shareholders equity	**$ 2,339,660**	$ 2,230,232
Liabilities of consolidated VIEs included in total liabilities above		
Commercial paper and other short-term borrowings (includes **$7,136** of non-recourse liabilities)	**$ 13,222**	

Long-term debt (includes **$75,137** of non-recourse debt)	**79,228**
All other liabilities (includes **$1,160** of non-recourse liabilities)	**1,954**
Total liabilities of consolidated VIEs	**$ 94,404**

See accompanying Notes to Consolidated Financial Statements.

Bank of America Corporation and Subsidaries

Consolidated Statement of Changes in Shareholders Equity

	Preferred	Common Stock and Additional Paid-in Capital		Retained	Accumulated Other Comprehensive Income		Total Shareholders	Comprehen Income
Dollars in millions, shares in thousands)	Stock	Shares	Amount	Earnings	(Loss)	Other	Equity	(Loss)
alance, December 31, 2008	$ 37,701	5,017,436	$ 76,766	$ 73,823	$ (10,825)	$ (413)	$ 177,052	
umulative adjustment for accounting change - ther-than-temporary impairments on debt ecurities				71	(71)		-	$ (71
et income				6,470			6,470	6,470
et change in available-for-sale debt and arketable equity securities					3,110		3,110	3,110
et change in foreign currency translation djustments					26		26	26
et change in derivatives					721		721	721
mployee benefit plan adjustments					334		334	334
ividends paid:								
ommon				(238)			(238)	
referred				(3,295)			(3,295)	
suance of preferred stock and stock warrants	26,800		3,200				30,000	
tock issued in acquisition	8,605	1,375,476	20,504				29,109	
suance of common stock		1,250,000	13,468				13,468	
xchange of preferred stock	(14,797)	999,935	14,221	576			-	
ommon stock issued under employee plans and elated tax effects		7,467	664			257	921	
ther	531			(526)			5	
alance, September 30, 2009	$ 58,840	8,650,314	$ 128,823	$ 76,881	$ (6,705)	$ (156)	$ 257,683	$ 10,590
alance, December 31, 2009	**$ 37,208**	**8,650,244**	**$ 128,734**	**$ 71,233**	**$ (5,619)**	**$ (112)**	**$ 231,444**	
umulative adjustments for accounting changes:								
onsolidation of certain variable interest entities				**(6,154)**	**(116)**		**(6,270)**	**$ (116**
redit-related notes				**(229)**	**229**		**-**	**229**
et loss				**(994)**			**(994)**	**(994**
et change in available-for-sale debt and arketable equity securities					**6,855**		**6,855**	**6,855**
et change in foreign currency translation djustments					**238**		**238**	**238**
et change in derivatives					**(1,439)**		**(1,439)**	**(1,439**
mployee benefit plan adjustments					**188**		**188**	**188**
ividends paid:								
ommon				**(303)**			**(303)**	
referred				**(1,036)**			**(1,036)**	
		97,461	**1,585**			**82**	**1,667**	

Common stock issued under employee plans and related tax effects								
Common Equivalent Securities conversion	**(19,244)**	**1,286,000**	**19,244**				**-**	
Other	**140**			**(2)**		**7**	**145**	
Balance, September 30, 2010	**$ 18,104**	**10,033,705**	**$ 149,563**	**$ 62,515**	**$ 336**	**$ (23)**	**$ 230,495**	**$ 4,961**

See accompanying Notes to Consolidated Financial Statements.

6

Bank of America Corporation and Subsidiaries

Consolidated Statement of Cash Flows

(Dollars in millions)	Nine Months Ended September 30 2010	2009
Operating activities		
Net income (loss)	$ **(994)**	$ 6,470
Reconciliation of net income to net cash provided by operating activities:		
Provision for credit losses	**23,306**	38,460
Gains on sales of debt securities	**(1,654)**	(3,684)
Depreciation and premises improvements amortization	**1,651**	1,755
Amortization of intangibles	**1,311**	1,546
Deferred income tax expense	**3,094**	3,560
Net decrease in trading and derivative instruments	**18,113**	42,827
Net decrease in other assets	**29,187**	21,970
Net increase (decrease) in accrued expenses and other liabilities	**6,726**	(20,945)
Other operating activities, net	**(3,357)**	5,718
Net cash provided by operating activities	**77,383**	97,677
Investing activities		
Net decrease in time deposits placed and other short-term investments	**5,333**	20,291
Net (increase) decrease in federal funds sold and securities borrowed or purchased under agreements to resell	**(81,885)**	33,541
Proceeds from sales of available-for-sale debt securities	**79,813**	122,756
Proceeds from pay downs and maturities of available-for-sale debt securities	**52,832**	47,238
Purchases of available-for-sale debt securities	**(138,238)**	(82,377)
Proceeds from maturities of held-to-maturity debt securities	**3**	1,831
Purchases of held-to-maturity debt securities	**(100)**	(2,677)
Proceeds from sales of loans and leases	**7,629**	6,565
Other changes in loans and leases, net	**12,296**	19,221
Net purchases of premises and equipment	**(471)**	(1,532)
Proceeds from sales of foreclosed properties	**2,224**	1,352
Cash received upon acquisition, net	**-**	31,804
Cash received due to impact of adoption of new consolidation guidance	**2,807**	-
Other investing activities, net	**802**	9,812
Net cash provided by (used in) investing activities	**(56,955)**	207,825
Financing activities		
Net increase (decrease) in deposits	**3,490**	(6,205)
Net increase (decrease) in federal funds purchased and securities loaned or sold under agreements to repurchase	**41,420**	(68,600)
Net decrease in commercial paper and other short-term borrowings	**(26,842)**	(133,672)
Proceeds from issuance of long-term debt	**51,524**	62,809
Retirement of long-term debt	**(79,048)**	(80,302)

Proceeds from issuance of preferred stock	**-**	30,000
Proceeds from issuance of common stock	**-**	13,468
Cash dividends paid	**(1,339)**	(3,533)
Excess tax benefits on share-based payments	**53**	-
Other financing activities, net	**(49)**	(37)
Net cash used in financing activities	**(10,791)**	(186,072)
Effect of exchange rate changes on cash and cash equivalents	**140**	125
Net increase in cash and cash equivalents	**9,777**	119,555
Cash and cash equivalents at January 1	**121,339**	32,857
Cash and cash equivalents at September 30	**$ 131,116**	$ 152,412

During the nine months ended September 30, 2010, the Corporation sold First Republic Bank in a non-cash transaction that reduced assets and liabilities by $19.5 billion and $18.1 billion.
During the nine months ended September 30, 2010, the Corporation recorded a non-cash goodwill impairment charge of $10.4 billion.
During the nine months ended September 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 nine months ended September 30, 2009, the Corporation transferred $1.7 billion of auction rate securities (ARS) from trading account assets to available-for-sale (AFS) debt securities.
During the nine months ended September 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 non-cash assets acquired and liabilities assumed in the Merrill Lynch & Co., Inc. (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.

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. The Corporation operates 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 of the guidance on July 1, 2010, the Corporation elected the fair value option for $629 million of AFS debt securities, principally collateralized debt obligations (CDOs), that otherwise may be subject to bifurcation under the new guidance. In connection with this election the Corporation recorded a $229 million charge to retained earnings on July 1, 2010 as an after tax adjustment to reclassify the net unrealized loss on these AFS debt securities from accumulated other comprehensive income (OCI) to retained earnings. These AFS debt securities have been reclassified to trading account assets. The Corporation did not bifurcate any securities as a result of adopting the new accounting guidance.

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 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 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.

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 consolidated 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 fair 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 an ongoing 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 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

Table of Contents

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 September 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 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.

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 table below. 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 *Global Wealth & Investment Management (GWIM)* and *Global Banking & Markets (GBAM)* business segments.

Merrill Lynch Purchase Price Allocation

(Dollars in billions, except per share amounts)

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

(1) The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of the Corporation s

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

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2010**	2009	**2010**	2009
Severance and employee-related charges	**$ 88**	$ 225	**$ 362**	$ 1,207
Systems integrations and related charges	**260**	329	**898**	813
Other	**73**	40	**190**	168
Total merger and restructuring charges	**$ 421**	$ 594	**$ 1,450**	$ 2,188

For the three and nine months ended September 30, 2010, merger and restructuring charges consisted of $420 million and $1.3 billion related to the Merrill Lynch acquisition and $1 million and $197 million related to the Countrywide acquisition. For the three and nine months ended September 30, 2009, merger and restructuring charges consisted primarily of $371 million and $1.5 billion related to the Merrill Lynch acquisition, $212 million and $632 million related to the Countrywide acquisition, and $11 million and $92 million related to previous acquisitions.

For the three and nine months ended September 30, 2010, $420 million and $1.3 billion of merger-related charges for the Merrill Lynch acquisition included $100 million and $333 million of severance and other employee-related costs, $249 million and $745 million of systems integration costs, and $71 million and $175 million of other merger-related costs. For the three and nine months ended September 30, 2009, $371 million and $1.5 billion of merger-related charges for the Merrill Lynch acquisition included $196 million and $1.1 billion of severance and other employee-related costs, $153 million and $294 million of systems integration costs, and $22 million and $94 million of other merger-related costs.

The table below presents the changes in exit cost and restructuring reserves for the three and nine months ended September 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.

	Exit Cost Reserves		**Restructuring Reserves**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Balance, January 1	**$ 112**	$ 523	**$ 403**	$ 86
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**199**	732
Countrywide	**(18)**	-	**53**	108
Cash payments and other	**(57)**	(305)	**(395)**	(496)
Balance, June 30	**$ 37**	$ 218	**$ 260**	$ 430
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**87**	132
Countrywide	**-**	-	**-**	37
Cash payments and other	**(16)**	(64)	**(74)**	(228)
Balance, September 30	**$ 21**	$ 154	**$ 273**	$ 371

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 $73 million during the nine months ended September 30, 2010 related to the Countrywide acquisition consisted of $36 million in severance, relocation and other employee-related costs, and $37 million in contract terminations. At September 30, 2010, exit cost reserves of $21 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 nine months ended September 30, 2010, $87 million and $339 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 $74 million and $469 million during the three and nine months ended September 30, 2010 were all related to severance and other employee-related costs primarily associated with the Merrill Lynch acquisition. Payments

associated with the Countrywide and Merrill Lynch acquisitions are expected to continue into 2012. At September 30, 2010, restructuring reserves of $273 million consisted of $254 million for Merrill Lynch and $19 million for Countrywide.

NOTE 3 Trading Account Assets and Liabilities

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

(Dollars in millions)	**September 30 2010**	December 31 2009
Trading account assets		
U.S. government and agency securities [1]	**$ 65,861**	$ 44,585
Corporate securities, trading loans and other	**52,861**	57,009
Equity securities	**28,143**	33,562
Foreign sovereign debt	**41,447**	28,143
Mortgage trading loans and asset-backed securities	**19,383**	18,907
Total trading account assets	**$207,695**	$ 182,206
Trading account liabilities		
U.S. government and agency securities	**$ 33,988**	$ 26,519
Equity securities	**18,460**	18,407
Foreign sovereign debt	**25,954**	12,897
Corporate securities and other	**11,608**	7,609
Total trading account liabilities	**$ 90,010**	$ 65,432

(1) Includes $30.4 billion and $23.5 billion at September 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 table below identifies derivative instruments included on the Corporation s Consolidated Balance Sheet in derivative assets and liabilities at September 30, 2010 and December 31, 2009. Balances are presented 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.

		September 30, 2010					
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [(1)]	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [(2)]	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [(2)]	Total
Interest rate contracts							
Swaps	**$ 43,665.7**	**$ 1,694.2**	**$ 13.2**	**$ 1,707.4**	**$ 1,679.0**	**$ 6.4**	**$ 1,685.4**
Futures and forwards	**12,592.5**	**7.0**	**-**	**7.0**	**8.3**	**-**	**8.3**
Written options	**2,837.3**	**-**	**-**	**-**	**109.8**	**-**	**109.8**
Purchased options	**2,932.2**	**116.0**	**-**	**116.0**	**-**	**-**	**-**
Foreign exchange contracts							
Swaps	**644.5**	**28.3**	**3.8**	**32.1**	**30.5**	**1.6**	**32.1**
Spot, futures and forwards	**2,721.2**	**49.3**	**-**	**49.3**	**50.9**	**-**	**50.9**
Written options	**545.8**	**-**	**-**	**-**	**12.8**	**-**	**12.8**
Purchased options	**535.3**	**12.6**	**-**	**12.6**	**-**	**-**	**-**
Equity contracts							
Swaps	**39.9**	**1.2**	**-**	**1.2**	**1.8**	**-**	**1.8**
Futures and forwards	**106.9**	**3.7**	**-**	**3.7**	**2.7**	**-**	**2.7**
Written options	**281.0**	**-**	**-**	**-**	**24.4**	**-**	**24.4**
Purchased options	**244.6**	**25.0**	**-**	**25.0**	**-**	**-**	**-**
Commodity contracts							
Swaps	**106.8**	**8.4**	**0.3**	**8.7**	**9.5**	**-**	**9.5**
Futures and forwards	**452.3**	**5.7**	**-**	**5.7**	**3.7**	**-**	**3.7**
Written options	**86.5**	**-**	**-**	**-**	**5.6**	**-**	**5.6**
Purchased options	**83.7**	**5.4**	**-**	**5.4**	**-**	**-**	**-**
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	**2,363.8**	**87.1**	**-**	**87.1**	**31.3**	**-**	**31.3**
Total return swaps/other	**29.7**	**1.0**	**-**	**1.0**	**0.2**	**-**	**0.2**
Written credit derivatives:							
Credit default swaps	**2,320.7**	**30.3**	**-**	**30.3**	**80.2**	**-**	**80.2**
Total return swaps/other	**18.9**	**0.8**	**-**	**0.8**	**0.3**	**-**	**0.3**

Gross derivative assets/liabilities	**$ 2,076.0**	**$ 17.3**	**$ 2,093.3**	**$ 2,051.0**	**$ 8.0**	**$ 2,059.0**
Less: Legally enforceable master netting agreements			**(1,940.5)**			**(1,940.5)**
Less: Cash collateral applied			**(68.1)**			**(56.8)**
Total derivative assets/liabilities			**$ 84.7**			**$ 61.7**

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

(2) Excludes $4.3 billion of long-term debt designated as a hedge of foreign currency risk.

Table of Contents

	December 31, 2009						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [1]	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total
Interest rate contracts							
Swaps	$ 45,261.5	$ 1,121.3	$ 5.6	$ 1,126.9	$ 1,105.0	$ 0.8	$ 1,105.8
Futures and forwards	11,842.1	7.1	-	7.1	6.1	-	6.1
Written options	2,865.5	-	-	-	84.1	-	84.1
Purchased options	2,626.7	84.1	-	84.1	-	-	-
Foreign exchange contracts							
Swaps	661.9	23.7	4.6	28.3	27.3	0.5	27.8
Spot, futures and forwards	1,750.8	24.6	0.3	24.9	25.6	0.1	25.7
Written options	383.6	-	-	-	13.0	-	13.0
Purchased options	355.3	12.7	-	12.7	-	-	-
Equity contracts							
Swaps	58.5	2.0	-	2.0	2.0	-	2.0
Futures and forwards	79.0	3.0	-	3.0	2.2	-	2.2
Written options	283.4	-	-	-	25.1	0.4	25.5
Purchased options	273.7	27.3	-	27.3	-	-	-
Commodity contracts							
Swaps	65.3	6.9	0.1	7.0	6.8	-	6.8
Futures and forwards	387.8	10.4	-	10.4	9.6	-	9.6
Written options	54.9	-	-	-	7.9	-	7.9
Purchased options	50.9	7.6	-	7.6	-	-	-
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,800.5	105.5	-	105.5	45.2	-	45.2
Total return swaps/other	21.7	1.5	-	1.5	0.4	-	0.4
Written credit derivatives:							
Credit default swaps	2,788.8	44.1	-	44.1	98.4	-	98.4
Total return swaps/other	33.1	1.8	-	1.8	1.1	-	1.1
Gross derivative assets/liabilities		$ 1,483.6	$ 10.6	$ 1,494.2	$ 1,459.8	$ 1.8	$ 1,461.6
Less: Legally enforceable master netting agreements				(1,355.1)			(1,355.1)
Less: Cash collateral applied				(51.5)			(55.8)
Total derivative assets/liabilities				$ 87.6			$ 50.7

(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.

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).

Fair Value Hedges

The table below summarizes certain information related to the Corporation s derivatives designated as fair value hedges for the three and nine months ended September 30, 2010 and 2009.

	Amounts Recognized in Income for the Three Months Ended September 30					
	2010			2009		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt [1]	**$ 2,128**	**$ (2,268)**	**$ (140)**	$ 1,591	$ (1,778)	$ (187)
Interest rate and foreign currency risk on long-term debt [1]	**3,913**	**(3,867)**	**46**	1,561	(1,568)	(7)
Interest rate risk on available-for-sale securities [2, 3]	**(3,073)**	**2,842**	**(231)**	(603)	433	(170)
Commodity price risk on commodity inventory [4]	**25**	**(23)**	**2**	3	(2)	1
Total	**$ 2,993**	**$ (3,316)**	**$ (323)**	$ 2,552	$ (2,915)	$ (363)

	Amounts Recognized in Income for the Nine Months Ended September 30					
	2010			2009		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
Derivatives designated as fair value hedges						
Interest rate risk on long-term debt [1]	**$ 6,214**	**$ (6,598)**	**$ (384)**	$ (3,025)	$ 2,387	$ (638)
Interest rate and foreign currency risk on long-term debt [1]	**630**	**(911)**	**(281)**	1,624	(1,546)	78
Interest rate risk on available-for-sale securities [2, 3]	**(8,342)**	**8,024**	**(318)**	(343)	121	(222)
Commodity price risk on commodity inventory [4]	**66**	**(69)**	**(3)**	63	(59)	4
Total	**$ (1,432)**	**$ 446**	**$ (986)**	$ (1,681)	$ 903	$ (778)

(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 nine months ended September 30, 2010 includes $(1) million and $(5) million compared to $(145) million and $(186) 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.

Cash Flow Hedges

The table on page 18 summarizes certain information related to the Corporation s derivatives designated as cash flow hedges and net investment hedges for the three and nine months ended September 30, 2010 and 2009. During the next 12 months, net losses in accumulated OCI of approximately $1.7 billion ($1.1 billion 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.

Amounts related to interest rate risk on variable rate portfolios reclassified from accumulated OCI increased interest income on assets by $29 million and $7 million and increased interest expense by $145 million and $252 million during the three months ended September 30, 2010 and 2009, respectively. Amounts reclassified from accumulated OCI increased interest income on assets by $109 million and reduced interest income by $101 million and increased interest expense by $411 million and $1.0 billion during the nine months ended September 30, 2010 and 2009. Hedge ineffectiveness of $3 million and $(16) million was recorded in interest income during the three and nine months ended September 30, 2010 compared to $36 million and $74 million for the same periods in 2009. Hedge ineffectiveness of $(12) million and $(13) million was recorded in interest expense during the three and nine months ended September 30, 2010 compared to $(17)

Table of Contents

million for both periods in 2009. Amounts reclassified from accumulated OCI exclude amounts related to derivative interest accruals which increased interest income by $58 million and $41 million and increased interest expense by $47 million and decreased interest expense by $7 million for the three months ended September 30, 2010 and 2009, respectively. Amounts reclassified from accumulated OCI exclude amounts related to derivative interest accruals which increased interest income by $189 million and $97 million and increased interest expense by $47 million and decreased interest expense by $7 million for the nine months ended September 30, 2010 and 2009, respectively.

Amounts related to commodity price risk reclassified from accumulated OCI are recorded in trading account profits with the underlying hedged item. Amounts related to price risk on restricted stock awards reclassified from accumulated OCI are recorded in personnel expense. Amounts related to price risk on equity investments included in AFS securities reclassified from accumulated OCI are recorded in equity investment income with the underlying hedged item.

Amounts related to foreign exchange risk recognized in accumulated OCI on derivatives exclude losses of $241 million and gains of $135 million related to long-term debt designated as a net investment hedge for the three and nine months ended September 30, 2010 compared to gains of $74 million and losses of $365 million for the same periods in 2009.

	Three Months Ended September 30					
	2010			2009		
(Dollars in millions, amounts pre-tax)	**Amounts Recognized in Accumulated OCI on Derivatives**	**Amounts Reclassified from Accumulated OCI into Income**	**Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing** [(1)]	Amounts Recognized in Accumulated OCI on Derivatives	Amounts Reclassified from Accumulated OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing [(1)]
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios	**$ (1,577)**	**$ (116)**	**$ (9)**	$ 183	$ (245)	$ 19
Commodity price risk on forecasted purchases and sales	**20**	**3**	**4**	102	56	(1)
Price risk on restricted stock awards	**(58)**	**(21)**	**-**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**-**	**-**	**-**	(101)	-	-
Total	**$ (1,615)**	**$ (134)**	**$ (5)**	$ 184	$ (189)	$ 18
Net investment hedges						
Foreign exchange risk	**$ (2,162)**	**$ -**	**$ (63)**	$ (737)	$ -	$ 19

	Nine Months Ended September 30					
	2010			2009		
		Amounts	**Hedge**		Amounts	Hedge

(Dollars in millions, amounts pre-tax)	**Amounts Recognized in Accumulated OCI on Derivatives**	**Reclassified from Accumulated OCI into Income**	**Ineffectiveness and Amount Excluded from Effectiveness Testing (1)**	Amounts Recognized in Accumulated OCI on Derivatives	Reclassified from Accumulated OCI into Income	Ineffectiveness and Amount Excluded from Effectiveness Testing (1)
Derivatives designated as cash flow hedges						
Interest rate risk on variable rate portfolios	**$ (2,935)**	**$ (302)**	**$ (29)**	$ 141	$ (1,106)	$ 57
Commodity price risk on forecasted purchases and sales	**47**	**16**	**6**	115	62	(1)
Price risk on restricted stock awards	**(96)**	**(4)**	**-**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**186**	**(226)**	**-**	(155)	-	-
Total	**$ (2,798)**	**$ (516)**	**$ (23)**	$ 101	$ (1,044)	$ 56
Net investment hedges						
Foreign exchange risk	**$ (278)**	**$ -**	**$ (196)**	$ (2,736)	$ -	$ (88)

(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.

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

Table of Contents

Corporation driven by fluctuations in the 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 table below presents gains (losses) on these derivatives for the three and nine months ended September 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.

	Three Months Ended September 30		**Nine Months Ended September 30**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Price risk on mortgage banking production income [1]	**$ 3,577**	$ 1,209	**$ 6,974**	$ 5,701
Interest rate risk on mortgage banking servicing income	**1,736**	906	**5,048**	(2,417)
Credit risk on loans	**(46)**	(320)	**(70)**	(604)
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [2]	**7,613**	3,437	**(1,596)**	2,919
Other	**(35)**	18	**(134)**	1
Total	**$ 12,845**	$ 5,250	**$ 10,222**	$ 5,600

(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 $2.9 billion and $7.6 billion for the three and nine months ended September 30, 2010 compared to $2.6 billion and $6.3 billion for the same periods in 2009.

(2) The majority of the balance is related to the revaluation of economic hedges on foreign currency-denominated debt. The revaluation of the foreign currency-denominated debt and the related economic hedges are recorded in other income.

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 account 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 table below 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 nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30							
	2010				2009			
(Dollars in millions)	**Trading Account Profits**	**Other Revenues (1)**	**Net Interest Income**	**Total**	Trading Account Profits	Other Revenues (1)	Net Interest Income	Total
Interest rate risk	**$ 474**	**$ 20**	**$ 122**	**$ 616**	$ 258	$ (1)	$ 236	$ 493
Foreign exchange risk	**207**	**1**	**(1)**	**207**	219	1	14	234
Equity risk	**418**	**569**	**(13)**	**974**	617	585	63	1,265
Credit risk	**1,189**	**438**	**899**	**2,526**	2,198	(87)	998	3,109
Other risk	**139**	**10**	**(33)**	**116**	105	34	(57)	82
Total sales and trading revenue	**$ 2,427**	**$ 1,038**	**$ 974**	**$ 4,439**	$ 3,397	$ 532	$ 1,254	$ 5,183

	Nine Months Ended September 30							
	2010				2009			
(Dollars in millions)	**Trading Account Profits**	**Other Revenues (1)**	**Net Interest Income**	**Total**	Trading Account Profits	Other Revenues (1)	Net Interest Income	Total
Interest rate risk	**$ 1,965**	**$ 94**	**$ 438**	**$ 2,497**	$ 2,923	$ 19	$ 846	$ 3,788
Foreign exchange risk	**722**	**2**	**-**	**724**	753	6	27	786
Equity risk	**1,468**	**1,928**	**(14)**	**3,382**	1,761	2,025	165	3,951
Credit risk	**4,294**	**710**	**2,770**	**7,774**	4,093	(1,579)	3,676	6,190
Other risk	**221**	**26**	**(122)**	**125**	779	(41)	(369)	369
Total sales and trading revenue	**$ 8,670**	**$ 2,760**	**$ 3,072**	**$ 14,502**	$ 10,309	$ 430	$ 4,345	$ 15,084

(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.

Table of Contents

Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at September 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.

	September 30, 2010 Carrying Value				
(Dollars in millions)	Less than One Year	Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 262	$ 2,852	$ 6,052	$ 14,569	$ 23,735
Non-investment grade	898	11,115	13,983	30,478	56,474
Total	1,160	13,967	20,035	45,047	80,209
Total return swaps/other:					
Investment grade	-	-	24	24	48
Non-investment grade	1	3	5	246	255
Total	1	3	29	270	303
Total credit derivatives	$ 1,161	$ 13,970	$ 20,064	$ 45,317	$ 80,512
Credit-related notes:					
Investment grade	4	138	91	1,237	1,470
Non-investment grade	4	37	117	2,049	2,207
Total credit-related notes	$ 8	$ 175	$ 208	$ 3,286	$ 3,677
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$ 123,089	$ 390,947	$ 483,132	$ 257,902	$ 1,255,070
Non-investment grade	97,180	385,026	296,720	286,733	1,065,659
Total	220,269	775,973	779,852	544,635	2,320,729
Total return swaps/other:					
Investment grade	24	-	13,278	3,545	16,847
Non-investment grade	40	66	605	1,358	2,069
Total	64	66	13,883	4,903	18,916
Total credit derivatives	$ 220,333	$ 776,039	$ 793,735	$ 549,538	$ 2,339,645

Credit-related notes:					
Investment grade	**4**	**138**	**91**	**1,237**	**1,470**
Non-investment grade	**4**	**37**	**117**	**2,049**	**2,207**
Total credit-related notes	**$ 8**	**$ 175**	**$ 208**	**$ 3,286**	**$ 3,677**

	December 31, 2009 Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade	$ 454	$ 5,795	$ 5,831	$ 24,586	$ 36,666
Non-investment grade	1,342	14,012	16,081	30,274	61,709
Total	1,796	19,807	21,912	54,860	98,375
Total return swaps/other:					
Investment grade	1	20	5	540	566
Non-investment grade	-	194	3	291	488
Total	1	214	8	831	1,054
Total credit derivatives	$ 1,797	$ 20,021	$ 21,920	$ 55,691	$ 99,429
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade	$ 147,501	$ 411,258	$ 596,103	$ 335,526	$ 1,490,388
Non-investment grade	123,907	417,834	399,896	356,735	1,298,372
Total	271,408	829,092	995,999	692,261	2,788,760
Total return swaps/other:					
Investment grade	31	60	1,081	8,087	9,259
Non-investment grade	2,035	1,280	2,183	18,352	23,850
Total	2,066	1,340	3,264	26,439	33,109
Total credit derivatives	$ 273,474	$ 830,432	$ 999,263	$ 718,700	$ 2,821,869

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

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms at September 30, 2010 was $56.2 billion and $1.6 trillion compared to $79.4 billion and $2.3 trillion at December 31, 2009.

Credit-related notes in the table on page 21 include investments in securities issued by CDOs, collateralized loan obligations (CLOs) and credit-linked note vehicles. These instruments are classified as trading securities. The carrying value of these instruments equals the Corporation s maximum exposure to loss. The Corporation is not obligated to make any payments to the entities under the terms of the securities owned. The Corporation discloses internal categorizations (i.e., investment grade, non-investment grade) consistent with how risk is managed for these instruments.

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 September 30, 2010 and December 31, 2009, the Corporation received cash and securities collateral of $87.5 billion and $67.7 billion, and posted cash and securities collateral of $76.9 billion and $62.2 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 September 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 $1.2 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 September 30, 2010 and December 31, 2009, a second incremental one level downgrade by the ratings agencies would have required approximately $1.1 billion and $1.2 billion in additional collateral and termination payments.

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 nine months ended September 30, 2010, credit valuation gains (losses) of $400 million and $(33) million ($183 million and $(194) million, net of hedges) compared to gains of $1.4 billion and $2.8 billion ($1.1 billion and $1.6 billion, net of hedges) for the same periods in 2009 for counterparty credit risk related to

derivative assets were recognized in trading account profits. At September 30, 2010 and December 31, 2009, the cumulative counterparty credit risk valuation adjustment reduced the derivative assets balance by $7.5 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 nine months ended September 30, 2010, credit valuation gains (losses) of $(43) million and $334 million ($(21) million and $238 million, net of hedges) compared to $(718) million and $(633) 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 September 30, 2010 and December 31, 2009, the Corporation s cumulative credit risk valuation adjustment reduced the derivative liabilities balance by $1.1 billion and $664 million.

NOTE 5 Securities

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

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, September 30, 2010				
U.S. Treasury and agency securities	**$ 53,153**	**$ 499**	**$ (1,602)**	**$ 52,050**
Mortgage-backed securities:				
Agency	**162,143**	**3,785**	**(103)**	**165,825**
Agency collateralized mortgage obligations	**38,856**	**478**	**(73)**	**39,261**
Non-agency residential [1]	**25,716**	**738**	**(669)**	**25,785**
Non-agency commercial	**6,632**	**943**	**(22)**	**7,553**
Foreign securities	**3,960**	**95**	**(468)**	**3,587**
Corporate bonds	**5,888**	**256**	**(20)**	**6,124**
Other taxable securities [2]	**16,534**	**57**	**(322)**	**16,269**
Total taxable securities	**312,882**	**6,851**	**(3,279)**	**316,454**
Tax-exempt securities	**5,882**	**159**	**(71)**	**5,970**
Total available-for-sale debt securities	**$ 318,764**	**$ 7,010**	**$ (3,350)**	**$ 322,424**
Available-for-sale marketable equity securities [3]	**$ 8,598**	**$ 9,868**	**$ (28)**	**$ 18,438**
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 September 30, 2010, includes approximately 89 percent prime bonds, nine percent Alt-A bonds, and two percent subprime bonds. At December 31, 2009, includes approximately 85 percent prime bonds, 10 percent Alt-A bonds, and five percent subprime bonds.

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

[3] Classified in other assets on the Corporation s Consolidated Balance Sheet.

At September 30, 2010, the accumulated net unrealized gains on AFS debt securities included in accumulated OCI were $2.3 billion, net of the related income tax expense of $1.4 billion. At September 30, 2010 and December 31, 2009, the Corporation had nonperforming AFS debt securities of $213 million and $467 million.

At September 30, 2010, both the amortized cost and fair value of held-to-maturity (HTM) debt securities were $438 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

Table of Contents

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, during the three months ended June 30, 2010, $2.9 billion of debt securities held in consolidated commercial paper conduits was reclassified from HTM to AFS as a result of new regulatory capital requirements related to asset-backed commercial paper conduits.

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

	Three Months Ended September 30, 2010					
(Dollars in millions)	**Non-agency Residential MBS**	**Non-agency Commercial MBS**	**Foreign Securities**	**Corporate Bonds**	**Other Taxable Securities**	**Total**
Total other-than-temporary impairment losses (unrealized and realized) [1]	**$ (154)**	**$ -**	**$ (2)**	**$ -**	**$ -**	**$ (156)**
Unrealized other-than-temporary impairment losses recognized in OCI [2]	**33**	**-**	**-**	**-**	**-**	**33**
Net impairment losses recognized in earnings [3]	**$ (121)**	**$ -**	**$ (2)**	**$ -**	**$ -**	**$ (123)**

	Three Months Ended September 30, 2009					
(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Foreign Securities	Corporate Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized) [1]	$ (538)	$ -	$ (107)	$ (19)	$ (183)	$ (847)
Unrealized other-than-temporary impairment losses recognized in OCI [2]	50	-	-	-	-	50
Net impairment losses recognized in earnings [3]	$ (488)	$ -	$ (107)	$ (19)	$ (183)	$ (797)

	Nine Months Ended September 30, 2010					
(Dollars in millions)	**Non-agency Residential MBS**	**Non-agency Commercial MBS**	**Foreign Securities**	**Corporate Bonds**	**Other Taxable Securities**	**Total**
Total other-than-temporary impairment losses (unrealized and realized) [1]	**$ (925)**	**$ (1)**	**$ (213)**	**$ (2)**	**$ (475)**	**$ (1,616)**
Unrealized other-than-temporary impairment losses recognized in OCI [2]	**460**	**-**	**16**	**-**	**290**	**766**
Net impairment losses recognized in earnings [3]	**$ (465)**	**$ (1)**	**$ (197)**	**$ (2)**	**$ (185)**	**$ (850)**

	Nine Months Ended September 30, 2009					
(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Foreign Securities	Corporate Bonds	Other Taxable Securities	Total
Total other-than-temporary impairment losses (unrealized and realized) [1]	$ (1,801)	$ -	$ (342)	$ (87)	$ (441)	$ (2,671)
Unrealized other-than-temporary impairment losses recognized in OCI [2]	477	-	-	-	-	477
Net impairment losses recognized in earnings [3]	$ (1,324)	$ -	$ (342)	$ (87)	$ (441)	$ (2,194)

(1) For initial impairment on a security, represents the excess of the amortized cost over the fair value. For subsequent impairments of the same security, represents additional declines in fair value subsequent to the previously recorded OTTI loss(es), if applicable.

(2) Represents the non-credit component of OTTI losses on AFS debt securities. For the three and nine months ended September 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 $18 million and $82 million of gross gains recorded in accumulated OCI related to these securities for the three and nine months ended September 30, 2010 and $149 million and $430 million for the same periods in 2009.

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

Table of Contents

The table below presents activity for the three and nine months ended September 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 September 30 **2010**	Three Months Ended September 30 2009	Nine Months Ended September 30 **2010**	Nine Months Ended September 30 2009
Balance, beginning of period	**$ 940**	$ 296	**$ 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]	**13**	36	**190**	310
Additions for the credit component on debt securities on which other-than-temporary impairment losses were previously recognized	**11**	9	**332**	9
Balance, September 30	**$ 964**	$ 341	**$ 964**	$ 341

(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 nine months ended September 30, 2010, the Corporation recognized $99 million and $328 million of OTTI losses on debt securities on which no portion of OTTI loss remained in accumulated OCI and $752 million and $1.9 billion for the same periods in 2009. OTTI losses related to these securities are excluded from these amounts.

As of September 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, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on an impaired debt security are discounted using the book yield of each individual impaired debt security.

	Weighted-average	**Range [1]** 10th Percentile [2]	**Range [1]** 90th Percentile [2]
Prepayment speed	**13.2%**	**3.1%**	**27.5%**
Loss severity	**43.8**	**20.1**	**53.4**
Life default rate	**50.4**	**2.6**	**99.1**

(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.

Based on the expected cash flows derived from the applicable 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 above. 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 38 percent for prime bonds, 45 percent for Alt-A bonds and 52 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 66 percent for subprime bonds.

Table of Contents

The table below presents the current fair value and the associated gross unrealized losses on investments in securities with gross unrealized losses at September 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.

(Dollars in millions)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily-impaired available-for-sale debt securities at September 30, 2010						
U.S. Treasury and agency securities	**$ 32,578**	**$ (1,558)**	**$ 783**	**$ (44)**	**$ 33,361**	**$ (1,602)**
Mortgage-backed securities:						
Agency	**8,288**	**(103)**	**-**	**-**	**8,288**	**(103)**
Agency collateralized mortgage obligations	**2,931**	**(73)**	**-**	**-**	**2,931**	**(73)**
Non-agency residential	**5,049**	**(353)**	**-**	**-**	**5,049**	**(353)**
Non-agency commercial	**15**	**(1)**	**58**	**(4)**	**73**	**(5)**
Foreign securities	**-**	**-**	**80**	**(11)**	**80**	**(11)**
Corporate bonds	**224**	**(3)**	**41**	**(17)**	**265**	**(20)**
Other taxable securities	**9,148**	**(165)**	**77**	**(54)**	**9,225**	**(219)**
Total taxable securities	**58,233**	**(2,256)**	**1,039**	**(130)**	**59,272**	**(2,386)**
Tax-exempt securities	**9,988**	**(24)**	**690**	**(47)**	**10,678**	**(71)**
Total temporarily-impaired available-for-sale debt securities	**68,221**	**(2,280)**	**1,729**	**(177)**	**69,950**	**(2,457)**
Temporarily-impaired available-for-sale marketable equity securities	**53**	**(13)**	**30**	**(15)**	**83**	**(28)**
Total temporarily-impaired available-for-sale securities	**68,274**	**(2,293)**	**1,759**	**(192)**	**70,033**	**(2,485)**
Other-than-temporarily impaired available-for-sale-debt securities [1]						
Mortgage-backed securities:						
Non-agency residential	**114**	**(12)**	**1,002**	**(304)**	**1,116**	**(316)**
Non-agency commercial	**10**	**(1)**	**132**	**(16)**	**142**	**(17)**
Foreign securities	**-**	**-**	**494**	**(457)**	**494**	**(457)**
Other taxable securities	**46**	**(2)**	**948**	**(101)**	**994**	**(103)**
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities [2]	**$ 68,444**	**$ (2,308)**	**$ 4,335**	**$ (1,070)**	**$ 72,779**	**$ (3,378)**

Temporarily-impaired available-for-sale debt securities at December 31, 2009						
U.S. Treasury and agency securities	$ 4,655	$ (37)	$ -	$ -	$ 4,655	$ (37)
Mortgage-backed securities:						
Agency	53,979	(817)	740	(29)	54,719	(846)
Agency collateralized mortgage obligations	965	(10)	747	(3)	1,712	(13)
Non-agency residential	6,907	(557)	13,613	(3,370)	20,520	(3,927)
Non-agency commercial	1,263	(35)	1,711	(81)	2,974	(116)
Foreign securities	169	(27)	3,355	(869)	3,524	(896)
Corporate bonds	1,157	(71)	294	(55)	1,451	(126)
Other taxable securities	3,779	(70)	932	(408)	4,711	(478)
Total taxable securities	72,874	(1,624)	21,392	(4,815)	94,266	(6,439)
Tax-exempt securities	4,716	(93)	1,989	(150)	6,705	(243)
Total temporarily-impaired available-for-sale debt securities	77,590	(1,717)	23,381	(4,965)	100,971	(6,682)
Temporarily-impaired available-for-sale marketable equity securities	338	(113)	1,554	(394)	1,892	(507)
Total temporarily-impaired available-for-sale securities	77,928	(1,830)	24,935	(5,359)	102,863	(7,189)
Other-than-temporarily impaired available-for-sale-debt securities [(1)]						
Mortgage-backed securities:						
Non-agency residential	51	(17)	1,076	(84)	1,127	(101)
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities[(2)]	$ 77,979	$ (1,847)	$ 26,011	$ (5,443)	$ 103,990	$ (7,290)

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

(2) At September 30, 2010, the amortized cost of approximately 7,000 AFS securities exceeded their fair value by $3.4 billion. At December 31, 2009, the amortized cost of approximately 12,000 AFS securities exceeded their fair value by $7.3 billion.

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, 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 September 30, 2010 and December 31, 2009 are presented in the table below.

(Dollars in millions)	**September 30, 2010** Amortized Cost	**September 30, 2010** Fair Value	December 31, 2009 Amortized Cost	December 31, 2009 Fair Value
Federal National Mortgage Association	**$ 97,272**	**$98,828**	$ 100,321	$101,096
Government National Mortgage Association	**76,480**	**78,296**	60,610	61,121
Federal Home Loan Mortgage Corporation	**27,247**	**27,962**	29,076	29,810

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 September 30, 2010 are summarized in the table below. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

	September 30, 2010									
	Due in One Year or Less		**Due after One Year through Five Years**		**Due after Five Years through Ten Years**		**Due after Ten Years**		**Total**	
(Dollars in millions)	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**	**Amount**	**Yield (1)**
Fair value of available-for-sale debt securities										
U.S. Treasury and agency securities	$ 637	3.90%	$ 1,693	1.97%	$ 13,218	2.78%	$ 36,502	3.43%	**$ 52,050**	**3.22%**
Mortgage-backed securities:										
Agency	19	4.81	91,376	4.46	37,924	4.30	36,506	3.96	**165,825**	**4.31**
Agency-collateralized mortgage obligations	138	2.45	14,885	2.80	14,179	4.10	10,059	2.33	**39,261**	**3.15**
Non-agency residential	411	11.48	4,470	8.13	2,076	6.18	18,828	4.22	**25,785**	**5.17**
Non-agency commercial	250	5.60	5,604	6.13	1,243	11.55	456	6.64	**7,553**	**7.04**
Foreign securities	872	0.50	2,540	5.42	156	2.72	19	3.40	**3,587**	**4.10**
Corporate bonds	169	4.55	4,337	2.14	1,320	3.04	298	3.04	**6,124**	**2.44**
	2,528	1.10	6,179	1.20	424	0.90	7,138	6.50	**16,269**	**3.50**

Other taxable securities										
Total taxable securities	5,024	2.59	131,084	4.22	70,540	4.11	109,806	3.85	**316,454**	**4.04**
Tax-exempt securities	215	4.42	1,603	4.35	2,430	4.09	1,722	4.51	**5,970**	**4.29**
Total available-for-sale debt securities	**$ 5,239**	**2.67**	**$ 132,687**	**4.23**	**$ 72,970**	**4.11**	**$ 111,528**	**3.86**	**$ 322,424**	**4.05**
Amortized cost of available-for-sale debt securities	**$ 5,585**		**$ 130,211**		**$ 70,445**		**$ 112,523**		**$ 318,764**	

(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 nine months ended September 30, 2010 and 2009 are presented in the table below.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	**2010**	2009	**2010**	2009
Gross gains	**$ 990**	$ 1,639	**$ 2,838**	$ 3,920
Gross losses	**(107)**	(85)	**(1,184)**	(236)
Net gains on sales of debt securities	**$ 883**	$ 1,554	**$ 1,654**	$ 3,684
Income tax expense attributable to realized net gains on sales on debt securities	**$ 327**	$ 575	**$ 612**	$ 1,363

During the three months ended June 30, 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 series of transactions in the AFS debt securities portfolio, 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.

Certain Corporate and Strategic Investments

At both September 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 nine months ended September 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. In the three months ended September 30, 2010, the Corporation recorded in accumulated OCI a $6.2 billion after-tax unrealized gain on 23.6 billion shares of the Corporation s investment in CCB, which previously had been carried at cost. These shares were reclassified to AFS in the three months ended September 30, 2010 because the sales restrictions on 23.6 billion of these shares expire within one year (August 2011), and therefore, in accordance with applicable accounting guidance, the Corporation recorded the unrealized gain in accumulated OCI, net of an 11.5 percent restriction discount. Sales restrictions on the remaining two billion CCB shares continue until August 2013, and these shares continue to be carried at cost basis. At September 30, 2010, the cost basis of all remaining CCB shares was $9.2 billion, the carrying value was $19.0 billion and the fair value was $20.0 billion. At December 31, 2009, both the cost basis and the carrying value were $9.2 billion and the fair value was $22.0 billion. Dividend income on this investment is recorded in equity investment income and during the nine months ended September 30, 2010, the Corporation recorded dividend income 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) at a price of $3.9 billion. The Itaú Unibanco investment was accounted for at fair value and recorded as AFS marketable equity securities in other assets with unrealized gains recorded, net-of-tax, in accumulated OCI. The cost basis of this investment was $2.6 billion and, after transaction costs, the pre-tax gain was $1.2 billion.

In September 2010, the Corporation sold 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 investment was recorded in other assets and was accounted for under the equity method of accounting. Because the sale was expected to result in a loss upon closing, the Corporation recorded an impairment write-down in the three months ended June 30, 2010 equal to the estimated pre-tax loss on sale of $428 million. The sale closed during the three months ended September 30, 2010.

In June 2010, the Corporation sold all of its Class B units in MasterCard, which were acquired primarily upon MasterCard s initial public offering. In connection with the transaction, the Corporation recorded a pre-tax gain of $440 million.

During the third quarter, the Corporation sold its exposure of $1.7 billion in certain private equity funds, comprised of $859 million in capital and $794 million in unfunded commitments, resulting in no gain or loss in the three months ended September 30, 2010.

At both September 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 September 30, 2010 and December 31, 2009 was $10.2 billion and $10.0 billion and the fair value was $11.0 billion and $15.0 billion. This investment is recorded in other assets and is accounted for under the equity method of accounting with income recorded in equity investment income.

On June 26, 2009, the Corporation entered into a joint venture agreement with First Data Corporation (First Data) creating Banc of America Merchant Services, LLC. Under the terms of the agreement, the Corporation contributed its merchant processing business to the joint venture and First Data contributed certain merchant processing contracts and personnel resources. During 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 Corporation, the remaining stake was initially held by a third party. In June 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 Corporation. The investment in the joint venture, which was initially recorded at a fair value of $4.7 billion, is accounted for under the equity method of accounting with income recorded in equity investment income. The carrying value at both September 30, 2010 and December 31, 2009 was $4.7 billion.

NOTE 6 Outstanding Loans and Leases

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

(Dollars in millions)	**September 30 2010**[1]	December 31 2009
Consumer		
Residential mortgage [2]	**$243,141**	$242,129
Home equity	**141,558**	149,126
Discontinued real estate [3]	**13,442**	14,854
Credit card domestic	**113,609**	49,453
Credit card foreign	**27,262**	21,656
Direct/Indirect consumer [4]	**92,479**	97,236
Other consumer [5]	**2,924**	3,110
Total consumer	**634,415**	577,564
Commercial		
Commercial domestic [6]	**191,096**	198,903
Commercial real estate [7]	**52,819**	69,447
Commercial lease financing	**21,321**	22,199
Commercial foreign	**30,575**	27,079
Total commercial loans	**295,811**	317,628
Commercial loans measured at fair value [8]	**3,684**	4,936
Total commercial	**299,495**	322,564
Total loans and leases	**$933,910**	$900,128

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

(2) Includes foreign residential mortgages of $98 million and $552 million at September 30, 2010 and December 31, 2009.

(3) Includes $12.1 billion and $13.4 billion of pay option loans and $1.4 billion and $1.5 billion of subprime loans at September 30, 2010 and December 31, 2009. The Corporation no longer originates these products.

(4) Includes dealer financial services loans of $44.5 billion and $41.6 billion, consumer lending of $14.3 billion and $19.7 billion, domestic securities-based lending margin loans of $15.7 billion and $12.9 billion, student loans of $7.0 billion and $10.8 billion, foreign consumer loans of $7.7 billion and $8.0 billion and other consumer loans of $3.3 billion and $4.2 billion at September 30, 2010 and December 31, 2009.

(5) Includes consumer finance loans of $2.0 billion and $2.3 billion, other foreign consumer loans of $846 million and $709 million and consumer overdrafts of $66 million and $144 million at September 30, 2010 and December 31, 2009.

(6) Includes small business commercial domestic loans, including card related products, of $15.2 billion and $17.5 billion at September 30, 2010 and December 31, 2009.

(7) Includes domestic commercial real estate loans of $50.1 billion and $66.5 billion and foreign commercial real estate loans of $2.7 billion and $3.0 billion at September 30, 2010 and December 31, 2009.

(8) Certain commercial loans are accounted for under the fair value option and include commercial domestic loans of $1.8 billion and $3.0 billion, commercial foreign loans of $1.8 billion and $1.9 billion and commercial real estate loans of $54 million and $90 million at September 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 securitization vehicles. These vehicles issue long-term notes to investors, the proceeds of which are held as cash collateral. The Corporation pays a premium to the vehicles to purchase mezzanine loss protection on a portfolio of residential mortgages owned by the Corporation. Cash held in the vehicles is used to reimburse the Corporation in the event that losses on the mortgage portfolio exceed 10 basis points (bps) of the original pool balance, up to the maximum amount of purchased loss protection of $2.1 billion and $2.5 billion at September 30, 2010 and December 31, 2009. The vehicles are variable interest entities from which the Corporation purchases credit protection and in which the Corporation does not have a variable interest; accordingly, these vehicles are not consolidated by the Corporation. Amounts due from the vehicles are recorded in other income when the Corporation recognizes a reimbursable loss, as described above. Amounts are collected when reimbursable losses are realized through the sale of the underlying collateral. At September 30, 2010 and December 31, 2009, the Corporation had a receivable of $834 million and $1.0 billion from these vehicles for reimbursement of losses. As of September 30, 2010 and December 31, 2009, $59.0 billion and $70.7 billion of residential mortgage loans were held in the portfolio for which these vehicles provide protection. The decrease in these pools was due to $9.6 billion in principal payments and $2.1 billion of loan sales. The Corporation records an allowance for credit losses on these loans without regard to the existence of the purchased loss protection as the protection does not represent a guarantee of individual loans.

Table of Contents

In addition, the Corporation has entered into credit protection agreements with FNMA and FHLMC totaling $7.5 billion and $6.6 billion as of September 30, 2010 and December 31, 2009, providing full protection on conforming residential mortgage loans that become severely delinquent. The Corporation does not record an allowance for credit losses on these loans as the loans are individually guaranteed.

Nonperforming Loans and Leases

The table below presents the Corporation s nonperforming loans and leases, including nonperforming TDRs, at September 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 either fair value or 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)	**September 30 2010**	December 31 2009
Consumer		
Residential mortgage	**$ 18,291**	$ 16,596
Home equity	**2,702**	3,804
Discontinued real estate	**297**	249
Direct/Indirect consumer	**83**	86
Other consumer	**56**	104
Total consumer	**21,429**	20,839
Commercial		
Commercial domestic [1]	**4,096**	5,125
Commercial real estate	**6,376**	7,286
Commercial lease financing	**123**	115
Commercial foreign	**272**	177
Total commercial	**10,867**	12,703
Total nonperforming loans and leases [2]	**$ 32,296**	$ 33,542

(1) Includes small business commercial domestic loans of $202 million and $200 million at September 30, 2010 and December 31, 2009.

(2) Balances exclude nonaccruing TDRs in the consumer real estate portfolio of $378 million and $395 million at September 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 September 30, 2010 and December 31, 2009, the Corporation had $3.5 billion and $2.9 billion of residential mortgages, $698 million and $1.7 billion of home equity, $751 million and $486 million of commercial loans and $78 million and $43 million of discontinued real estate loans that were TDRs and classified as nonperforming. In addition to these amounts, at September 30, 2010 and December 31, 2009, the Corporation had performing TDRs that were on accrual status of $5.2 billion and $2.3 billion of residential mortgages, $1.1 billion and $639 million of home equity, $192 million and $91 million of commercial loans and $41 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. Substantially all renegotiated portfolio modifications are considered to be TDRs. 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 amortize loan balances over a 60-month period. Under both programs, for credit card loans, a customer s charging privileges are revoked.

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

Renegotiated Portfolio

(Dollars in millions)	**Internal Programs**		**External Programs**		**Other**		**Total**		**Percent of Balances Current or Less Than 30 Days Past Due**	
	September 30 2010	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009
Consumer										
Credit card domestic	**$7,363**	$3,159	**$2,011**	$ 758	**$302**	$283	**$ 9,676**	$4,200	**77.82%**	75.43%
Credit card foreign	**288**	252	**180**	168	**243**	435	**711**	855	**68.44**	53.02
Direct/Indirect consumer	**1,324**	1,414	**542**	539	**76**	89	**1,942**	2,042	**78.93**	75.44
Other consumer	**3**	54	**4**	69	**-**	17	**7**	140	**80.99**	68.94
Total consumer	**8,978**	4,879	**2,737**	1,534	**621**	824	**12,336**	7,237	**77.45**	72.66
Commercial										
Small business commercial domestic	**706**	776	**60**	57	**4**	11	**770**	844	**66.25**	64.90
Total commercial	**706**	776	**60**	57	**4**	11	**770**	844	**66.25**	64.90
Total renegotiated loans	**$9,684**	$5,655	**$2,797**	$1,591	**$625**	$835	**$13,106**	$8,081	**76.80%**	72.96%

At September 30, 2010 and December 31, 2009, the Corporation had a renegotiated portfolio of $13.1 billion and $8.1 billion of which $10.1 billion was current or less than 30 days past due under the modified terms at September 30, 2010. The related allowance was $5.9 billion at September 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 nine months ended September 30, 2010 and 2009 was $14.8 billion and $6.2 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 nine months ended September 30, 2010, interest income on the renegotiated portfolio totaled $195 million and $607 million compared to $90 million and $221 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 September 30, 2010 and December 31, 2009, the Corporation had $10.9 billion and $12.7 billion of impaired commercial loans and $10.6 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 nine months ended September 30, 2010 and 2009 was $21.3 billion and $13.5 billion. At September 30, 2010 and December 31, 2009, the recorded investment in impaired loans requiring an allowance for loan and lease losses was $17.2 billion and $18.6 billion, and the related allowance for loan and lease losses was $2.3 billion and $3.0 billion. For the three and nine months ended September 30, 2010, interest income on these impaired loans totaled $130 million and $364 million, compared to $89 million and $164 million for the same periods in 2009. At September 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.

Table of Contents

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 were residential mortgage, home equity and discontinued real estate loans. In connection with the Merrill Lynch acquisition in 2009, the Corporation acquired purchased credit-impaired loans, substantially all of which were commercial and residential mortgage loans.

The table below presents the remaining unpaid principal balance and carrying amount, excluding the valuation reserve, for purchased credit-impaired loans at September 30, 2010, June 30, 2010 and December 31, 2009. See *Note 7 Allowance for Credit Losses* for additional information.

(Dollars in millions)	**September 30 2010**	June 30 2010	December 31 2009
Consumer			
Countrywide			
Unpaid principal balance	**$ 42,877**	$44,921	$47,701
Carrying value excluding valuation reserve	**35,433**	36,207	37,541
Merrill Lynch			
Unpaid principal balance	**1,768**	2,102	2,388
Carrying value excluding valuation reserve	**1,608**	1,901	2,112
Commercial			
Merrill Lynch			
Unpaid principal balance	**$ 1,052**	$ 1,581	$ 1,971
Carrying value excluding valuation reserve	**228**	439	692

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 less 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. As of September 30, 2010, $1.7 billion of those classified as TDRs were on accrual status. The carrying value of these modified loans, net of allowance, was approximately 66 percent of the unpaid principal balance.

The table below shows activity for the accretable yield on purchased credit-impaired loans. For the three months ended September 30, 2010, there was an $89 million reclassification to accretable yield from nonaccretable difference primarily related to an increase in estimated interest cash flows. The $78 million reclassification to nonaccretable difference for the nine months ended September 30, 2010 was primarily due to the reduction in estimated interest cash flows during the second quarter.

(Dollars in millions)	**Three Months Ended September 30, 2010**	**Nine Months Ended September 30, 2010**

Accretable yield, beginning of period	**$ 6,467**	**$ 7,715**
Accretion	**(405)**	**(1,365)**
Disposals/transfers	**(91)**	**(212)**
Reclassifications from (to) nonaccretable difference	**89**	**(78)**
Accretable yield, September 30, 2010	**$ 6,060**	**$ 6,060**

Loans Held-for-Sale

The Corporation had LHFS of $33.3 billion and $43.9 billion at September 30, 2010 and December 31, 2009. Proceeds from sales, securitizations and paydowns of LHFS were $221.4 billion and $278.5 billion for the nine months ended September 30, 2010 and 2009. Proceeds used for originations and purchases of LHFS were $200.4 billion and $281.3 billion for the nine months ended September 30, 2010 and 2009.

Table of Contents

NOTE 7 Allowance for Credit Losses

The table below summarizes the changes in the allowance for credit losses for the three and nine months ended September 30, 2010 and 2009.

	Three Months Ended September 30		Nine Months Ended September 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	**$ 45,255**	$ 33,785	**$ 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	**45,255**	33,785	**47,988**	23,071
Loans and leases charged off	**(7,924)**	(10,059)	**(29,731)**	(26,541)
Recoveries of loans and leases previously charged off	**727**	435	**2,180**	1,274
Net charge-offs	**(7,197)**	(9,624)	**(27,551)**	(25,267)
Provision for loan and lease losses	**5,395**	11,658	**23,099**	38,357
Other	**128**	13	**45**	(329)
Allowance for loan and lease losses, September 30	**43,581**	35,832	**43,581**	35,832
Reserve for unfunded lending commitments, beginning of period	**1,413**	1,992	**1,487**	421
Provision for unfunded lending commitments	**1**	47	**207**	103
Other	**(120)**	(472)	**(400)**	1,043
Reserve for unfunded lending commitments, September 30	**1,294**	1,567	**1,294**	1,567
Allowance for credit losses, September 30	**$ 44,875**	$ 37,399	**$ 44,875**	$ 37,399

n/a = not applicable

During the three and nine months ended September 30, 2010 the Corporation recorded $281 million and $1.4 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 $1.3 billion and $3.0 billion for the same periods in 2009. The amount of the allowance for loan and lease losses associated with the purchased credit-impaired loan portfolio was $5.6 billion, $5.3 billion and $3.9 billion at September 30, 2010, June 30, 2010 and December 31, 2009.

The other amount under the reserve for unfunded lending commitments for the nine months ended September 30, 2009 includes the remaining balance of the acquired Merrill Lynch liability excluding those commitments accounted

for under the fair value option, net of accretion, and the impact of funding previously unfunded positions. This amount in all other periods represents primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

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.

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 table below. 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 account assets	182,206	6,937	189,143
Derivative assets	87,622	556	88,178
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 lease 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	$ 2,230,232	$ 100,439	$ 2,330,671
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	1,490,743	217	1,490,960

Total liabilities		1,998,788		106,709		2,105,497
Shareholders equity						
Retained earnings		71,233		(6,154)		65,079
Accumulated other comprehensive income (loss)		(5,619)		(116)		(5,735)
All other shareholders equity		165,830		-		165,830
Total shareholders equity		231,444		(6,270)		225,174
Total liabilities and shareholders equity	$	2,230,232	$	100,439	$	2,330,671

The following tables present the assets and liabilities of consolidated and unconsolidated VIEs at September 30, 2010 and December 31, 2009, if the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE. The tables also present the Corporation s maximum exposure to loss at September 30, 2010 and December 31, 2009 resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest. 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

34

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.

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 September 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. 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 table below summarizes select information related to first-lien mortgage securitizations for the three and nine months ended September 30, 2010 and 2009.

	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
	Three Months Ended September 30									
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Cash proceeds from new securitizations (1)	**$ 61,727**	$ 99,029	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ 934**	$ 313
Gain (loss) on securitizations (2, 3)	**(336)**	16	**-**	-	**-**	-	**-**	-	**(22)**	-
Cash flows received on residual interests	**-**	-	**4**	4	**13**	21	**-**	1	**5**	6
Initial fair value of assets acquired (4)	**-**	n/a	**-**	n/a	**-**	n/a	**-**	n/a	**-**	n/a
	Nine Months Ended September 30									
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Cash proceeds from new securitizations (1)	**$ 192,936**	$ 270,314	**$ -**	$ -	**$ -**	$ -	**$ 3**	$ -	**$ 3,317**	$ 313
Gain (loss) on securitizations (2, 3)	**(787)**	37	**-**	-	**-**	-	**-**	-	**-**	-
Cash flows received on residual interests	**-**	-	**15**	18	**45**	52	**2**	4	**15**	17
Initial fair value of assets acquired (4)	**23,402**	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 nine months ended September 30, 2010, the Corporation recognized $1.3 billion and $3.8 billion of gains on these LHFS compared to $1.7 billion and $4.2 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 nine months ended September 30, 2010, there were no changes to the initial classification within the fair value hierarchy.

n/a = not applicable

Table of Contents

The Corporation recognizes consumer MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $1.6 billion and $4.8 billion during the three and nine months ended September 30, 2010 compared to $1.6 billion and $4.6 billion for the same periods in 2009. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $21.8 billion and $19.3 billion at September 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 nine months ended September 30, 2010, $3.8 billion and $12.2 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or in order to perform modifications, compared to $2.3 billion and $3.2 billion for the same periods in 2009. The majority of these loans repurchased were FHA insured mortgages from GNMA securities. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $14 million and $16 million during the three and nine months ended September 30, 2010 compared to $13 million and $37 million for the same periods in 2009. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $144 million and $109 million at September 30, 2010 and December 31, 2009. For more information on MSRs, see *Note 16 Mortgage Servicing Rights*.

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

	Residential Mortgage									
			Non-Agency						**Commercial Mortgage**	
	Agency		**Prime**		**Subprime**		**Alt-A**			
(Dollars in millions)	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009	**September 30 2010**	December 31 2009
Unconsolidated VIEs										
Maximum loss exposure [1]	**$ 47,997**	$ 14,398	**$ 3,000**	$ 4,068	**$ 326**	$ 224	**$ 635**	$ 996	**$ 1,739**	$ 1,877
On-balance sheet assets										
Senior securities held [2]										
Trading account assets	**$ 10,125**	$ 2,295	**$ 145**	$ 201	**$ 29**	$ 12	**$ 379**	$ 431	**$ 285**	$ 469
AFS debt securities	**37,872**	12,103	**2,793**	3,845	**244**	188	**255**	561	**918**	1,215
Subordinate securities held [2]										
Trading account assets	**-**	-	**-**	-	**17**	-	**-**	-	**58**	122
AFS debt securities	**-**	-	**44**	13	**34**	22	**1**	4	**156**	23
Residual interests held	**-**	-	**18**	9	**2**	2	**-**	-	**322**	48
	$ 47,997	$ 14,398	**$ 3,000**	$ 4,068	**$ 326**	$ 224	**$ 635**	$ 996	**$ 1,739**	$ 1,877

Total retained positions										
Principal balance outstanding [3]	**$ 1,280,903**	$ 1,255,650	**$ 68,459**	$ 81,012	**$ 74,543**	$ 83,065	**$ 116,324**	$ 147,072	**$ 122,371**	$ 65,397
Consolidated VIEs Maximum loss exposure [1]	**$ 16,065**	$ 1,683	**$ 50**	$ 472	**$ 677**	$ 1,261	**$ -**	$ -	**$ -**	$ -
On-balance sheet assets										
Loans and leases	**$ 16,049**	$ 1,689	**$ -**	$ -	**$ -**	$ 450	**$ -**	$ -	**$ -**	$ -
Allowance for loan and lease losses	**(34)**	(6)	**-**	-	**-**	-	**-**	-	**-**	-
Loans held-for-sale	**-**	-	**-**	436	**2,201**	2,030	**-**	-	**-**	-
Other assets	**50**	-	**50**	86	**171**	271	**-**	-	**-**	-
Total assets	**$ 16,065**	$ 1,683	**$ 50**	$ 522	**$ 2,372**	$ 2,751	**$ -**	$ -	**$ -**	$ -
On-balance sheet liabilities										
Long-term debt	**$ -**	$ -	**$ -**	$ 48	**$ 1,024**	$ 1,737	**$ -**	$ -	**$ -**	$ -
Other liabilities	**-**	-	**8**	3	**784**	3	**-**	-	**-**	-
Total liabilities	**$ -**	$ -	**$ 8**	$ 51	**$ 1,808**	$ 1,740	**$ -**	$ -	**$ -**	$ -

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

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the three and nine months

ended September 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 with which the Corporation has continuing involvement, which may include servicing the loans.

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.

Table of Contents

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 nine months ended September 30, 2010 and 2009. Collections reinvested in revolving period securitizations were $4 million and $20 million during the three and nine months ended September 30, 2010 compared to $34 million and $157 million for the same periods in 2009. Cash flows received on residual interests were $3 million and $11 million for the three and nine months ended September 30, 2010 compared to $4 million and $27 million for the same periods in 2009.

On January 1, 2010, the Corporation consolidated home equity loan securitization trusts of $4.5 billion, which held loans with principal balances outstandings of $5.1 billion net of an allowance of $573 million, in which it had a controlling financial interest. In the Corporation s role as a servicer, 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.

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

(Dollars in millions)	**September 30, 2010** **Consolidated VIEs**	**Retained Interests in Unconsolidated VIEs**	**Total**	December 31, 2009 Retained Interests in Unconsolidated VIEs
Maximum loss exposure [1]	**$ 3,339**	**$ 9,473**	**$ 12,812**	$ 13,947
On-balance sheet assets				
Trading account assets [2, 3]	**$ -**	**$ 144**	**$ 144**	$ 16
Available-for-sale debt securities [3, 4]	**-**	**34**	**34**	147
Loans and leases	**3,688**	**-**	**3,688**	-
Allowance for loan and lease losses	**(349)**	**-**	**(349)**	-
Total	**$ 3,339**	**$ 178**	**$ 3,517**	$ 163
On-balance sheet liabilities				
Long-term debt	**$ 3,782**	**$ -**	**$ 3,782**	$ -
All other liabilities	**39**	**-**	**39**	-
Total	**$ 3,821**	**$ -**	**$ 3,821**	$ -
Principal balance outstanding	**$ 3,688**	**$ 30,432**	**$ 34,120**	$ 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 the liability for representations and warranties, and corporate guarantees.

(2) At September 30, 2010 and December 31, 2009, $127 million and $15 million of the debt securities classified as trading account assets were senior securities and $17 million and $1 million were subordinate securities.

(3) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During the nine months ended September 30, 2010 and year ended December 31,

2009, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(4) At September 30, 2010 and December 31, 2009, $34 million and $47 million represents 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 September 30, 2010 and December 31, 2009, home equity loan securitization transactions in rapid amortization, including both consolidated and unconsolidated trusts, had $13.0 billion and $14.1 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. At September 30, 2010, an additional $94 million of trust certificates outstanding related 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 September 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 $137 million and $178 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $19 million and $60 million of servicing fee income related to home equity securitizations during the three and nine months ended September 30, 2010 compared to $31 million and $100 million for the same periods in 2009. The Corporation repurchased $4 million and $15 million of loans from home equity securitization trusts in order to perform modifications or clean up calls compared to $3 million and $26 million for the same periods in 2009. For more information on MSRs, see *Note 16 Mortgage Servicing Rights*.

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 and certain subsidiaries have sold pools of first-lien mortgage loans, home equity loans and other second-lien loans as private-label MBS or in the form of whole loans. In connection with these securitizations and whole loan sales, the Corporation or certain subsidiaries or legacy companies made various representations and warranties. These representations and warranties, as governed by the agreements, 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, 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 remedy to an investor or securitization trust. In such cases, the repurchaser would be exposed to any subsequent credit loss on the mortgage loans. The repurchaser s credit loss would be reduced by any recourse to sellers of loans for representations and warranties previously provided. Subject to the requirements and limitations of the applicable agreements, these representations and warranties can be enforced by the trustee or the investor as governed by the agreements 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. Importantly, the contractual liability to repurchase arises if there is a breach of the representations and warranties that materially and adversely affects the interest of all investors in the case of non-GSE loans, or if there is a breach of other standards established by the terms of the related sale agreement. The Corporation believes that the longer a loan performs prior to default the less likely it is that an alleged underwriting breach of representations and warranties had a material impact on the loan s performance. Historically, most demands for repurchase have occurred within the first few years after origination, generally after a loan has defaulted. However, in recent periods the time horizon has lengthened due to increased repurchase request activity across all vintages.

The Corporation s current operations are structured to limit the risk of repurchase and accompanying credit exposure by seeking to ensure consistent production of mortgages in accordance with our underwriting procedures 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 depending on the counterparty, actual defaults, estimated future defaults, historical loss experience, probability that a repurchase request will be received, number of payments made by the borrower prior to default and probability that a loan will be required to be repurchased.

Table of Contents

During the three and nine months ended September 30, 2010, $1.0 billion and $3.0 billion of first-lien repurchase claims were resolved, primarily with the GSEs, through repurchase or reimbursement to the investor or securitization trust for losses they incurred compared to $721 million and $1.7 billion for the same periods in 2009. The amount of the loss on the related loans at the time of repurchase or reimbursement was $487 million and $1.6 billion during the three and nine months ended September 30, 2010 compared to $379 million and $775 million for the same periods in 2009. Of the amounts resolved during the three and nine months ended September 30, 2010, $567 million and $1.8 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 representations and warranties and corporate guarantees compared to $340 million and $921 million for the same periods in 2009. In addition, during the three and nine months ended September 30, 2010, the amount paid to indemnify first-lien investors and securitization trusts, including those in which the monolines insured some or all of the related bonds, was $257 million and $720 million compared to $221 million and $405 million for the same periods in 2009, to resolve loans with unpaid principal balances of $448 million and $1.2 billion for the three and nine months ended September 30, 2010 and $381 million and $740 million for the three and nine months ended September 30, 2009.

During the three and nine months ended September 30, 2010, $42 million and $163 million of home equity repurchase claims were resolved, primarily through repurchase or reimbursement to the securitization trusts in which the monolines insured some or all of the related bonds for losses they incurred compared to $105 million and $196 million for the same periods in 2009. The amount of the loss on the related loans at the time of repurchase or reimbursement was $37 million and $143 million for the three and nine months ended September 30, 2010 compared to $92 million and $194 million for the same periods in 2009. Of the amounts resolved during the three and nine months ended September 30, 2010, $13 million and $55 million of loans were repurchased from home equity securitization trusts, including those in which the monolines insured some or all of the related bonds, under representations and warranties and corporate guarantees compared to $47 million and $87 million for the same periods in 2009. In addition, during the three and nine months ended September 30, 2010, $28 million and $104 million were paid to indemnify investors or securitization trusts, including those in which the monolines insured some or all of the related bonds, compared to $57 million and $109 million for the same periods in 2009.

The repurchase of loans and indemnification payments related to first-lien and home equity repurchase claims were primarily as a result of material breaches of representations and warranties related to the loans material 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. A direct relationship between the type of defect that causes the breach of representations and warranties and the severity of the realized loss has not been observed. Generally the agreements for private-label MBS contain less rigorous representations and warranties and higher burdens on investors seeking repurchases than the comparable agreements with the GSEs.

The table below presents outstanding claims by counterparty and product type at September 30, 2010 and December 31, 2009.

Outstanding Claims by Counterparty and Product

(Dollars in millions)	**September 30 2010**	December 31 2009
By Counterparty		
GSEs	**$ 6,842**	$ 3,300
Monolines	**4,217**	2,936
Whole loan and private-label securitization investors and other	**1,816**	1,430
Total outstanding claims by counterparty	**$ 12,875**	$ 7,666

By Product Type				
Prime loans	**$**	**3,627**	$	1,451
Alt-A		**3,453**		1,984
Home equity		**3,415**		2,279
Pay option		**1,434**		1,157
Subprime		**579**		577
Other		**367**		218
Total outstanding claims by product type	**$**	**12,875**	$	7,666

Although the timing and volume has varied, repurchase and similar requests have increased from buyers and insurers including monolines. 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, repurchase requests and disputes have increased with buyers and insurers regarding representations and warranties, which has resulted in an increase in unresolved repurchase requests. The volume of repurchase claims as a percentage of the volume of loans purchased arising from loans sourced

from brokers or purchased from third party sellers is relatively consistent with the volume of repurchase claims as a percentage of the volume of loans originated by the Corporation or its subsidiaries or legacy companies.

The table below presents a rollforward of the liability for representations and warranties, and corporate guarantees for the three and nine months ended September 30, 2010 and 2009.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	**2010**	2009
Liability for representations and warranties, and corporate guarantees, beginning of period	**$ 3,939**	$ 3,442	**$ 3,507**	$ 2,271
Merrill Lynch acquisition	**-**	-	**-**	580
Additions for new sales	**6**	12	**22**	29
Charge-offs	**(415)**	(359)	**(1,774)**	(721)
Provision [1]	**872**	455	**2,647**	1,336
Other	**-**	20	**-**	75
Liability for representations and warranties, and corporate guarantees, September 30	**$ 4,402**	$ 3,570	**$ 4,402**	$ 3,570

[1] Recorded as representation and warranty expense in mortgage banking income.

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.

The Corporation and its subsidiaries have an established history of working with the GSEs on repurchase requests. Experience with the GSEs continues to evolve and any disputes are generally related to areas including reasonableness of stated income, occupancy and undisclosed liabilities in the vintages with the highest default rates. While the environment around the repurchase process continues to be challenging, the Corporation and its subsidiaries strive to maintain a constructive relationship with the GSEs. As soon as practicable after receiving a repurchase request from either of the GSEs, the Corporation evaluates the request and takes appropriate action. Claim disputes are generally handled through loan-level negotiations with the GSEs and the Corporation seeks to resolve the repurchase request within 90 to 120 days of the receipt of the request although tolerances exist for claims that remain open beyond this timeframe. However, unlike the repurchase protocols and experience established with GSEs, experience with the monolines and other third party investors has been varied and the protocols and experience with these counterparties has not been as predictable as with the GSEs. For the monolines and other third party investors the timetable for the loan file request, the repurchase request (if any), response and resolution varies by contract. Where a breach of representations and warranties given by the Corporation or subsidiaries or legacy companies is confirmed on a given loan, settlement is generally reached as to that loan within 60 to 90 days.

The Corporation and its subsidiaries have limited experience with private-label MBS repurchases as the number of recent repurchase requests received has been limited. The representations and warranties, as governed by the private-label securitizations, require that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. Although it is reasonably possible that a loss may have occurred, until the Corporation and its legacy companies have meaningful repurchase experience with these

counterparties, it is not possible to estimate future repurchase rates and any related loss or range of loss.

A liability for representations and warranties has been established for monoline repurchase requests based upon valid identified loan defects and for repurchase requests that are in the process of review based on historical repurchase experience with a specific monoline to the extent such experience provides a reasonable basis on which to estimate incurred losses from 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 sufficient, consistent repurchase experience has not been established, 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 September 30, 2010, the unpaid principal balance of loans related to unresolved repurchase requests previously received from monolines was $4.2 billion, including $2.7 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 $1.5 billion that is in the process of review. At September 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 $9.9 billion, excluding loans that had been paid in full. 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 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 received for every loan in a securitization or every file requested or that a valid defect exists for every loan repurchase request. In addition, any claims paid related to repurchase requests from a monoline are paid to the securitization trust and may be used by the securitization trust to repay any outstanding monoline advances or reduce future advances from the monolines. To the extent that a monoline has not advanced funds or does not anticipate that they will be required to advance funds to the securitization trust, the likelihood of receiving a repurchase request from a monoline may be reduced as the monoline would receive limited to no benefit from the payment of repurchase claims. 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 September 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.

Table of Contents

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

(Dollars in millions)	**September 30 2010 Consolidated VIEs**	December 31 2009 Retained Interests in Unconsolidated VIEs
Maximum loss exposure [1]	**$ 28,943**	$ 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]	**92,553**	10,798
Allowance for loan and lease losses	**(9,386)**	(1,268)
Derivative assets	**2,302**	-
All other assets [4]	**2,887**	5,195
Total	**$ 88,356**	$ 29,879
On-balance sheet liabilities		
Long-term debt	**$ 59,137**	$ -
All other liabilities	**276**	-
Total	**$ 59,413**	$ -
Trust loans [5]	**$ 92,553**	$ 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 one of 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.

(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 September 30, 2010, Trust loans includes accrued interest receivables of $1.2 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.

For the nine months ended September 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 nine months ended September 30, 2009. Collections reinvested in revolving period securitizations were $32.6 billion and $101.7 billion and cash flows received on residual interests were $1.2 billion and $3.7 billion for the three and nine months ended September 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 $500 million and $1.5 billion in servicing fees related to credit card securitizations for the three and nine months ended September 30, 2009.

During the nine months ended September 30, 2010, subordinate securities of $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 December 31, 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 nine months ended September 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 nine months ended September 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 extended its election of designating a specified percentage of new receivables transferred to the Trusts as discount receivables through April 30, 2011. 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 nine months ended September 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 was 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 currently administers three multi-seller conduits which provide a low-cost funding alternative to their customers by facilitating 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) 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 $8.3 billion and $34.5 billion at September 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. The Corporation liquidated a fourth conduit during the three months ended September 30, 2010.

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

(Dollars in millions)	**September 30, 2010 Consolidated**	December 31, 2009 Consolidated	December 31, 2009 Unconsolidated	December 31, 2009 Total
Maximum loss exposure	**$ 8,327**	$ 9,388	$ 25,135	$ 34,523
On-balance sheet assets				
Available-for-sale debt securities	**$ 4,998**	$ 3,492	$ -	$ 3,492
Held-to-maturity debt securities	**-**	2,899	-	2,899
Loans and leases	**1,085**	318	318	636
Allowance for loan and lease losses	**(3)**	-	-	-
All other assets	**410**	4	60	64
Total	**$ 6,490**	$ 6,713	$ 378	$ 7,091
On-balance sheet liabilities				
Commercial paper and other short-term borrowings	**$ 6,424**	$ 6,748	$ -	$ 6,748
Total	**$ 6,424**	$ 6,748	$ -	$ 6,748
Total assets of VIEs	**$ 6,490**	$ 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 73 percent of commitments in the conduits are supported by senior exposures. At September 30, 2010, the assets of the consolidated conduits and the conduits unfunded liquidity commitments were mainly collateralized by $2.5 billion in student loans (30 percent), $1.3 billion in equipment loans (15 percent), $1.0 billion in auto loans (12 percent) and $655 million in trade receivables (eight percent). In addition, $2.3 billion (28 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, $443 million (five 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 September 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.

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 September 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 and SBLC 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. Beginning in the third quarter of 2010, the Corporation s obligation to purchase assets under the liquidity agreements is no longer limited to the amount of non-defaulted assets. However, the Corporation is not obligated to fund under the liquidity commitments if the conduit is the subject of a voluntary or involuntary bankruptcy proceeding.

The SBLCs, which are typically set at eight to 10 percent of total outstanding commercial paper, are unconditional.

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 typically 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 on securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate

certificates issued by these trusts are secured by guarantees 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 payments

required under the guarantees 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 September 30, 2010 was 13.0 years. There were no material write-downs or downgrades of assets or issuers during the three and nine months ended September 30, 2010.

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

	September 30, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 4,630**	**$ 4,260**	**$ 8,890**	$ 241	$ 10,143	$ 10,384
On-balance sheet assets						
Trading account assets	**$ 4,630**	**$ 140**	**$ 4,770**	$ 241	$ 191	$ 432
Derivative assets	**-**	**-**	**-**	-	167	167
Total	**$ 4,630**	**$ 140**	**$ 4,770**	$ 241	$ 358	$ 599
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	**$ 4,774**	**$ -**	**$ 4,774**	$ -	$ -	$ -
All other liabilities	**-**	**-**	**-**	2	287	289
Total	**$ 4,774**	**$ -**	**$ 4,774**	$ 2	$ 287	$ 289
Total assets of VIEs	**$ 4,630**	**$ 6,476**	**$ 11,106**	$ 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 nine months ended September 30, 2010, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $226 million and $1.0 billion as compared to $247 million and $422 million during the same periods in 2009. At September 30, 2010 and December 31, 2009, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was $2.1 billion and $6.9 billion.

The Corporation s liquidity commitments to unconsolidated municipal bond trusts totaled $4.1 billion and $9.8 billion at September 30, 2010 and December 31, 2009. At September 30, 2010 and December 31, 2009, the Corporation held $140 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. 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.

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

	September 30, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure [(1)]	**$ 3,191**	**$ 4,037**	**$ 7,228**	$ 3,863	$ 6,987	$ 10,850
On-balance sheet assets						
Trading account assets	**$ 2,812**	**$ 967**	**$ 3,779**	$ 2,785	$ 1,253	$ 4,038
Derivative assets	**-**	**989**	**989**	-	2,085	2,085
Available-for-sale debt securities	**876**	**217**	**1,093**	1,414	368	1,782
All other assets	**19**	**135**	**154**	-	166	166
Total	**$ 3,707**	**$ 2,308**	**$ 6,015**	$ 4,199	$ 3,872	$ 8,071
On-balance sheet liabilities						
Derivative liabilities	**$ 15**	**$ 41**	**$ 56**	$ -	$ 781	$ 781
Long-term debt	**3,174**	**-**	**3,174**	2,753	-	2,753
Total	**$ 3,189**	**$ 41**	**$ 3,230**	$ 2,753	$ 781	$ 3,534
Total assets of VIEs	**$ 3,707**	**$ 46,399**	**$ 50,106**	$ 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 $7.2 billion at September 30, 2010, includes $1.9 billion of super senior CDO exposure, $2.2 billion of exposure to CDO financing facilities and $3.1 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 $1.3 billion at September 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 September 30,

2010 totaled $2.7 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 September 30, 2010, the Corporation had $1.4 billion notional amount of super senior liquidity exposure to CDO vehicles, which is comprised of two components. The first component is $567 million notional amount of liquidity exposure to third parties that are not special purpose entities (SPE) that hold super senior cash positions on the Corporation s behalf. The remainder is comprised of $850 million notional amount of liquidity support provided to certain synthetic CDOs, including $323 million to a consolidated CDO, in the form of lending commitments related to super senior securities issued by the CDOs. These unfunded 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 written by the CDO vehicles.

Liquidity-related commitments also include $1.3 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 SPEs cost to acquire the securities, generally as a result of credit 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 comprise substantially all of the $1.3 billion notional amount of derivative contracts through which the Corporation obtains funding from third party SPEs, as described in *Note 11 Commitments and Contingencies.*

The Corporation s $2.7 billion of aggregate liquidity exposure to CDOs at September 30, 2010 is included in the table on page 46 to the extent that the Corporation sponsored the CDO vehicle or the liquidity exposure to the CDO vehicle is more than insignificant as compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

The Corporation s maximum exposure to loss is significantly less than the total assets of the CDO vehicles in the table on page 46 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 table below summarizes select information related to customer vehicles in which the Corporation held a variable interest at September 30, 2010 and December 31, 2009.

	September 30, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 3,971**	**$ 2,541**	**$ 6,512**	$ 277	$ 10,229	$ 10,506
On-balance sheet assets						
Trading account assets	**$ 2,557**	**$ 522**	**$ 3,079**	$ 183	$ 1,334	$ 1,517
Derivative assets	**93**	**905**	**998**	78	4,815	4,893
Loans and leases	**-**	**-**	**-**	-	65	65
Loans held-for-sale	**788**	**-**	**788**	-	-	-
All other assets	**1,785**	**16**	**1,801**	16	-	16
Total	**$ 5,223**	**$ 1,443**	**$ 6,666**	$ 277	$ 6,214	$ 6,491
On-balance sheet liabilities						
Derivative liabilities	**$ -**	**$ 36**	**$ 36**	$ -	$ 267	$ 267
Commercial paper and other short-term borrowings	**-**	**-**	**-**	22	-	22
Long-term debt	**2,684**	**-**	**2,684**	50	74	124
All other liabilities	**-**	**151**	**151**	-	1,357	1,357
Total	**$ 2,684**	**$ 187**	**$ 2,871**	$ 72	$ 1,698	$ 1,770
Total assets of VIEs	**$ 5,223**	**$ 5,335**	**$ 10,558**	$ 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. The Corporation also had approximately $460 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at September 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

47

consolidate a vehicle if a single investor controlled the initial design of the vehicle or if the Corporation does not have a variable interest that could potentially be significant to the vehicle. Credit-linked and equity-linked note vehicles were not consolidated prior to 2010 because the Corporation did not absorb a majority of the economic risks and rewards of the vehicles.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured notes to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into total return swaps with the customer such that the economic returns of the asset are passed through to the customer. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swaps. The Corporation s risk may be mitigated by collateral or other arrangements. 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 table below summarizes select information related to other VIEs in which the Corporation held a variable interest at September 30, 2010 and December 31, 2009.

	September 30, 2010			December 31, 2009		
(Dollars in millions)	**Consolidated**	**Unconsolidated**	**Total**	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 15,150**	**$ 33,488**	**$ 48,638**	$ 13,111	$ 14,373	$ 27,484
On-balance sheet assets						
Trading account assets	**$ 1,187**	**$ 1,719**	**$ 2,906**	$ 269	$ 543	$ 812
Derivative assets	**259**	**317**	**576**	1,096	86	1,182
Available-for-sale debt securities	**1,810**	**20,811**	**22,621**	1,822	2,439	4,261
Loans and leases	**18,731**	**1,569**	**20,300**	16,112	1,200	17,312
Allowance for loan and lease losses	**(59)**	**(15)**	**(74)**	(130)	(10)	(140)
Loans held-for-sale	**312**	**865**	**1,177**	197	-	197
All other assets	**2,722**	**8,381**	**11,103**	1,310	8,875	10,185
Total	**$ 24,962**	**$ 33,647**	**$ 58,609**	$ 20,676	$ 13,133	$ 33,809
On-balance sheet liabilities						
Derivative liabilities	**$ -**	**$ 11**	**$ 11**	$ -	$ 80	$ 80
Commercial paper and other short-term borrowings	**1,312**	**-**	**1,312**	965	-	965
Long-term debt	**9,427**	**74**	**9,501**	7,341	-	7,341
All other liabilities	**1,544**	**1,447**	**2,991**	3,123	1,626	4,749
Total	**$ 12,283**	**$ 1,532**	**$ 13,815**	$ 11,429	$ 1,706	$ 13,135
Total assets of VIEs	**$ 24,962**	**$ 70,824**	**$ 95,786**	$ 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 September 30, 2010 and December 31, 2009, the Corporation s consolidated investment vehicles had total assets of $7.8 billion and $5.7 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $10.4 billion and $8.8 billion at September 30, 2010 and December 31, 2009. The Corporation s maximum exposure to loss associated with consolidated and unconsolidated investment vehicles totaled $12.0 billion and $10.7 billion at September 30, 2010 and December 31, 2009.

On January 1, 2010, the Corporation consolidated $2.5 billion of investment vehicles. 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. The Corporation anticipates that it will 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 September 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

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. The automobile and student loan trusts are consolidated under the new consolidation guidance because the Corporation services the underlying loans and also holds a significant amount of beneficial interests issued by the trusts. The other trusts are not consolidated because the Corporation does not service the underlying assets or does not hold more than an insignificant amount of beneficial interests issued by the trusts. The loans and receivables held as collateral in the asset-backed securitization 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 these trusts have no recourse to the Corporation.

At September 30, 2010, the Corporation serviced assets held in auto and other securitization trusts with outstanding balances of $11.7 billion, including trusts collateralized by automobile loans of $9.7 billion, student loans of $1.3 billion and other loans and receivables of $711 million. At December 31, 2009, the Corporation serviced assets held in auto and other securitization trusts with outstanding balances of $11.9 billion, including trusts collateralized by automobile loans of $11.0 billion and other loans of $905 million. The Corporation s maximum exposure to loss associated with these consolidated and unconsolidated trusts totaled $3.0 billion and $3.5 billion at September 30, 2010 and December 31, 2009. The Corporation transferred $3.0 billion of automobile loans, $1.3 billion of student loans and $303 million of other receivables to the trusts in the nine months ended September 30, 2010; $1.3 billion of student loans and $303 million of other receivables in the three months ended September 30, 2010; and $9.0 billion of automobile loans during the year ended December 31, 2009.

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 $816 million and $965 million at September 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 September 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 the market value of assets held in the conduits. Although the Corporation then transfers gains and losses to customers through the back-to-back total return swaps, its financial interest could potentially be significant to the VIE. Accordingly, the Corporation is the primary beneficiary of and consolidates all of the asset acquisition conduits.

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

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also enter into resecuritizations of securities within its investment portfolios for purposes of improving liquidity and capital, and managing credit or interest rate risk.

During the three and nine months ended September 30, 2010, the Corporation resecuritized $11.5 billion and $83.3 billion of MBS, including $11.4 billion and $58.4 billion of securities purchased from third parties, compared to $11.7 billion and $27.7 billion for the same periods in 2009. Net losses upon sale totaled $16 million and $144 million for the three and nine months ended September 30, 2010 compared to net gains of $94 million and $156 million for the same periods in 2009. At September 30, 2010, the Corporation held $19.5 billion and $1.4 billion of senior securities classified in AFS debt securities and trading account assets, and $1.1 billion and $325 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 $54.0 billion. At December 31, 2009, the Corporation held $543 million of senior securities classified in trading account assets which were issued by unconsolidated resecuritization trusts which had total assets of $7.4 billion. All of the retained interests were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy). 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 purchases a significant portion of subordinate securities and shares 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 September 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.

NOTE 9 Goodwill and Intangible Assets

Goodwill

The table below presents goodwill balances by business segment at September 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)	**September 30 2010**	December 31 2009
Deposits	**$ 17,875**	$ 17,875
Global Card Services	**11,889**	22,292
Home Loans & Insurance	**4,797**	4,797
Global Commercial Banking	**20,656**	20,656
Global Banking & Markets	**10,423**	10,252
Global Wealth & Investment Management	**9,928**	10,411
All Other	**34**	31
Total Goodwill	**$ 75,602**	$ 86,314

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act) was signed into law. Under the Financial Reform Act and its amendment to the Electronic Fund Transfer Act, the Federal Reserve 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 will mitigate a good portion 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 is expected to be approximately $2.0 billion annually based on current volumes. Accordingly, the Corporation performed an impairment test for *Global Card Services* during the three months ended September 30, 2010. In step one of the impairment test, the fair value of *Global Card Services* was estimated under the income approach where the significant assumptions included the discount rate, terminal value, expected loss rates and expected new account growth. The Corporation also updated the estimated cash flows to reflect the current strategic plan and other portfolio assumptions. Based on the results of step one of the impairment test, the Corporation

determined that the carrying amount of *Global Card Services*, including goodwill, exceeded its fair value. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill were $39.2 billion, $25.9 billion and $22.3 billion, respectively. Accordingly, the Corporation performed step two of the goodwill impairment test for this reporting unit. In step two, the Corporation compared the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. Under step two of the impairment test, significant assumptions in measuring the fair value of the assets and liabilities including discount rates, loss rates and interest rates were updated to reflect the current economic conditions. Based on the results of this third quarter goodwill impairment test for *Global Card Services*, the carrying value of the goodwill assigned to the reporting unit exceeded the implied fair value by $10.4 billion. Accordingly, the Corporation recorded a non-cash, non-tax deductible goodwill

impairment charge of $10.4 billion to reduce the carrying amount of goodwill in *Global Card Services* from $22.3 billion to $11.9 billion during the three months ended September 30, 2010. The goodwill impairment analysis includes limited mitigation actions to recapture lost revenue within *Global Card Services*. Although the Corporation has identified other potential mitigation actions, the impact of these actions did not reduce the goodwill impairment charge because these actions are in the early stages of development and some of them may impact segments other than *Global Card Services* (e.g., *Deposits*).

During the three months ended September 30, 2010, the Corporation completed its annual goodwill impairment test as of June 30, 2010 for all reporting units. In performing the first step of the annual impairment analysis, the Corporation compared the fair value of each reporting unit to its current carrying amount, including goodwill. As part of the June 30, 2010 annual test, the fair value of *Global Card Services* was estimated under the income approach and did not include the impact of any potential future changes which may result from the Financial Reform Act which was signed into law in the third quarter.

Based on the results of step one of the annual impairment test, the Corporation determined that the carrying amount of the *Home Loans & Insurance* and *Global Card Services* reporting units, including goodwill, exceeded their fair value. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* was $27.1 billion, $22.5 billion and $4.8 billion, respectively, and for *Global Card Services* was $40.1 billion, $40.1 billion and $22.3 billion, respectively. Because the carrying amount exceeded the fair value, the Corporation performed step two of the goodwill impairment test for these reporting units as of June 30, 2010. For all other reporting units, step two was not required as their fair value exceeded their carrying amount indicating there was no impairment.

In step two for both reporting units, the Corporation compared the implied fair value of each reporting unit s goodwill with the carrying amount of that goodwill. The Corporation determined the implied fair value of goodwill for the reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Based on the results of step two of the impairment test as of June 30, 2010, the Corporation determined that goodwill was not impaired in either *Home Loans & Insurance* or *Global Card Services*.

Given the results of the Corporation s annual impairment test and due to continued stress for *Home Loans & Insurance* as a result of current market conditions, the Corporation concluded, consistent with previous quarters, that an additional impairment analysis should be performed for this reporting unit as of September 30, 2010. Consistent with the June 30, 2010 annual impairment test, the results of step one for *Home Loans & Insurance* indicated that the carrying amount exceeded the fair value. The carrying amount of the reporting unit, fair value of the reporting unit and goodwill for *Home Loans & Insurance* were $25.6 billion, $25.5 billion and $4.8 billion, respectively. The estimated fair value as a percent of the carrying amount at September 30, 2010 was 99.8 percent. Under step two of the goodwill impairment analysis for the reporting unit, significant assumptions in measuring the fair value of the assets and liabilities of the reporting unit included discount rates, loss rates and interest rates. Based on the results of step two of the impairment test, the Corporation determined that goodwill was not impaired in *Home Loans & Insurance*.

The decrease in the goodwill balance in *GWIM* was related to the sale of Columbia Management s long-term asset management business (Columbia) in the second quarter of 2010.

Intangible Assets

The table below presents the gross carrying amounts and accumulated amortization related to intangible assets at September 30, 2010 and December 31, 2009.

	September 30, 2010		December 31, 2009	
(Dollars in millions)	**Gross Carrying Value**	**Accumulated Amortization**	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 7,164**	**$ 3,927**	$ 7,179	$ 3,452

Core deposit intangibles	**5,394**	**4,004**	5,394	3,722
Customer relationships	**4,232**	**1,111**	4,232	760
Affinity relationships	**1,648**	**864**	1,651	751
Other intangibles	**3,143**	**1,273**	3,438	1,183
Total intangible assets	**$ 21,581**	**$ 11,179**	$ 21,894	$ 9,868

52

Table of Contents

None of the intangible assets were impaired at either September 30, 2010 or December 31, 2009.

Amortization of intangibles expense was $426 million and $1.3 billion for the three and nine months ended September 30, 2010, compared to $510 million and $1.5 billion for the same periods in 2009. The Corporation estimates aggregate amortization expense will be approximately $420 million for the fourth quarter of 2010. In addition, 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 table below presents the Corporation s long-term debt at September 30, 2010 and December 31, 2009.

(Dollars in millions)	**September 30 2010**	December 31 2009
Long-term debt of Bank of America Corporation and subsidiaries	**$268,598**	$ 283,570
Long-term debt of Merrill Lynch & Co., Inc. and subsidiaries	**131,032**	154,951
Long-term debt of consolidated VIEs under new consolidation guidance	**79,228**	n/a
Total long-term debt	**$478,858**	$ 438,521

n/a = not applicable

At September 30, 2010, long-term debt of consolidated VIEs including credit card, automobile, home equity, first-lien mortgage-related securitization trusts and other VIEs totaled $59.1 billion, $7.5 billion, $3.8 billion, $1.0 billion and $7.8 billion, respectively. Long-term debt of VIEs is collateralized by the assets of the VIEs.

As of September 30, 2010, the Corporation had not assumed or guaranteed $126.5 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.*

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

(Dollars in millions)	**2010**	**2011**	**2012**	**2013**	**2014**	**Thereafter**	**Total**
Bank of America Corporation	$ 7,666	$17,157	$42,729	$ 8,975	$15,970	$ 99,087	**$191,584**
Merrill Lynch & Co., Inc. and subsidiaries	5,522	20,237	18,981	19,073	17,404	49,815	**131,032**
Bank of America, N.A. and other subsidiaries	4,551	4,195	4,890	-	64	9,750	**23,450**
Other	6,846	23,277	13,768	5,163	1,774	2,736	**53,564**
	24,585	64,866	80,368	33,211	35,212	161,388	**399,630**

Total long-term debt excluding consolidated VIEs							
Long-term debt of consolidated VIEs	6,433	19,090	12,307	17,716	9,212	14,470	**79,228**
Total long-term debt	**$31,018**	**$83,956**	**$92,675**	**$50,927**			