BANK OF AMERICA CORP /DE/
Form 10-Q
November 03, 2011

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, 2011
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, 2011, there were 10,135,871,814 shares of Bank of America Corporation Common Stock outstanding.

Table of Contents

Bank of America Corporation
September 30, 2011
Form 10-Q

INDEX Page

Table of Contents

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make, certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressi future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the Federal Reserve's plans to purchase U.S. treasury bonds and agency mortgage-backed securities (MBS) and sell short-dated securities between October 2011 and June 2012; the expected closing of the Canada consumer card business in the fourth quarter of 2011; the Corporation's intention to exit its consumer card businesses in Europe; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including expected personnel reductions and estimated expense reductions; the potential impact of the European Union (EU) financial relief plan, including on European banks, as well as any other European sovereign bailout proposals; the future favorable effects of the United Kingdom (U.K.) corporate income tax rate reductions and the effect on income tax expense of the possible additional U.K. corporate income tax rate reduction announced by the U.K. Treasury; the transformation of the Corporation's mortgage business, including the Corporation's intention to wind down its correspondent channel; the Corporation's expectation that it will maintain limited commercial paper exposure; the expected normalized levels of credits losses and noninterest expense; recent developments with regard to the agreement to resolve nearly all of the legacy Countrywide-issued first-lien non government-sponsored enterprise (GSE) residential mortgage-backed securitization repurchase exposures (the BNY Mellon Settlement); the impact of and costs associated with each of the agreements with The Bank of New York Mellon (as trustee for certain legacy Countrywide private-label securitization trusts), Assured Guaranty Ltd. and subsidiaries (Assured Guaranty), and each of the government-sponsored enterprises Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the GSEs) to resolve bulk representations and warranties claims; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and update its processes related to these changing GSE behaviors; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the recent announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our expectation that mortgage-related assessment and waiver costs will remain elevated as additional loans are delayed in the foreclosure process and as the GSEs assert more aggressive criteria; the expected repurchase claims on the 2004-2008 loan vintages; the Corporation's belief that with the provision recorded in connection with the BNY Mellon Settlement, and the additional representations and warranties provisions recorded in the nine months ended September 30, 2011, the Corporation has provided for a substantial portion of its non-GSE representations and warranties exposure; the potential assertion and impact of additional claims not addressed by the BNY Mellon Settlement or any of the prior agreements entered into between the Corporation and the GSEs, monoline insurers and other investors; representations and warranties liabilities (also commonly referred to as reserves), and the estimated range of possible loss, expenses and repurchase claims and resolution of those claims, and any related servicing, securities, fraud, indemnity or other claims; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process and potential civil monetary penalties that may be levied in connection therewith; the impact of delays in connection with the Corporation's temporary halt of foreclosure proceedings in late 2010; the potential impact of changes in the Corporation's procedures and controls, as well as governmental, regulatory and judicial actions, on the timing of resuming foreclosure proceedings and foreclosure sales and on the collection of certain fees and expenses; negotiations to settle or any other resolution of various state and federal investigations into alleged irregularities in the practices of residential mortgage originators and servicers, including the Corporation; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; future payment protection insurance (PPI) claims in the U.K.; future risk-weighted assets and any mitigation efforts to reduce risk-weighted assets; credit trends and conditions, including credit losses, credit reserves, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including expected reductions in the allowance for loan and lease losses; sales and trading revenue; consumer and commercial service charges, including the impact of changes in the Corporation's overdraft policy and the Corporation's ability to mitigate a decline in revenues; liquidity; the Corporation's anticipation that it will continue to reduce its long-term debt as appropriate through 2013; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the requirements of various regulatory agencies, including our ability to comply with any Basel capital requirements endorsed by U.S. regulators without raising additional capital and within any applicable regulatory timelines; the revenue impact of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act); the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act), including the impact of the Durbin Amendment, the Volcker Rule, and activity of the Consumer Financial Protection Bureau; the risk retention rules and derivatives regulations; the Corporation's intention to comply with certain requirements relating to fraud prevention in debit card transactions pursuant to the final rule issued by the Federal Reserve under the Durbin Amendment; the Corporation's ability to substitute or make changes to certain over-the-counter (OTC) derivative contracts; run-off of loan portfolios; that it is the Corporation's objective to maintain high-quality credit ratings; the expected impacts of certain privately-negotiated exchange transactions, including allowing the retirement of certain long-term junior subordinated debt issued to the trust companies, increasing Tier 1 common capital and reducing dividends paid on preferred stock and interest expense on certain long-term junior subordinated debt, increasing interest expense associated with newly issued senior notes and being accretive to earnings per common share and slightly dilutive to earnings per share; the estimated range of possible loss and the impact of various legal proceedings discussed in “Litigation and Regulatory Matters” in Note 11 - Commitments and Contingencies to the Consolidated Financial Statements; the number of delayed foreclosure sales and the resulting financial impact and other similar matters; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation's forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. “Risk Factors” of the Corporation's 2010 Annual Report on Form 10-K and the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, and in any of the Corporation's subsequent Securities and Exchange Commission (SEC) filings: the Corporation's ability to implement, manage and realize the anticipated benefits, revenue increases and cost savings from Project New BAC; the Corporation's timing and determinations regarding any potential revised comprehensive capital plan submission and the Federal Reserve's response; the Corporation's intent to build capital through retaining earnings, reducing legacy asset portfolios and implementing other non-dilutive capital related initiatives; the accuracy and variability of estimates and assumptions in determining the expected total cost of the BNY Mellon Settlement to the Corporation; the accuracy and variability of estimates and assumptions in determining the estimated liability and/or estimated range of possible loss for representations and warranties exposures to the GSEs, monolines and private-label and other investors; the accuracy and the variability of estimates and assumptions in determining the portion of the Corporation's repurchase obligations for residential mortgage obligations sold by the Corporation and its affiliates to investors that has been paid or reserved after giving effect to the BNY Mellon Settlement and the charges in the nine months ended September 30, 2011; the possibility that objections to the approval of the BNY Mellon Settlement, including objections by parties that have already filed notices of intent to object or motions to intervene, will delay or prevent receipt of final court approval; whether the conditions to the BNY Mellon Settlement will be satisfied, including the receipt of final court approval and private letter rulings from the IRS and other tax rulings and opinions; the Corporation and certain of its affiliates' ability to comply with the servicing and documentation obligations under the BNY Mellon Settlement; the potential assertion and impact of additional claims not addressed by the BNY Mellon Settlement or any of the prior agreements entered into between the Corporation and the GSEs, monoline insurers and other investors; the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation's resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs' remaining claims; the Corporation's ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; failure to satisfy its obligations as servicer in the residential mortgage securitization process; the adequacy of the liability and/or the estimated range of possible loss for the representations and warranties exposures to the GSEs, monolines and private-label and other investors; the foreclosure review and assessment process, the effectiveness of the Corporation's response and any governmental findings or penalties or private third-party claims asserted in connection with these foreclosure matters; the ability to achieve resolution in negotiations with law enforcement authorities and federal agencies, including the U.S. Department of Justice (DOJ) and U.S. Department of Housing and Urban Development (HUD), involving mortgage servicing practices, including the timing and any settlement terms; the adequacy of the reserve for future PPI claims in the U.K.; the risk of a subsequent credit rating downgrade of the U.S. government; negative economic conditions generally including continued weakness in the U.S. housing market, high unemployment in the U.S., as well as economic challenges in many non-U.S. countries in which the Corporation operates; the Corporation's mortgage modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions, including the Corporation as well as its business partners; the Corporation's credit ratings and the credit ratings of its securitizations, including the risk that the Corporation or its securities will be the subject of additional or further credit rating downgrades in addition to the downgrade by Moody's Investors Service, Inc. (Moody's) in the third quarter of 2011; the Corporation's ability to substitute or make changes to certain OTC derivative contracts, including as a result of certain limitations such as counterparty willingness, regulatory limitations on naming Bank of America, N.A. as the new counterparty, and the type or amount of collateral required; the impact resulting from international and domestic sovereign credit uncertainties, including the effectiveness of the EU financial relief plan; the timing and amount of any potential dividend increase; estimates of the fair value of certain of the Corporation's assets and liabilities; legislative and regulatory actions in the U.S. (including the impact of the Financial Reform Act, the Electronic Fund Transfer Act, the CARD Act and related regulations and interpretations) and internationally; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments as well as any collateral effects on our ability to do business and access the capital markets; various monetary, tax and fiscal policies and regulations of the U.S. and non-U.S. governments;

Table of Contents

changes in accounting standards, rules and interpretations, inaccurate estimates or assumptions in the application of accounting policies, including in determining reserves, and of applicable guidance regarding goodwill accounting and the impact on the Corporation's financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; adequacy of the Corporation's risk management framework; the Corporation's ability to attract new employees and retain and motivate existing employees; technology changes instituted by the Corporation, its counterparties or competitors; mergers and acquisitions and their integration into the Corporation, including the Corporation's ability to realize the benefits and cost savings from the Merrill Lynch & Co., Inc. (Merrill Lynch) and Countrywide Financial Corporation (Countrywide) acquisitions; the Corporation's reputation, including the effects of continuing intense public and regulatory scrutiny of the Corporation and the financial services industry; the effects of any unauthorized disclosures of our or our customers' private or confidential information and any negative publicity directed toward the Corporation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Notes to the Consolidated Financial Statements referred to in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation. Throughout the MD&A, the Corporation uses certain acronyms and abbreviations which are defined in the Glossary.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, “the Corporation” may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation’s subsidiaries or affiliates. Our principal executive offices are located in the Bank of America Corporate Center in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: Deposits, Card Services (formerly Global Card Services), Consumer Real Estate Services (CRES), Global Commercial Banking, Global Banking & Markets (GBAM) and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. At September 30, 2011, the Corporation had $2.2 trillion in assets and approximately 290,000 full-time equivalent employees.

As of September 30, 2011, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 58 million consumer and small business relationships with approximately 5,700 banking centers, 17,750 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Table of Contents

Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2011 and 2010 and at September 30, 2011 and December 31, 2010.

Table 1
Selected Financial Data

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share information)	2011	2010	2011	2010
Income statement				
Revenue, net of interest expense (FTE basis) (1)	$28,702	$26,982	$69,280	$88,722
Net income (loss)	6,232	(7,299)	(545)	(994)
Net income, excluding goodwill impairment charge (2)	6,232	3,101	2,058	9,406
Diluted earnings (loss) per common share (3)	0.56	(0.77)	(0.15)	(0.21)
Diluted earnings per common share, excluding goodwill impairment charge (2)	0.56	0.27	0.11	0.82
Dividends paid per common share	0.01	0.01	0.03	0.03
Performance ratios				
Return on average assets	1.07 %	n/m	n/m	n/m
Return on average assets, excluding goodwill impairment charge (2)	1.07	0.52 %	0.12 %	0.51 %
Return on average tangible shareholders' equity (1)	17.03	n/m	n/m	n/m
Return on average tangible shareholders' equity, excluding goodwill impairment charge (1, 2)	17.03	8.54 %	1.83 %	9.01 %
Efficiency ratio (FTE basis) (1)	61.37	100.87	87.69	70.16
Efficiency ratio (FTE basis), excluding goodwill impairment charge (1, 2)	61.37	62.33	83.93	58.43
Asset quality				
Allowance for loan and lease losses at period end			$35,082	$43,581
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end (4)			3.81 %	4.69 %
Nonperforming loans, leases and foreclosed properties at period end (4)			$29,059	$34,556
Net charge-offs	$5,086	$7,197	16,779	27,551
Annualized net charge-offs as a percentage of average loans and leases outstanding (4)	2.17 %	3.07 %	2.41 %	3.84 %
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans (4)	2.25	3.18	2.50	3.98
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs (4)	1.74	1.53	1.56	1.18
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans (4)	1.33	1.34	1.20	1.04

	September 30 2011	December 31 2010
Balance sheet		
Total loans and leases	$932,531	$940,440
Total assets	2,219,628	2,264,909

Total deposits	1,041,353	1,010,430
Total common shareholders' equity	210,772	211,686
Total shareholders' equity	230,252	228,248
Capital ratios		
Tier 1 common equity	8.65 %	8.60 %
Tier 1 capital	11.48	11.24
Total capital	15.86	15.77
Tier 1 leverage	7.11	7.21

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

(2) Net income (loss), diluted earnings (loss) per common share, return on average assets, return on average tangible shareholders' equity and the efficiency ratio have been calculated excluding the impact of the goodwill impairment charges of $2.6 billion in the second quarter of 2011 and $10.4 billion in the third quarter of 2010, and accordingly, these are non-GAAP measures. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Due to a net loss applicable to common shareholders for the three months ended September 30, 2010 and the nine months ended September 30, 2011 and 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

n/m = not meaningful

6

Table of Contents

Third Quarter 2011 Economic and Business Environment

The economic and financial environment for banking was unsettled in the third quarter. Financial market uncertainty surrounding the U.S. debt ceiling debate in Washington, D.C., the Standard & Poor's Financial Services LLC (S&P) downgrade of the U.S. government's credit rating, the European financial crisis, and continued soft economic growth in the U.S. resulted in concerns about a double-dip recession. Following economic weakness in the first half of 2011, U.S. retail sales and real consumption rose at a modest pace in the third quarter. Employment gains were modest, and the unemployment rate remained at 9.1 percent during the quarter. Slower growth in wages and salaries, and higher inflation contributed to subdued gains in real disposable personal income, while sharp declines in global stock markets reduced household net worth and undercut consumer confidence. Recovering vehicle sales, reflecting the easing of supply chain issues related to the Japanese earthquake, provided a boost, while flat-to-lower energy costs also added some relief. The housing sector remained soft, with low levels of new and existing home sales and construction. Business investment in equipment and software grew as did U.S. exports. In addition, the public perception of certain financial services firms and practices appeared to fall during the quarter.

During the third quarter, the Federal Reserve took two steps to stimulate the economy. In August, it announced that it expected to keep the federal funds rate target at zero through mid-2013, and as a result, bond yields fell and the yield curve flattened. In September, the Federal Reserve announced a new program designed to lower bond yields and mortgage rates under which the Federal Reserve plans to purchase U.S. treasury bonds and agency MBS, and sell short-dated securities between October 2011 and June 2012.

Global financial markets were in turmoil during the quarter. European policymakers continued their efforts to address the joint problems posed by certain troubled EU countries, in particular Greece, and Europe's fragile banking system. Concerns about the inability of Greece to service its sovereign debt spread to other EU nations, most notably Italy, and as a result sovereign bond yields rose. The European Central Bank purchased the sovereign bonds of Greece, Spain and Italy. Fears of a EU financial crisis adversely affected the U.S. financial system and economic performance, and weighed heavily on global financial markets, particularly impacting financial sector stocks. For more information, see Recent Events – European Union Sovereign Risks on page 10.

China's economy continued to grow in the third quarter, but at a moderating pace, and its inflation rose further. Japan's economy continued to recover from the adverse effects of the natural disaster earlier this year. Among key emerging nations, Brazil, following a period of sustained growth and sharp currency appreciation, incurred a significant economic slowdown and a depreciating currency. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 115.

Table of Contents

Recent Events

Berkshire Investment

On September 1, 2011, we closed our sale to Berkshire Hathaway Inc. (Berkshire) of 50,000 shares of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock) and a warrant to purchase 700 million shares of the Corporation's common stock (the Warrant), for an aggregate purchase price of $5.0 billion in cash. The Warrant is exercisable at the holder's option at any time, in whole or in part until September 1, 2021, at an exercise price of $7.142857 per share which may be settled in cash or by exchanging all or a portion of the Series T Preferred Stock. For additional information about the Series T Preferred Stock and the Warrant, see Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Divestitures and Asset Dispositions

During the three months ended September 30, 2011, we continued to sell certain business units and assets as part of our capital management and enterprise wide initiatives. We closed our sale of approximately 13.1 billion common shares of China Construction Bank Corporation (CCB), representing approximately half of our investment in CCB, resulting in a pre-tax gain of $3.6 billion. The sale also generated approximately $3.5 billion of Tier 1 common capital and reduced our risk-weighted assets by $7.3 billion under Basel I. Following the sale, we continue to hold approximately five percent of the outstanding common shares of CCB.

On August 15, 2011, we announced an agreement to sell our consumer card business in Canada and the sale is expected to close in the fourth quarter of 2011. Further, we announced that we intend to exit our consumer card business in Europe. In light of these actions, the international consumer card business results were moved to All Other and prior period results have been reclassified. For additional information, see Card Services on page 37, All Other on page 55 and Note 10 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

In October 2011, we announced that we intend to wind down the correspondent mortgage channel by the end of 2011 as part of our ongoing strategy to focus on retail distribution for our consumer mortgage products and services. On February 4, 2011, we announced that we were exiting the reverse mortgage origination business.

Project New BAC

Project New BAC is a two-phase, enterprise-wide initiative to streamline workflows and processes, align businesses and expenses more closely with our overall strategic plan and operating principles, and increase revenues. Phase 1 evaluations focused on the consumer businesses, including Deposits, Card Services and CRES, related support, and technology and operations functions. Phase 2 evaluations will focus on Global Commercial Banking, GBAM and GWIM, related support, and technology and operations functions not subject to evaluation under Phase 1.

Phase 1 evaluations were completed during September 2011, and resulted in the recently-announced management reorganization and the clarification of initiatives to align our businesses with specific customer groups. Implementation of Phase 1 recommendations began during the fourth quarter of 2011. Phase 1 has a stated goal of a reduction of approximately 30,000 positions, with natural attrition and the elimination of unfilled positions expected to represent a significant part of the reduction. A stated goal of the full implementation of Phase 1 is to reduce annual expenses by $5 billion per year by 2014, or approximately 18 percent of Phase 1 baseline annual expenses. As implementation of the Phase 1 recommendations continues, reductions in staffing levels in the affected areas will result in some incremental costs including severance.

Phase 2 evaluations began in October 2011 and are expected to continue through April 2012. Reductions in the areas subject to evaluation for Phase 2 have not yet been fully identified; however they are expected to be lower than Phase 1. All aspects of New BAC are expected to be implemented by the end of 2014.

When reductions in employment levels associated with the implementation of Phases 1 and 2 of New BAC are probable of occurring and the amounts can be reasonably estimated, the associated severance costs will be recognized. There were no material expenses related to New BAC recorded in the three and nine months ended September 30, 2011.

Table of Contents

Credit Ratings Actions

On September 21, 2011, Moody's downgraded the Corporation's long-term senior unsecured debt rating to Baa1 from A2 and our short-term debt rating to Prime-2 from Prime-1. These long-term credit ratings now incorporate two notches of uplift due to systemic support, down from four notches previously. On the same day, Moody's downgraded the long-term senior debt rating of Bank of America, N.A. (BANA) to A2 from Aa3, and its short-term debt rating was affirmed at Prime-1. These long-term credit ratings now incorporate three notches of uplift due to systemic support, down from five notches previously. The outlook on our and BANA's long-term senior unsecured ratings remained negative. These actions concluded a review for downgrade announced on June 2, 2011.

In addition, the other two major credit ratings agencies, S&P and Fitch, Inc. (Fitch), have indicated they will reevaluate, and could reduce the uplift they include in our ratings for government support, for reasons arising from financial services regulatory reform proposals or legislation. There can be no assurance that S&P and Fitch will refrain from downgrading our credit ratings. While certain potential impacts of a downgrade are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of our long-term credit ratings precipitates downgrades to our short-term credit ratings, and assumptions about the behavior of various customers, investors and counterparties whose responses to a downgrade cannot be determined in advance. Under the terms of certain OTC derivative contracts and other trading agreements, certain counterparties to those agreements have required us to provide additional collateral or to terminate these contracts or agreements or provide other remedies.

For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 82, Regulatory Matters – Transactions with Affiliates on page 69, Note 4 – Derivatives to the Consolidated Financial Statements, Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2010 Annual Report on Form 10-K.

Private-label Securitization Settlement with the Bank of New York Mellon

Under an order entered by the court in connection with the settlement agreement (the BNY Mellon Settlement) we entered into with The Bank of New York Mellon (BNY Mellon), as trustee (Trustee), potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both, filed notice of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware, the Federal Deposit Insurance Corporation (FDIC) and the Federal Housing Finance Agency (FHFA). These motions have not yet been ruled on by the court. Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement, including challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (Covered Trusts), while other motions do not make substantive objections but state that they need more information about the settlement. A number of investors opposed to the settlement removed the proceeding to federal court. On October 19, 2011, the federal court denied BNY Mellon's motion to remand the proceeding to state court, and BNY Mellon, as well as investors that have intervened in support of the BNY Mellon Settlement, have petitioned to appeal the denial of this motion.

It is not currently possible to predict how many of the parties who have appeared in the court proceeding will ultimately object to the BNY Mellon Settlement, whether the objections will prevent receipt of final court approval or the ultimate outcome of the court approval process, which can include appeals and could take a substantial period of time. In particular, the conduct of discovery and the resolution of the objections to the settlement, and any appeals could take a substantial period of time and these factors, along with the recent removal of the proceeding to federal court, could materially delay the timing of final court approval. There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the BNY Mellon Settlement. Accordingly, it is not possible to predict when the court approval process will be completed.

For additional information about the BNY Mellon Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58, and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66 and Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

Department of Justice / Attorney General Matters

Law enforcement authorities in all 50 states, the DOJ and other federal agencies continue to investigate alleged irregularities in the foreclosure practices of residential mortgage servicers, including us. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to mortgage loan origination, loan modification and loss mitigation practices, including compliance with HUD requirements related to Federal Housing Administration (FHA)-insured loans. We continue to cooperate with these investigations and are dedicating significant resources to addressing these issues. We and the other largest mortgage originators and servicers continue to engage in ongoing negotiations regarding these matters with law enforcement authorities and federal agencies. Although certain Attorneys General have recently withdrawn from global settlement negotiations related to these matters, the negotiations remain ongoing and are focused on the amount and form of any settlement payment or commitment and additional settlement terms, including principal forgiveness, servicing standards, enforcement mechanisms and releases. We cannot be certain as to the ultimate outcome that may result from these negotiations or the timing of such outcome. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

European Union Sovereign Risks

In 2010, a financial crisis emerged in Europe triggered by high sovereign budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU countries to continue to service their sovereign debt obligations. These conditions impacted financial markets and resulted in credit ratings downgrades for, and high and volatile bond yields on, the sovereign debt of many EU countries. Certain European countries continue to experience varying degrees of financial stress, and yields on government-issued bonds in Greece, Ireland, Italy, Portugal and Spain have risen and remain volatile. Despite assistance packages to certain of these countries, the creation of a joint EU-IMF European Financial Stability Facility (EFSF) in May 2010 and additional expanded financial assistance to Greece, uncertainty over the outcome of the EU governments' financial support programs and worries about sovereign finances persisted. Market concerns over the direct and indirect exposure of certain European banks and insurers to these EU countries resulted in a widening of credit spreads and increased costs of funding for these financial institutions. On October 27, 2011, representatives of 17 EU countries announced a financial relief plan that involves a write-off of certain sovereign debt by European banks, requirements regarding European bank capital ratios and increases in available rescue funds. Although financial markets initially responded favorably to the announcement of this plan, details remain to be negotiated, and implementation is subject to certain contingencies and risks. For a further discussion of our direct sovereign and non-sovereign exposures in Europe, see Non-U.S. Portfolio on page 115.

Debt and Capital Exchanges

During the third quarter, global economic uncertainty and volatility continued as described more fully in the Executive Summary – Third Quarter 2011 Economic and Business Environment discussion on page 7. Concerns over these and other issues contributed to a widening of credit spreads for many financial institutions, including the Corporation, resulting in lowering of market values of debt and preferred stock issued by financial institutions. The uncertainty in the market evidenced by, among other things, volatility in credit spread movements, makes it economically advantageous at this time to consider retirement of issued junior subordinated debt and preferred stock. As a result of these matters, we intend to explore the issuance of common stock and senior notes in exchange for shares of preferred stock and, subject to any required amendments to the applicable governing documents, certain trust preferred capital debt securities (Trust Securities) issued by unconsolidated trust companies, in privately negotiated transactions. If we pursue the exchange of Trust Securities, we would immediately use the purchased Trust Securities to retire a corresponding amount of our junior subordinated debt that we previously issued to the unconsolidated trust companies. These transactions would increase Tier 1 common capital and, on an after-tax basis, reduce the combined level of interest expense and dividends paid on the combined junior subordinated debt and preferred stock. The senior notes and common stock would be recorded at fair value at issuance, which is expected to be less than the par and carrying value of the preferred stock and/or junior subordinated debt, which would result in the exchanges being accretive to earnings per common share for the period in which completed. The ultimate impact on earnings per common share is not expected to be significant for periods subsequent to the exchange and will not be known until the level of earnings per common share for the period and the exact combination of exchanged preferred stock and Trust Securities are known. We will not issue more than 400 million shares of common stock or $3 billion in new senior notes in connection with these exchanges.

Table of Contents

Performance Overview

Net income (loss) was $6.2 billion and $(545) million for the three and nine months ended September 30, 2011 compared to $(7.3) billion and $(994) million for the same periods in 2010. The principal contributors to pre-tax income for the three-month period were the following: $4.5 billion positive fair value adjustments on structured liabilities, a gain of $3.6 billion from the sale of approximately half of our investment in CCB shares, DVA gains of $1.7 billion and losses of $2.2 billion related to other equity and strategic investments. Net income for the third quarter of 2011 was also positively impacted by a favorable tax rate. The principal contributors to the pre-tax loss for the nine-month period, including the items noted above for the three-month period, were the following: $14.0 billion of representations and warranties provision in the second quarter of 2011 largely related to the BNY Mellon Settlement as well as other mortgage-related costs, including a $2.6 billion non-cash, non-tax deductible goodwill impairment charge in CRES, higher mortgage-related litigation expense and increased mortgage assessments and waivers costs.

Table 2
Summary Income Statement

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Net interest income, FTE basis [1]	$10,739	$12,717	$34,629	$39,984
Noninterest income	17,963	14,265	34,651	48,738
Total revenue, net of interest expense, FTE basis [1]	28,702	26,982	69,280	88,722
Provision for credit losses	3,407	5,396	10,476	23,306
Goodwill impairment	—	10,400	2,603	10,400
All other noninterest expense	17,613	16,816	58,149	51,844
Income (loss) before income taxes	7,682	(5,630)	(1,948)	3,172
Income tax expense (benefit), FTE basis [1]	1,450	1,669	(1,403)	4,166
Net income (loss)	6,232	(7,299)	(545)	(994)
Preferred stock dividends	343	348	954	1,036
Net income (loss) applicable to common shareholders	$5,889	$(7,647)	$(1,499)	$(2,030)
Per common share information				
Earnings (loss)	$0.58	$(0.77)	$(0.15)	$(0.21)
Diluted earnings (loss)	0.56	(0.77)	(0.15)	(0.21)

(1) FTE basis is a non-GAAP measure. Other companies may define or calculate this measure differently. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $2.0 billion and $5.4 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness. Also negatively impacting net interest income was lower trading-related net interest income. Net interest income benefited from ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis was 2.32 percent and 2.50 percent for the three and nine months ended September 30, 2011.

Noninterest income increased $3.7 billion and decreased $14.1 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The increase for the three-month period was primarily the result of the positive fair value adjustments on structured liabilities due to widening of our credit spreads, the gain on the sale of CCB shares and DVA gains partially offset by adverse market conditions and extreme volatility in the credit markets in 2011 and losses related to other equity and strategic investments. The decrease for the nine-month period resulted from the above mentioned representations and warranties provision which is included in mortgage banking income. For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58. Other components of the nine-month period-over-period change in noninterest income included a decrease in service charges due to the impact of overdraft policy changes in conjunction with the implementation of Regulation E and a decrease in trading account profits due to strong first quarter 2010.

Table of Contents

The provision for credit losses decreased $2.0 billion to $3.4 billion, and $12.8 billion to $10.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses reflected $1.7 billion and $6.3 billion of reserve reductions for the three and nine months ended September 30, 2011 as portfolio trends improved across most of the consumer and commercial businesses, particularly the Card Services and commercial real estate portfolios. The improvement for the nine-month period was offset in part by additions to consumer purchased credit-impaired (PCI) loan portfolio reserves in the first half of 2011.

Noninterest expense decreased $9.6 billion and $1.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were driven by a $10.4 billion goodwill impairment charge recorded during the third quarter of 2010 partially offset, for the nine-month period, by the $2.6 billion goodwill impairment charge recorded during the second quarter of 2011. In addition, offsetting the decrease for the nine-month period was an increase in other general operating expense which includes mortgage-related assessments and waivers costs and litigation expense both of which increased significantly compared to the same period in 2010 and an increase in personnel costs due to the continued build-out of several businesses and technology.

Segment Results

Table 3
Business Segment Results

	Three Months Ended September 30				Nine Months Ended September 30			
	Total Revenue [1]		Net Income (Loss)		Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2011	2010	2011	2010	2011	2010	2011	2010
Deposits	$3,119	$3,146	$276	$198	$9,609	$10,559	$1,051	$1,562
Card Services	4,507	5,377	1,264	(9,844)	14,085	16,984	4,767	(8,269)
Consumer Real Estate Services	2,822	3,612	(1,137)	(392)	(6,430)	9,849	(18,070)	(4,010)
Global Commercial Banking	2,533	2,633	1,050	644	7,997	8,611	3,354	2,165
Global Banking & Markets	5,222	7,073	(302)	1,468	19,896	22,584	3,400	5,628
Global Wealth & Investment Management	4,230	3,898	347	269	13,212	12,128	1,386	1,022
All Other	6,269	1,243	4,734	358	10,911	8,007	3,567	908
Total FTE basis	28,702	26,982	6,232	(7,299)	69,280	88,722	(545)	(994)
FTE adjustment	(249)	(282)	—	—	(714)	(900)	—	—
Total Consolidated	$28,453	$26,700	$6,232	$(7,299)	$68,566	$87,822	$(545)	$(994)

(1) Total revenue is net of interest expense and is on a FTE basis which is a non-GAAP measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 21.

The following discussion provides an overview of the results of our business segments and All Other for the three and nine months ended September 30, 2011 compared to the same periods in 2010. For additional information on these results, see Business Segment Operations on page 34.

Deposits net income increased for the three-month period due to a decrease in noninterest expense partially offset by lower revenue. Revenue declined primarily due to the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010. Noninterest expense was lower due to a decrease in operating expenses. Net income decreased for the nine-month period as the result of a decrease in noninterest income due to the impact of overdraft policy changes in conjunction with Regulation E.

Card Services net income increased for the three- and nine-month periods primarily due to a decrease in noninterest expense as a result of the goodwill impairment charge in 2010 and a decrease in the provision for credit losses. Revenue decreased as a result of a decline in net interest income from lower average loan balances and yields as well as lower noninterest income. Noninterest income declined for the nine-month period due to the impact of the CARD Act and the gain on the sale of our MasterCard position in the second quarter of 2010. Provision for credit losses decreased for the three- and nine-month periods reflecting lower delinquencies, improved collection rates and fewer bankruptcy filings as a result of improving economic conditions and lower average loans.

Table of Contents

CRES net loss increased for the three- and nine-month periods due to a decline in revenue and increased noninterest expense, partially offset by a decline in provision for credit losses. Revenue declined for the nine-month period due to an increase in representations and warranties provision, lower core production income and a decrease in insurance income due to the sale of Balboa's lender-placed insurance business in the second quarter of 2011. The revenue decline for the three-month period was driven by lower core production income and a decrease in insurance income, partially offset by a decrease in representations and warranties provision. Noninterest expense increased in the three- and nine-month periods due to higher default-related and other loss mitigation expenses, increased mortgage-related assessments and waivers costs and higher litigation expense. Noninterest expense for the nine-month period was also impacted by a non-cash goodwill impairment charge.

Global Commercial Banking net income increased for the three- and nine-month periods driven by lower credit costs from improved asset quality. Revenue decreased for the three- and nine-month periods driven by lower net interest income related to asset and liability management (ALM) activities and lower loan volumes. Noninterest expense decreased for the three-month period driven by lower support costs and increased for the nine-month period due to an increase in technology investments.

GBAM reported a net loss for the three months ended September 30, 2011 compared to net income for the same period in the prior year driven by decreased sales and trading activity due to a less favorable market environment which was partially offset by DVA gains, lower investment banking fees and the U.K corporate income tax rate change enacted during the quarter which reduced the carrying value of the related deferred tax assets. Net income decreased for the nine-month period driven by decreased sales and trading activity due to a less favorable market environment which was partially offset by DVA gains, and higher noninterest expense driven by increased costs related to investments in infrastructure.

GWIM net income increased for the three- and nine-month periods driven by higher revenue, partially offset by higher noninterest expense. Revenue increased driven by higher asset management fees from higher market levels and long-term assets under management (AUM) inflows as well as higher net interest income. The provision for credit losses increased for the three-month period due to increased reserves in the residential mortgage portfolio. During the nine-month period, the provision for credit losses decreased driven by improving portfolio trends. Noninterest expense increased due to higher revenue-related expenses and personnel costs associated with the continued build-out of the business.

All Other net income increased for the three- and nine-month periods due to higher noninterest income and lower noninterest expense partially offset by higher provision for credit losses. Noninterest income increased due to positive fair value adjustments related to structured liabilities as well as the gain on sale of approximately half of our equity interest in CCB partially offset by losses related to equity and strategic investments excluding CCB. The increase in provision for credit losses was driven primarily by a slower pace of improvement in the residential mortgage portfolio. The decrease in noninterest expense was due to a decline in merger and restructuring charges.

Table of Contents

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $2.0 billion to $10.7 billion and $5.4 billion to $34.6 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness due to lower interest rates. Also negatively impacting net interest income was lower trading-related net interest income. Net interest income benefited from ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis decreased 40 basis points (bps) to 2.32 percent and 31 bps to 2.50 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as the margin continues to be under pressure due to the low rate environment.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Card income	$1,911	$1,982	$5,706	$5,981
Service charges	2,068	2,212	6,112	7,354
Investment and brokerage services	3,022	2,724	9,132	8,743
Investment banking income	942	1,371	4,204	3,930
Equity investment income	1,446	357	4,133	3,748
Trading account profits	1,604	2,596	6,417	9,059
Mortgage banking income (loss)	1,617	1,755	(10,949)	4,153
Insurance income	190	75	1,203	1,468
Gains on sales of debt securities	737	883	2,182	1,654
Other income	4,511	433	6,729	3,498
Net impairment losses recognized in earnings on AFS debt securities	(85)	(123)	(218)	(850)
Total noninterest income	$17,963	$14,265	$34,651	$48,738

Noninterest income increased $3.7 billion to $18.0 billion and decreased $14.1 billion to $34.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The following highlights the significant changes.

- Service charges decreased $144 million and $1.2 billion for the three and nine months ended September 30, 2011 largely due to the impact of overdraft policy changes in conjunction with Regulation E, that were fully implemented during the third quarter of 2010.
- Investment banking income decreased $429 million and increased $274 million for the three and nine months ended September 30, 2011. The decrease for the three-month period was due to weakening markets for debt and equity issuance fees as a result of market uncertainty and a decrease in global fee pools. The increase for the nine-month period was primarily due to higher advisory fees.
-

Equity investment income increased $1.1 billion and $385 million for the three and nine months ended September 30, 2011. The three months ended September 30, 2011 included a $3.6 billion gain on the sale of approximately one-half of our investment in CCB, partially offset by losses of $2.2 billion related to equity and strategic investments excluding CCB. The nine months ended September 30, 2011 included the CCB gain and a $377 million gain on the sale of our investment in BlackRock, Inc. (BlackRock), partially offset by $1.1 billion of impairment write-downs on our merchant services joint venture. The nine-month period in the prior year included a $1.2 billion gain on the sale of a strategic investment and $1.2 billion of positive valuation adjustments in Global Principal Investments (GPI).

Table of Contents

- Trading account profits decreased $992 million and $2.6 billion for the three and nine months ended September 30, 2011 primarily due to adverse market conditions and extreme volatility in the credit markets compared to the prior year. DVA gains on derivatives of $1.7 billion and $1.5 billion were recorded for the three and nine months ended September 30, 2011 as a result of the widening of our credit spreads during the period, compared to losses of $34 million and gains of $212 million for the same periods in the prior year. Also, in conjunction with regulatory reform measures and our initiative to optimize our balance sheet, the proprietary trading business was completely exited as of June 30, 2011. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.2 billion in the nine months ended September 30, 2010.

- Mortgage banking income decreased $138 million and $15.1 billion for the three and nine months ended September 30, 2011 with the nine-month change driven by a $12.7 billion increase in the representations and warranties provision which was primarily related to the BNY Mellon Settlement as well as lower production volume due to a reduction in new loan origination volumes and less favorable mortgage servicing rights (MSR) results.

- Other income increased $4.1 billion and $3.2 billion for the three and nine months ended September 30, 2011. For the three months ended September 30, 2011, the increase was primarily due to positive fair value adjustments of $4.5 billion on structured liabilities due to widening of our credit spreads, compared to negative fair value adjustments of $190 million for the same period in 2010. For the nine months ended September 30, 2011, the increase was primarily due to positive fair value adjustments of $4.1 billion on structured liabilities compared to positive fair value adjustments of $1.2 billion in the same period in 2010. In addition to the factors described above, the nine months ended September 30, 2011 included a $771 million gain on the sale of the lender-placed insurance business of Balboa.

Provision for Credit Losses

The provision for credit losses decreased $2.0 billion to $3.4 billion, and $12.8 billion to $10.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses included $1.7 billion and $6.3 billion of reserve reductions for the three and nine months ended September 30, 2011 driven primarily by lower delinquencies, improved collection rates and fewer bankruptcy filings across the Card Services portfolio, and improvement in overall credit quality in the commercial real estate portfolio.

The provision for credit losses related to our consumer portfolio decreased $1.3 billion to $3.5 billion and $9.1 billion to $11.2 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $653 million to a benefit of $59 million and $3.8 billion to a benefit of $695 million for the three and nine months ended September 30, 2011 compared to the same periods in 2010.

Net charge-offs totaled $5.1 billion, or 2.17 percent and $16.8 billion, or 2.41 percent of average loans and leases for the three and nine months ended September 30, 2011 compared with $7.2 billion, or 3.07 percent, and $27.6 billion, or 3.84 percent, for the three and nine months ended September 30, 2010. The decrease in net charge-offs was primarily driven by improvements in general economic conditions that resulted in lower delinquencies, improved collection rates and fewer bankruptcy filings across the Card Services portfolio as well as lower losses in the home equity portfolio driven by fewer delinquent loans. For more information on the provision for credit losses, see Provision for Credit Losses on page 119.

Table of Contents

Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Personnel	$8,865	$8,402	$28,204	$26,349
Occupancy	1,183	1,150	3,617	3,504
Equipment	616	619	1,815	1,845
Marketing	556	497	1,680	1,479
Professional fees	937	651	2,349	1,812
Amortization of intangibles	377	426	1,144	1,311
Data processing	626	602	1,964	1,882
Telecommunications	405	361	1,167	1,050
Other general operating	3,872	3,687	15,672	11,162
Goodwill impairment	—	10,400	2,603	10,400
Merger and restructuring charges	176	421	537	1,450
Total noninterest expense	$17,613	$27,216	$60,752	$62,244

Noninterest expense decreased $9.6 billion to $17.6 billion, and $1.5 billion to $60.8 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The largest drivers in the comparisons were goodwill impairment charges of $10.4 billion in the third quarter of 2010 and $2.6 billion in the second quarter of 2011.

Personnel expense increased $1.9 billion for the nine months ended September 30, 2011 compared to the same period in 2010 attributable to personnel costs related to the continued build-out of certain businesses, technology costs as well as increases in default-related servicing. Additionally, for the same period, professional fees increased $537 million related to consulting fees for regulatory initiatives as well as higher legal expenses and other general operating expenses increased $4.5 billion largely as a result of $1.9 billion in mortgage-related assessments and waivers costs and an increase of $2.6 billion in litigation expense, predominantly related to mortgage issues. Merger and restructuring expenses decreased by $913 million for the nine months ended September 30, 2011 compared to the same period in 2010.

Income Tax Expense

Income tax expense was $1.2 billion on pre-tax income of $7.4 billion for the three months ended September 30, 2011 resulting in an effective tax rate of 16.2 percent compared to income tax expense of $1.4 billion on the pre-tax loss of $5.9 billion for the same period in 2010. For the nine months ended September 30, 2011, the income tax benefit was $2.1 billion on the pre-tax loss of $2.7 billion resulting in an effective tax rate of 79.5 percent benefit on the loss compared to income tax expense of $3.3 billion on the pre-tax income of $2.3 billion for the same period in 2010. The effective tax rates for the three and nine months ended September 30, 2010 were not meaningful due to the impact of the non-deductible $10.4 billion goodwill impairment charge in the third quarter of 2010.

The effective tax rate of 16.2 percent for the three months ended September 30, 2011 was driven by a $619 million reduction of a valuation allowance established against the Merrill Lynch capital loss carryover deferred tax asset, a $593 million benefit for capital loss deferred tax assets recognized in connection with the liquidation of certain subsidiaries and recurring tax preference items, such as tax-exempt income and affordable housing credits. These were partially offset by the $782 million impact of the U.K. corporate income tax rate reduction referred to below.

The effective tax rate of 79.5 percent benefit for the nine months ended September 30, 2011 was driven by the same factors as above, as well as by the effect of those net tax benefits on the level of the year-to-date pre-tax loss, partially offset by the impact of the non-deductible $2.6 billion goodwill impairment charge in the second quarter of 2011.

On July 19, 2011, the U.K. 2011 Finance Bill was enacted which reduced the corporate income tax rate to 26 percent beginning on April 1, 2011, and then to 25 percent effective April 1, 2012. These rate reductions will favorably affect income tax expense on future U.K. earnings but also required us to remeasure our U.K. net deferred tax assets using the lower tax rates. As noted above, income tax expense (benefit) for the three and nine months ended September 30, 2011 included a $782 million charge for the remeasurement. If corporate income tax rates were to be reduced to 23 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, a charge to income tax expense of approximately $400 million for each one percent reduction in the rate would result in each period of enactment.

Table of Contents

Balance Sheet Overview

Table 6
Selected Balance Sheet Data

			Average Balance			
	September 30	December 31	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010	2011	2010
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$ 249,998	$ 209,616	$ 256,143	$ 254,820	$ 247,635	$ 261,444
Trading account assets	176,398	194,671	180,438	210,529	195,931	212,985
Debt securities	350,725	338,054	344,327	328,097	338,512	317,906
Loans and leases	932,531	940,440	942,032	934,860	939,848	964,302
Allowance for loan and lease losses	(35,082)	(41,885)	(36,429)	(45,232)	(38,632)	(46,678)
All other assets	545,058	624,013	614,943	696,323	642,938	753,018
Total assets	$ 2,219,628	$ 2,264,909	$ 2,301,454	$ 2,379,397	$ 2,326,232	$ 2,462,977
Liabilities						
Deposits	$ 1,041,353	$ 1,010,430	$ 1,051,320	$ 973,846	$ 1,036,905	$ 982,132
Federal funds purchased and securities loaned or sold under agreements to repurchase	248,116	245,359	261,830	318,368	281,476	372,311
Trading account liabilities	68,026	71,985	87,841	95,265	89,302	95,159
Commercial paper and other short-term borrowings	33,869	59,962	41,404	72,780	56,107	78,437
Long-term debt	398,965	448,431	420,273	485,588	431,902	498,794
All other liabilities	199,047	200,494	216,376	199,572	201,155	203,679
Total liabilities	1,989,376	2,036,661	2,079,044	2,145,419	2,096,847	2,230,512
Shareholders' equity	230,252	228,248	222,410	233,978	229,385	232,465
Total liabilities and shareholders' equity	$ 2,219,628	$ 2,264,909	$ 2,301,454	$ 2,379,397	$ 2,326,232	$ 2,462,977

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities, primarily involving our portfolios of highly liquid assets, that are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and our customers, and to position the balance sheet in accordance with the Corporation's risk appetite. The execution of these activities requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly in our trading businesses. One of our key metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets. Risk mitigation activities that contributed to the decrease in average assets during the three and nine months ended September 30, 2011 included reduction of exposure within various types of low quality and alternative investments, significant loan run-off and the exit of proprietary trading.

Table of Contents

Assets

At September 30, 2011, total assets were $2.2 trillion, a decrease of $45.3 billion, or two percent, from December 31, 2010 driven by a decline in cash held overnight at the Federal Reserve, the sale of certain strategic investments, lower trading asset levels due to reduced long inventory hedges, lower yield trading activity and a decline in the market value of inventory hedges.

Average total assets decreased $77.9 billion and $136.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The most significant decreases were due to lower overnight cash deposits with the Federal Reserve and a reduction in goodwill. For the nine months ended September 30, 2011, certain actions were taken to reduce risk-weighted assets, including reducing certain capital markets risk exposures, selling assets, reducing our loan run-off portfolio and exiting proprietary trading activities. For more information, see Capital Management – Regulatory Capital on page 70.

Liabilities and Shareholders' Equity

At September 30, 2011, total liabilities were $2.0 trillion, a decrease of $47.3 billion, or two percent, from December 31, 2010 driven by planned reductions in long-term debt and short-term borrowings, partially offset by deposit growth.

Average total liabilities decreased $66.4 billion and $133.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were primarily driven by the same factors described above for ending liabilities and reductions in securities sold under agreement to repurchase partially offset by a higher representations and warranties reserve.

Shareholders' equity increased $2.0 billion to $230.3 billion at September 30, 2011 compared to December 31, 2010. The increase was driven primarily by the sale of preferred stock and related warrant to Berkshire, partially offset by a decrease in accumulated other comprehensive income (OCI). For more information, see Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Average shareholders' equity decreased $11.6 billion and $3.1 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were primarily driven by the impact of the net loss for the three months ended June 30, 2011.

Table of Contents

Table 7
Selected Quarterly Financial Data

(In millions, except per share information)	2011 Quarters Third	Second	First	2010 Quarters Fourth	Third
Income statement					
Net interest income	$10,490	$11,246	$12,179	$12,439	$12,435
Noninterest income	17,963	1,990	14,698	9,959	14,265
Total revenue, net of interest expense	28,453	13,236	26,877	22,398	26,700
Provision for credit losses	3,407	3,255	3,814	5,129	5,396
Goodwill impairment	—	2,603	—	2,000	10,400
Merger and restructuring charges	176	159	202	370	421
All other noninterest expense (1)	17,437	20,094	20,081	18,494	16,395
Income (loss) before income taxes	7,433	(12,875)	2,780	(3,595)	(5,912)
Income tax expense (benefit)	1,201	(4,049)	731	(2,351)	1,387
Net income (loss)	6,232	(8,826)	2,049	(1,244)	(7,299)
Net income (loss) applicable to common shareholders	5,889	(9,127)	1,739	(1,565)	(7,647)
Average common shares issued and outstanding	10,116	10,095	10,076	10,037	9,976
Average diluted common shares issued and outstanding (2)	10,464	10,095	10,181	10,037	9,976
Performance ratios					
Return on average assets	1.07 %	n/m	0.36 %	n/m	n/m
Four quarter trailing return on average assets (3)	n/m	n/m	n/m	n/m	n/m
Return on average common shareholders' equity	11.40	n/m	3.29	n/m	n/m
Return on average tangible common shareholders' equity (4)	18.30	n/m	5.28	n/m	n/m
Return on average tangible shareholders' equity(4)	17.03	n/m	5.54	n/m	n/m
Total ending equity to total ending assets	10.37	9.83 %	10.15	10.08 %	9.85 %
Total average equity to total average assets	9.66	10.05	9.87	9.94	9.83
Dividend payout	1.73	n/m	6.06	n/m	n/m
Per common share data					
Earnings (loss)	$0.58	$(0.90)	$0.17	$(0.16)	$(0.77)
Diluted earnings (loss) (2)	0.56	(0.90)	0.17	(0.16)	(0.77)
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.80	20.29	21.15	20.99	21.17
Tangible book value (4)	13.22	12.65	13.21	12.98	12.91
Market price per share of common stock					
Closing	$6.12	$10.96	$13.33	$13.34	$13.10
High closing	11.09	13.72	15.25	13.56	15.67
Low closing	6.06	10.50	13.33	10.95	12.32
Market capitalization	$62,023	$111,060	$135,057	$134,536	$131,442
Average balance sheet					
Total loans and leases	$942,032	$938,513	$938,966	$940,614	$934,860
Total assets	2,301,454	2,339,110	2,338,538	2,370,258	2,379,397
Total deposits	1,051,320	1,035,944	1,023,140	1,007,738	973,846
Long-term debt	420,273	435,144	440,511	465,875	485,588
Common shareholders' equity	204,928	218,505	214,206	218,728	215,911
Total shareholders' equity	222,410	235,067	230,769	235,525	233,978
Asset quality(5)					

Allowance for credit losses (6)	$35,872		$38,209		$40,804		$43,073		$44,875	
Nonperforming loans, leases and foreclosed properties (7)	29,059		30,058		31,643		32,664		34,556	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (7)	3.81	%	4.00	%	4.29	%	4.47	%	4.69	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (7)	133		135		135		136		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (6)	101		105		108		116		118	
Amounts included in allowance that are excluded from nonperforming loans (8)	$18,317		$19,935		$22,110		$22,908		$23,661	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (8)	63	%	63	%	60	%	62	%	62	%
Net charge-offs	$5,086		$5,665		$6,028		$6,783		$7,197	
Annualized net charge-offs as a percentage of average loans and leases outstanding (7)	2.17	%	2.44	%	2.61	%	2.87	%	3.07	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (7)	2.87		2.96		3.19		3.27		3.47	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (7)	3.15		3.22		3.40		3.48		3.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.74		1.64		1.63		1.56		1.53	
Capital ratios (period end)										
Risk-based capital:										
Tier 1 common	8.65	%	8.23	%	8.64	%	8.60	%	8.45	%
Tier 1	11.48		11.00		11.32		11.24		11.16	
Total	15.86		15.65		15.98		15.77		15.65	
Tier 1 leverage	7.11		6.86		7.25		7.21		7.21	
Tangible equity (4)	7.16		6.63		6.85		6.75		6.54	
Tangible common equity (4)	6.25		5.87		6.10		5.99		5.74	

(1) Excludes merger and restructuring charges and goodwill impairment charges.

(2) Due to a net loss applicable to common shareholders for the second quarter of 2011 and the fourth and third quarters of 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Calculated as total net income for four consecutive quarters divided by average assets for the period.

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21 and Table 9 on pages 22 through 24.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 84 and Commercial Portfolio Credit Risk Management on page 103.

(6) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

(8)

Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to Card Services portfolios, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

19

Table of Contents

Table 8
Selected Year-to-Date Financial Data

	Nine Months Ended September 30	
(In millions, except per share information)	2011	2010
Income statement		
Net interest income	$33,915	$39,084
Noninterest income	34,651	48,738
Total revenue, net of interest expense	68,566	87,822
Provision for credit losses	10,476	23,306
Goodwill impairment	2,603	10,400
Merger and restructuring charges	537	1,450
All other noninterest expense [(1)]	57,612	50,394
Income (loss) before income taxes	(2,662)	2,272
Income tax expense (benefit)	(2,117)	3,266
Net loss	(545)	(994)
Net loss available to common shareholders	(1,499)	(2,030)
Average common shares issued and outstanding	10,096	9,707
Average diluted common shares issued and outstanding [(2)]	10,096	9,707
Performance ratios		
Return on average assets	n/m	n/m
Return on average common shareholders’ equity	n/m	n/m
Return on average tangible common shareholders’ equity[(3)]	n/m	n/m
Return on average tangible shareholders’ equity[(3)]	n/m	n/m
Total ending equity to total ending assets	10.37 %	9.85 %
Total average equity to total average assets	9.86	9.44
Dividend payout	n/m	n/m
Per common share data		
Earnings (loss)	$(0.15)	$(0.21)
Diluted earnings (loss) [(2)]	(0.15)	(0.21)
Dividends paid	0.03	0.03
Book value	20.80	21.17
Tangible book value [(3)]	13.22	12.91
Market price per share of common stock		
Closing	$6.12	$13.10
High closing	15.25	19.48
Low closing	6.06	12.32
Market capitalization	$62,023	$131,442
Average balance sheet		
Total loans and leases	$939,848	$964,302
Total assets	2,326,232	2,462,977
Total deposits	1,036,905	982,132
Long-term debt	431,902	498,794
Common shareholders’ equity	212,512	210,649
Total shareholders’ equity	229,385	232,465
Asset quality [(4)]		
Allowance for credit losses [(5)]	$35,872	$44,875
Nonperforming loans, leases and foreclosed properties [(6)]	29,059	34,556
	3.81 %	4.69 %

Allowance for loan and lease losses as a percentage of total loans and leases outstanding (6)				
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (6)	133		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio (6)	101		118	
Amounts included in allowance that are excluded from nonperforming loans (7)	$18,317		$23,661	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans (7)	63	%	62	%
Net charge-offs	$16,779		$27,551	
Annualized net charge-offs as a percentage of average loans and leases outstanding (6)	2.41	%	3.84	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (6)	2.87		3.47	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties (6)	3.15		3.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.56		1.18	

(1) Excludes merger and restructuring charges and goodwill impairment charge.

(2) Due to a net loss applicable to common shareholders for the nine months ended September 30, 2011 and 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21 and Table 10 on pages 25 and 26.

(4) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 84 and Commercial Portfolio Credit Risk Management on page 103.

(5) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42 and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

(7) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to Card Services portfolios, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

Table of Contents

Supplemental Financial Data

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

As mentioned above, certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield evaluates the bps we earn over the cost of funds. During our annual planning process, we set efficiency targets for the Corporation and each line of business. We believe the use of these non-GAAP measures provides additional clarity in assessing our results. Targets vary by year and by business and are based on a variety of factors including maturity of the business, competitive environment, market factors and other items including our risk appetite.

We also evaluate our business based on the following ratios that utilize tangible equity, a non-GAAP measure. Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of common shareholders' equity plus any Common Equivalent Securities (CES) less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Return on average tangible shareholders' equity (ROTE) measures our earnings contribution as a percentage of average shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible common equity ratio represents common shareholders' equity plus any CES less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible equity ratio represents total shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Tangible book value per common share represents ending common shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by ending common shares outstanding. These measures are used to evaluate our use of equity (i.e., capital). In addition, profitability, relationship and investment models all use ROTE as key measures to support our overall growth goals.

In addition, we evaluate our business segment results based on return on average economic capital, a non-GAAP financial measure. Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital. Economic capital represents allocated equity less goodwill and a percentage of intangible assets. We also believe the use of this non-GAAP measure provides additional clarity in assessing the segments.

Table of Contents

The aforementioned supplemental data and performance measures are presented in Tables 7 and 8. In addition, in Tables 9 and 10 we excluded the impact of goodwill impairment charges of $2.6 billion recorded in the second quarter of 2011, and $10.4 billion and $2.0 billion recorded in the third and fourth quarters of 2010 when presenting earnings (loss) and diluted earnings (loss) per common share, the efficiency ratio, return on average assets, four quarter trailing return on average assets, return on average common shareholders' equity, return on average tangible common shareholders' equity and ROTE. Accordingly, these are non-GAAP measures. Tables 9 and 10 provide reconciliations of these non-GAAP measures with financial measures defined by GAAP. We believe the use of these non-GAAP measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate these measures and ratios differently.

Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2011 Quarters			2010 Quarters	
(Dollars in millions, except per share information)	Third	Second	First	Fourth	Third
Fully taxable-equivalent basis data					
Net interest income	$10,739	$11,493	$12,397	$12,709	$12,717
Total revenue, net of interest expense	28,702	13,483	27,095	22,668	26,982
Net interest yield	2.32 %	2.50 %	2.67 %	2.69 %	2.72 %
Efficiency ratio	61.37	n/m	74.86	92.04	100.87
Performance ratios, excluding goodwill impairment charges [(1)]					
Per common share information					
Earnings (loss)		$(0.65)		$0.04	$0.27
Diluted earnings (loss)		(0.65)		0.04	0.27
Efficiency ratio		n/m		83.22 %	62.33 %
Return on average assets		n/m		0.13	0.52
Four quarter trailing return on average assets [(2)]		n/m		0.43	0.39
Return on average common shareholders' equity		n/m		0.79	5.06
Return on average tangible common shareholders' equity		n/m		1.27	8.67
Return on average tangible shareholders' equity		n/m		1.96	8.54

(1) Performance ratios have been calculated excluding the impact of the goodwill impairment charges of $2.6 billion recorded during the second quarter of 2011, and $2.0 billion and $10.4 billion recorded during the fourth and third quarters of 2010, respectively.

(2) Calculated as total net income for four consecutive quarters divided by average assets for the period.

n/m = not meaningful

Table of Contents

Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2011 Quarters			2010 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,490	$11,246	$12,179	$12,439	$12,435
FTE adjustment	249	247	218	270	282
Net interest income on a fully taxable-equivalent basis	$10,739	$11,493	$12,397	$12,709	$12,717
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$28,453	$13,236	$26,877	$22,398	$26,700
FTE adjustment	249	247	218	270	282
Total revenue, net of interest expense on a fully taxable-equivalent basis	$28,702	$13,483	$27,095	$22,668	$26,982
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$17,613	$22,856	$20,283	$20,864	$27,216
Goodwill impairment charges	—	(2,603)	—	(2,000)	(10,400)
Total noninterest expense, excluding goodwill impairment charges	$17,613	$20,253	$20,283	$18,864	$16,816
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$1,201	$(4,049)	$731	$(2,351)	$1,387
FTE adjustment	249	247	218	270	282
Income tax expense (benefit) on a fully taxable-equivalent basis	$1,450	$(3,802)	$949	$(2,081)	$1,669
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$6,232	$(8,826)	$2,049	$(1,244)	$(7,299)
Goodwill impairment charges	—	2,603	—	2,000	10,400
Net income (loss), excluding goodwill impairment charges	$6,232	$(6,223)	$2,049	$756	$3,101
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$5,889	$(9,127)	$1,739	$(1,565)	$(7,647)
Goodwill impairment charges	—	2,603	—	2,000	10,400
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$5,889	$(6,524)	$1,739	$435	$2,753

Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$204,928	$218,505	$214,206	$218,728	$215,911
Goodwill	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)
Intangible assets (excluding MSRs)	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)
Related deferred tax liabilities	2,852	2,932	3,035	3,121	3,214
Tangible common shareholders' equity	$127,705	$138,295	$133,550	$136,054	$126,012
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$222,410	$235,067	$230,769	$235,525	$233,978
Goodwill	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)
Intangible assets (excluding MSRs)	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)
Related deferred tax liabilities	2,852	2,932	3,035	3,121	3,214
Tangible shareholders' equity	$145,187	$154,857	$150,113	$152,851	$144,079
Reconciliation of period end common shareholders' equity to period end tangible common shareholders' equity					
Common shareholders' equity	$210,772	$205,614	$214,314	$211,686	$212,391
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible common shareholders' equity	$133,953	$128,217	$133,818	$130,938	$129,510
Reconciliation of period end shareholders' equity to period end tangible shareholders' equity					
Shareholders' equity	$230,252	$222,176	$230,876	$228,248	$230,495
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible shareholders' equity	$153,433	$144,779	$150,380	$147,500	$147,614
Reconciliation of period end assets to period end tangible assets					
Assets	$2,219,628	$2,261,319	$2,274,532	$2,264,909	$2,339,660
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible assets	$2,142,809	$2,183,922	$2,194,036	$2,184,161	$2,256,779

Table of Contents

Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2011 Quarters			2010 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Deposits					
Reported net income (loss)	$276	$424	$351	$(200)	$198
Adjustment related to intangibles (1)	1	(1)	1	2	3
Adjusted net income (loss)	$277	$423	$352	$(198)	$201
Average allocated equity	$23,820	$23,612	$23,641	$24,128	$24,402
Adjustment related to goodwill and a percentage of intangibles	(17,947)	(17,950)	(17,958)	(17,967)	(17,978)
Average economic capital	$5,873	$5,662	$5,683	$6,161	$6,424
Card Services					
Reported net income (loss)	$1,264	$1,939	$1,564	$1,289	$(9,844)
Adjustment related to intangibles (1)	4	3	5	15	17
Goodwill impairment charge	—	—	—	—	10,400
Adjusted net income	$1,268	$1,942	$1,569	$1,304	$573
Average allocated equity	$22,410	$22,671	$23,807	$25,173	$33,033
Adjustment related to goodwill and a percentage of intangibles	(12,216)	(12,261)	(12,295)	(12,327)	(19,368)
Average economic capital	$10,194	$10,410	$11,512	$12,846	$13,665
Consumer Real Estate Services					
Reported net loss	$(1,137)	$(14,519)	$(2,414)	$(4,937)	$(392)
Adjustment related to intangibles (1)	—	—	—	—	—
Goodwill impairment charge	—	2,603	—	2,000	—
Adjusted net loss	$(1,137)	$(11,916)	$(2,414)	$(2,937)	$(392)
Average allocated equity	$14,240	$17,139	$18,736	$24,310	$26,493
Adjustment related to goodwill and a percentage of intangibles	—	(2,702)	(2,742)	(4,799)	(4,801)
Average economic capital	$14,240	$14,437	$15,994	$19,511	$21,692
Global Commercial Bank					
Reported net income	$1,050	$1,381	$923	$1,053	$644
Adjustment related to intangibles (1)	—	1	1	1	1
Adjusted net income	$1,050	$1,382	$924	$1,054	$645
Average allocated equity	$40,726	$40,522	$41,512	$42,997	$42,930
Adjustment related to goodwill and a percentage of intangibles	(20,689)	(20,697)	(20,700)	(20,703)	(20,707)
Average economic capital	$20,037	$19,825	$20,812	$22,294	$22,223
Global Banking and Markets					
Reported net income (loss)	$(302)	$1,559	$2,143	$669	$1,468
Adjustment related to intangibles (1)	5	4	4	4	5
Adjusted net income (loss)	$(297)	$1,563	$2,147	$673	$1,473
Average allocated equity	$36,372	$37,458	$41,491	$46,935	$50,173
	(10,783)	(10,474)	(10,379)	(10,240)	(10,057)

Adjustment related to goodwill and a percentage of intangibles					
Average economic capital	$25,589	$26,984	$31,112	$36,695	$40,116
Global Wealth and Investment Management					
Reported net income	$347	$506	$533	$319	$269
Adjustment related to intangibles [1]	7	7	9	20	21
Adjusted net income	$354	$513	$542	$339	$290
Average allocated equity	$17,839	$17,574	$17,938	$18,227	$18,039
Adjustment related to goodwill and a percentage of intangibles	(10,691)	(10,706)	(10,728)	(10,752)	(10,775)
Average economic capital	$7,148	$6,868	$7,210	$7,475	$7,264

[1] Represents cost of funds and earnings credit on intangibles.

Table of Contents

Table 10
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions, except per share information)	Nine Months Ended September 30 2011		2010	
Fully taxable-equivalent basis data				
Net interest income	$34,629		$39,984	
Total revenue, net of interest expense	69,280		88,722	
Net interest yield	2.50	%	2.81	%
Efficiency ratio	87.69		70.16	
Performance ratios, excluding goodwill impairment charges [1]				
Per common share information				
Earnings	$0.11		$0.83	
Diluted earnings	0.11		0.82	
Efficiency ratio	83.93	%	58.43	%
Return on average assets	0.12		0.51	
Return on average common shareholders' equity	0.70		5.31	
Return on average tangible common shareholders' equity	1.11		9.20	
Return on average tangible shareholders' equity	1.83		9.01	
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis				
Net interest income	$33,915		$39,084	
FTE adjustment	714		900	
Net interest income on a fully taxable-equivalent basis	$34,629		$39,984	
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis				
Total revenue, net of interest expense	$68,566		$87,822	
FTE adjustment	714		900	
Total revenue, net of interest expense on a fully taxable-equivalent basis	$69,280		$88,722	
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges				
Total noninterest expense	$60,752		$62,244	
Goodwill impairment charges	(2,603	)	(10,400	)
Total noninterest expense, excluding goodwill impairment charges	$58,149		$51,844	
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis				
Income tax expense (benefit)	$(2,117	)	$3,266	
FTE adjustment	714		900	
Income tax expense (benefit) on a fully taxable-equivalent basis	$(1,403	)	$4,166	
Reconciliation of net loss to net income, excluding goodwill impairment charges				
Net loss	$(545	)	$(994	)
Goodwill impairment charges	2,603		10,400	
Net income, excluding goodwill impairment charges	$2,058		$9,406	
Reconciliation of net loss applicable to common shareholders to net income applicable to common shareholders, excluding goodwill impairment charges				
Net loss applicable to common shareholders	$(1,499	)	$(2,030	)
Goodwill impairment charges	2,603		10,400	
Net income applicable to common shareholders, excluding goodwill impairment charges	$1,104		$8,370	

Reconciliation of average common shareholders' equity to average tangible common shareholders' equity		
Common shareholders' equity	$212,512	$210,649
Common Equivalent Securities	—	3,877
Goodwill	(72,903)	(84,965)
Intangible assets (excluding MSRs)	(9,386)	(11,246)
Related deferred tax liabilities	2,939	3,368
Tangible common shareholders' equity	$133,162	$121,683
Reconciliation of average shareholders' equity to average tangible shareholders' equity		
Shareholders' equity	$229,385	$232,465
Goodwill	(72,903)	(84,965)
Intangible assets (excluding MSRs)	(9,386)	(11,246)
Related deferred tax liabilities	2,939	3,368
Tangible shareholders' equity	$150,035	$139,622

(1) Performance ratios have been calculated excluding the impact of the goodwill impairment charge of $2.6 billion recorded during the second quarter of 2011 and $10.4 billion recorded during the third quarter of 2010.

Table of Contents

Table 10
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	Nine Months Ended September 30	
(Dollars in millions)	2011	2010
Deposits		
Reported net income	$1,051	$1,562
Adjustment related to intangibles [1]	1	8
Adjusted net income	$1,052	$1,570
Average allocated equity	$23,692	$24,254
Adjustment related to goodwill and a percentage of intangibles	(17,952)	(17,977)
Average economic capital	$5,740	$6,277
Card Services		
Reported net income (loss)	$4,767	$(8,269)
Adjustment related to intangibles [1]	12	54
Goodwill impairment charge	—	10,400
Adjusted net income	$4,779	$2,185
Average allocated equity	$22,958	$37,073
Adjustment related to goodwill and a percentage of intangibles	(12,257)	(21,649)
Average economic capital	$10,701	$15,424
Consumer Real Estate Services		
Reported net loss	$(18,070)	$(4,010)
Adjustment related to intangibles [1]	—	2
Goodwill impairment charge	2,603	—
Adjusted net loss	$(15,467)	$(4,008)
Average allocated equity	$16,688	$26,591
Adjustment related to goodwill and a percentage of intangibles	(1,804)	(4,803)
Average economic capital	$14,884	$21,788
Global Commercial Bank		
Reported net income	$3,354	$2,165
Adjustment related to intangibles [1]	2	4
Adjusted net income	$3,356	$2,169
Average allocated equity	$40,917	$43,790
Adjustment related to goodwill and a percentage of intangibles	(20,695)	(20,678)
Average economic capital	$20,222	$23,112
Global Banking and Markets		
Reported net income	$3,400	$5,628
Adjustment related to intangibles [1]	13	15
Adjusted net income	$3,413	$5,643
Average allocated equity	$38,422	$51,083
Adjustment related to goodwill and a percentage of intangibles	(10,547)	(10,061)
Average economic capital	$27,875	$41,022
Global Wealth and Investment Management		
Reported net income	$1,386	$1,022

Adjustment related to intangibles [1]	23	66
Adjusted net income	$1,409	$1,088
Average allocated equity	$17,783	$18,015
Adjustment related to goodwill and a percentage of intangibles	(10,708)	(10,788)
Average economic capital	$7,075	$7,227

(1) Represents cost of funds and earnings credit on intangibles.

Table of Contents

Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the GBAM business segment section on page 47, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for GBAM. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation provides additional clarity in assessing our results.

Table 11
Core Net Interest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Net interest income (1)				
As reported (2)	$10,739	$12,717	$34,629	$39,984
Impact of market-based net interest income (3)	(950)	(1,045)	(2,915)	(3,280)
Core net interest income	$9,789	$11,672	$31,714	$36,704
Average earning assets				
As reported	$1,841,135	$1,863,819	$1,851,736	$1,902,303
Impact of market-based earning assets (3)	(447,560)	(503,890)	(459,532)	(523,309)
Core average earning assets	$1,393,575	$1,359,929	$1,392,204	$1,378,994
Net interest yield contribution (1, 4)				
As reported (2)	2.32 %	2.72 %	2.50 %	2.81 %
Impact of market-based activities (3)	0.47	0.70	0.54	0.74
Core net interest yield on earning assets	2.79 %	3.42 %	3.04 %	3.55 %

(1) FTE basis
(2) Balance and calculation include fees earned on overnight deposits placed with the Federal Reserve of $38 million and $107 million for the three months ended September 30, 2011 and 2010 and $150 million and $305 million for the nine months ended September 30, 2011 and 2010.
(3) Represents the impact of market-based amounts included in GBAM.
(4) Calculated on an annualized basis.

For the three and nine months ended September 30, 2011, core net interest income decreased $1.9 billion to $9.8 billion, and $5.0 billion to $31.7 billion compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness. Core net interest income benefited from ongoing reductions in long-term debt balances and lower interest rates paid on deposits.

For the three and nine months ended September 30, 2011, core average earning assets increased $33.6 billion to $1,394 billion and $13.2 billion to $1,392 billion compared to the same periods in 2010. The increase was primarily due to growth in residential mortgages and investment securities, and was partially offset by declines in credit card and home equity loans.

For the three and nine months ended September 30, 2011, core net interest yield decreased 63 bps to 2.79 percent and 51 bps to 3.04 percent compared to the same periods in 2010 due to the factors noted above. Over the three- and nine-month periods in 2011, the yield curve flattened significantly with long-term rates near historical lows at

September 30, 2011. This has resulted in net interest yield compression as assets have repriced down and liability yields have remained relatively stable.

Table of Contents

Table 12
Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis

	Third Quarter 2011			Second Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$26,743	$87	1.31 %	$27,298	$106	1.56 %
Federal funds sold and securities borrowed or purchased under agreements to resell	256,143	584	0.90	259,069	597	0.92
Trading account assets	180,438	1,543	3.40	186,760	1,576	3.38
Debt securities [2]	344,327	1,744	2.02	335,269	2,696	3.22
Loans and leases [3]:						
Residential mortgage [4]	268,494	2,856	4.25	265,420	2,763	4.16
Home equity	129,125	1,238	3.81	131,786	1,261	3.83
Discontinued real estate	15,923	134	3.36	15,997	129	3.22
U.S. credit card	103,671	2,650	10.14	106,164	2,718	10.27
Non-U.S. credit card	25,434	697	10.88	27,259	760	11.18
Direct/Indirect consumer [5]	90,280	915	4.02	89,403	945	4.24
Other consumer [6]	2,795	43	6.07	2,745	47	6.76
Total consumer	635,722	8,533	5.34	638,774	8,623	5.41
U.S. commercial	191,439	1,809	3.75	190,479	1,827	3.85
Commercial real estate [7]	42,931	360	3.33	45,762	382	3.35
Commercial lease financing	21,342	240	4.51	21,284	235	4.41
Non-U.S. commercial	50,598	349	2.73	42,214	339	3.22
Total commercial	306,310	2,758	3.58	299,739	2,783	3.72
Total loans and leases	942,032	11,291	4.77	938,513	11,406	4.87
Other earning assets	91,452	814	3.54	97,616	866	3.56
Total earning assets [8]	1,841,135	16,063	3.47	1,844,525	17,247	3.75
Cash and cash equivalents [1]	102,573	38		115,956	49	
Other assets, less allowance for loan and lease losses	357,746			378,629		
Total assets	$2,301,454			$2,339,110		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on AFS debt securities are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

(3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.

(4) Includes non-U.S. residential mortgage loans of $91 million, $94 million and $92 million in the third, second and first quarters of 2011, and $96 million and $502 million in the fourth and third quarters of 2010, respectively.

(5) Includes non-U.S. consumer loans of $8.6 billion, $8.7 billion and $8.2 billion in the third, second and first quarters of 2011, and $7.9 billion and $7.7 billion in the fourth and third quarters of 2010, respectively.

(6) Includes consumer finance loans of $1.8 billion, $1.8 billion and $1.9 billion in the third, second and first quarters of 2011, and $2.0 billion in both the fourth and third quarters of 2010, respectively; other non-U.S. consumer loans of $932 million, $840 million and $777 million in the third, second and first quarters of 2011, and $791 million and

$788 million in the fourth and third quarters of 2010, respectively; and consumer overdrafts of $107 million, $79 million and $76 million in the third, second and first quarters of 2011, and $34 million and $123 million in the fourth and third quarters of 2010, respectively.

(7) Includes U.S. commercial real estate loans of $40.7 billion, $43.4 billion and $45.7 billion in the third, second and first quarters of 2011, and $49.0 billion and $53.1 billion in the fourth and third quarters of 2010, respectively; and non-U.S. commercial real estate loans of $2.2 billion, $2.3 billion and $2.7 billion in the third, second and first quarters of 2011, and $2.6 billion and $2.5 billion in the fourth and third quarters of 2010, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $1.0 billion, $739 million and $388 million in the third, second and first quarters of 2011, and $29 million and $643 million in the fourth and third quarters of 2010, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $631 million, $625 million and $621 million in the third, second and first quarters of 2011, and $672 million and $1.0 billion in the fourth and third quarters of 2010, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 127.

Table of Contents

Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

(Dollars in millions)	First Quarter 2011 Average Balance	First Quarter 2011 Interest Income/Expense	First Quarter 2011 Yield/Rate	Fourth Quarter 2010 Average Balance	Fourth Quarter 2010 Interest Income/Expense	Fourth Quarter 2010 Yield/Rate	Third Quarter 2010 Average Balance	Third Quarter 2010 Interest Income/Expense	Third Quarter 2010 Yield/Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$31,294	$88	1.14 %	$28,141	$75	1.07 %	$23,233	$86	1.45 %
Federal funds sold and securities borrowed or purchased under agreements to resell	227,379	517	0.92	243,589	486	0.79	254,820	441	0.69
Trading account assets	221,041	1,669	3.05	216,003	1,710	3.15	210,529	1,692	3.20
Debt securities [2]	335,847	2,917	3.49	341,867	3,065	3.58	328,097	2,646	3.22
Loans and leases [3]:									
Residential mortgage [4]	262,049	2,881	4.40	254,051	2,857	4.50	237,292	2,797	4.71
Home equity	136,089	1,335	3.96	139,772	1,410	4.01	143,083	1,457	4.05
Discontinued real estate	12,899	110	3.42	13,297	118	3.57	13,632	122	3.56
U.S. credit card	109,941	2,837	10.47	112,673	3,040	10.70	115,251	3,113	10.72
Non-U.S. credit card	27,633	779	11.43	27,457	815	11.77	27,047	875	12.84
Direct/Indirect consumer [5]	90,097	993	4.47	91,549	1,088	4.72	95,692	1,130	4.68
Other consumer [6]	2,753	45	6.58	2,796	45	6.32	2,955	47	6.35
Total consumer	641,461	8,980	5.65	641,595	9,373	5.81	634,952	9,541	5.98
U.S. commercial	191,353	1,926	4.08	193,608	1,894	3.88	192,306	2,040	4.21
Commercial real estate [7]	48,359	437	3.66	51,617	432	3.32	55,660	452	3.22
Commercial lease financing	21,634	322	5.95	21,363	250	4.69	21,402	255	4.78
Non-U.S. commercial	36,159	299	3.35	32,431	289	3.53	30,540	282	3.67
Total commercial	297,505	2,984	4.06	299,019	2,865	3.81	299,908	3,029	4.01
Total loans and leases	938,966	11,964	5.14	940,614	12,238	5.18	934,860	12,570	5.35
Other earning assets	115,336	922	3.24	113,325	923	3.23	112,280	949	3.36
Total earning assets [8]	1,869,863	18,077	3.92	1,883,539	18,497	3.90	1,863,819	18,384	3.93
Cash and cash equivalents [1]	138,241	63		136,967	63		155,784	107	
Other assets, less allowance for loan and lease losses	330,434			349,752			359,794		
Total assets	$2,338,538			$2,370,258			$2,379,397		

For footnotes see page 28.

Table of Contents

Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

(Dollars in millions)	Third Quarter 2011 Average Balance	Interest Income/ Expense	Yield/ Rate		Second Quarter 2011 Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$41,256	$21	0.19	%	$41,668	$31	0.30	%
NOW and money market deposit accounts	473,391	248	0.21		478,690	304	0.25	
Consumer CDs and IRAs	108,359	244	0.89		113,728	281	0.99	
Negotiable CDs, public funds and other time deposits	18,547	5	0.12		13,842	42	1.22	
Total U.S. interest-bearing deposits	641,553	518	0.32		647,928	658	0.41	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	21,037	34	0.65		19,234	37	0.77	
Governments and official institutions	2,043	2	0.32		2,131	2	0.38	
Time, savings and other	64,271	150	0.93		64,889	146	0.90	
Total non-U.S. interest-bearing deposits	87,351	186	0.85		86,254	185	0.86	
Total interest-bearing deposits	728,904	704	0.38		734,182	843	0.46	
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	303,234	1,152	1.51		338,692	1,342	1.59	
Trading account liabilities	87,841	547	2.47		96,108	627	2.62	
Long-term debt	420,273	2,959	2.82		435,144	2,991	2.75	
Total interest-bearing liabilities [(8)]	1,540,252	5,362	1.39		1,604,126	5,803	1.45	
Noninterest-bearing sources:								
Noninterest-bearing deposits	322,416				301,762			
Other liabilities	216,376				198,155			
Shareholders' equity	222,410				235,067			
Total liabilities and shareholders' equity	$2,301,454				$2,339,110			
Net interest spread			2.08	%			2.30	%
Impact of noninterest-bearing sources			0.23				0.19	
Net interest income/yield on earning assets [(1)]		$10,701	2.31	%		$11,444	2.49	%

For footnotes see page 28.

Table of Contents

Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

(Dollars in millions)	First Quarter 2011 Average Balance	First Quarter 2011 Interest Income/ Expense	First Quarter 2011 Yield/ Rate	Fourth Quarter 2010 Average Balance	Fourth Quarter 2010 Interest Income/ Expense	Fourth Quarter 2010 Yield/ Rate	Third Quarter 2010 Average Balance	Third Quarter 2010 Interest Income/ Expense	Third Quarter 2010 Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$38,905	$32	0.34 %	$37,145	$35	0.36 %	$37,008	$36	0.39 %
NOW and money market deposit accounts	475,954	316	0.27	464,531	333	0.28	442,906	359	0.32
Consumer CDs and IRAs	118,306	300	1.03	124,855	338	1.07	132,687	377	1.13
Negotiable CDs, public funds and other time deposits	13,995	39	1.11	16,334	47	1.16	17,326	57	1.30
Total U.S. interest-bearing deposits	647,160	687	0.43	642,865	753	0.46	629,927	829	0.52
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	21,534	38	0.72	16,827	38	0.91	17,431	38	0.86
Governments and official institutions	2,307	2	0.35	1,560	2	0.42	2,055	2	0.36
Time, savings and other	60,432	112	0.76	58,746	101	0.69	54,373	81	0.59
Total non-U.S. interest-bearing deposits	84,273	152	0.73	77,133	141	0.73	73,859	121	0.65
Total interest-bearing deposits	731,433	839	0.46	719,998	894	0.49	703,786	950	0.54
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	371,573	1,184	1.29	369,738	1,142	1.23	391,148	848	0.86
Trading account liabilities	83,914	627	3.03	81,313	561	2.74	95,265	635	2.65
Long-term debt	440,511	3,093	2.84	465,875	3,254	2.78	485,588	3,341	2.74
Total interest-bearing liabilities (8)	1,627,431	5,743	1.43	1,636,924	5,851	1.42	1,675,787	5,774	1.37
Noninterest-bearing sources:									
Noninterest-bearing deposits	291,707			287,740			270,060		

Other liabilities	188,631			210,069			199,572		
Shareholders’ equity	230,769			235,525			233,978		
Total liabilities and shareholders’ equity	$2,338,538			$2,370,258			$2,379,397		
Net interest spread			2.49 %			2.48 %			2.56 %
Impact of noninterest-bearing sources			0.17			0.18			0.13
Net interest income/yield on earning assets [1]		$12,334	2.66 %		$12,646	2.66 %		$12,610	2.69 %

For footnotes see page 28.

Table of Contents

Table 13
Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis

	Nine Months Ended September 30					
	2011			2010		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$28,428	$281	1.33 %	$27,175	$217	1.06 %
Federal funds sold and securities borrowed or purchased under agreements to resell	247,635	1,698	0.92	261,444	1,346	0.69
Trading account assets	195,931	4,788	3.26	212,985	5,340	3.35
Debt securities [2]	338,512	7,357	2.90	317,906	8,785	3.69
Loans and leases [3]:						
Residential mortgage [4]	265,345	8,500	4.27	242,922	8,879	4.87
Home equity	132,308	3,834	3.87	147,911	4,580	4.14
Discontinued real estate	14,951	373	3.32	14,009	409	3.89
U.S. credit card	106,569	8,205	10.29	119,744	9,604	10.72
Non-U.S. credit card	26,767	2,236	11.17	28,198	2,635	12.50
Direct/Indirect consumer [5]	89,927	2,853	4.24	98,368	3,665	4.98
Other consumer [6]	2,764	135	6.47	2,973	141	6.34
Total consumer	638,631	26,136	5.47	654,125	29,913	6.11
U.S. commercial	191,091	5,562	3.89	196,665	6,015	4.09
Commercial real estate [7]	45,664	1,179	3.45	62,755	1,568	3.34
Commercial lease financing	21,419	797	4.96	21,448	820	5.10
Non-U.S. commercial	43,043	987	3.07	29,309	802	3.66
Total commercial	301,217	8,525	3.78	310,177	9,205	3.97
Total loans and leases	939,848	34,661	4.93	964,302	39,118	5.42
Other earning assets	101,382	2,602	3.43	118,491	2,996	3.38
Total earning assets [8]	1,851,736	51,387	3.72	1,902,303	57,802	4.06
Cash and cash equivalents [1]	118,792	150		187,310	305	
Other assets, less allowance for loan and lease losses	355,704			373,364		
Total assets	$2,326,232			$2,462,977		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation’s Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

(2) Yields on AFS debt securities are calculated based on fair value rather than the cost basis. The use of fair value does not have a material impact on net interest yield.

(3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.

(4) Includes non-U.S. residential mortgages of $92 million and $515 million for the nine months ended September 30, 2011 and 2010.

(5) Includes non-U.S. consumer loans of $8.5 billion and $7.9 billion for the nine months ended September 30, 2011 and 2010.

(6) Includes consumer finance loans of $1.8 billion and $2.1 billion, other non-U.S. consumer loans of $851 million and $711 million, and consumer overdrafts of $88 million and $137 million for the nine months ended September

30, 2011 and 2010.

(7) Includes U.S. commercial real estate loans of $43.3 billion and $60.1 billion, and non-U.S. commercial real estate loans of $2.4 billion and $2.7 billion for the nine months ended September 30, 2011 and 2010.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $2.2 billion and $1.4 billion for the nine months ended September 30, 2011 and 2010. Interest expense included the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.9 billion and $2.8 billion for the nine months ended September 30, 2011 and 2010. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 127.

Table of Contents

Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

	Nine Months Ended September 30					
	2011			2010		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	$40,618	$84	0.28 %	$36,482	$122	0.45 %
NOW and money market deposit accounts	476,002	868	0.24	433,858	1,072	0.33
Consumer CDs and IRAs	113,428	825	0.97	148,644	1,385	1.25
Negotiable CDs, public funds and other time deposits	15,478	86	0.74	18,138	179	1.32
Total U.S. interest-bearing deposits	645,526	1,863	0.39	637,122	2,758	0.58
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	20,600	109	0.71	18,532	106	0.76
Governments and official institutions	2,159	6	0.35	3,952	8	0.27
Time, savings and other	63,212	408	0.86	53,816	231	0.57
Total non-U.S. interest-bearing deposits	85,971	523	0.81	76,300	345	0.60
Total interest-bearing deposits	731,497	2,386	0.44	713,422	3,103	0.58
Federal funds purchased and securities loaned or sold under agreements to repurchase and other short-term borrowings	337,583	3,678	1.46	450,748	2,557	0.76
Trading account liabilities	89,302	1,801	2.70	95,159	2,010	2.82
Long-term debt	431,902	9,043	2.80	498,794	10,453	2.80
Total interest-bearing liabilities [8]	1,590,284	16,908	1.42	1,758,123	18,123	1.38
Noninterest-bearing sources:						
Noninterest-bearing deposits	305,408			268,710		
Other liabilities	201,155			203,679		
Shareholders’ equity	229,385			232,465		
Total liabilities and shareholders’ equity	$2,326,232			$2,462,977		
Net interest spread			2.30 %			2.68 %
Impact of noninterest-bearing sources			0.19			0.11
Net interest income/yield on earning assets [1]		$34,479	2.49 %		$39,679	2.79 %

For footnotes see page 32.

Table of Contents

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: Deposits, Card Services, CRES, Global Commercial Banking, GBAM and GWIM, with the remaining operations recorded in All Other. Prior period amounts have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data on page 21. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges.

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

Total revenue, net of interest expense, includes net interest income on a FTE basis and noninterest income. The adjustment of net interest income to a FTE basis results in a corresponding increase in income tax expense. The segment results also reflect certain revenue and expense methodologies that are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to match liabilities. Net interest income of the business segments also includes an allocation of net interest income generated by certain of our ALM activities.

Our ALM activities include an overall interest rate risk management strategy that incorporates the use of various derivatives and cash instruments to manage fluctuations in earnings and capital that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The majority of our ALM activities are allocated to the business segments and fluctuate based on performance. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment’s credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 70. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The total amount of average equity reflects both risk-based capital and the portion of goodwill and intangibles specifically assigned to the business segments. The risk-adjusted methodology is periodically refined and such refinements are reflected as changes to allocated equity in each segment.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see Note 20 – Business Segment Information to the Consolidated Financial Statements.

Table of Contents

Deposits

(Dollars in millions)	Three Months Ended September 30 2011	2010	% Change	Nine Months Ended September 30 2011	2010	% Change
Net interest income [1]	$1,987	$1,954	2 %	$6,473	$6,272	3 %
Noninterest income:						
Service charges	1,071	1,138	(6)	2,959	4,111	(28)
All other income	61	54	13	177	176	1
Total noninterest income	1,132	1,192	(5)	3,136	4,287	(27)
Total revenue, net of interest expense	3,119	3,146	(1)	9,609	10,559	(9)
Provision for credit losses	52	62	(16)	116	160	(28)
Noninterest expense	2,627	2,774	(5)	7,835	7,926	(1)
Income before income taxes	440	310	42	1,658	2,473	(33)
Income tax expense [1]	164	112	46	607	911	(33)
Net income	$276	$198	39	$1,051	$1,562	(33)
Net interest yield [1]	1.88 %	1.89 %		2.06 %	2.02 %	
Return on average equity	4.61	3.23		5.93	8.61	
Return on average economic capital [2]	18.78	12.40		24.54	33.45	
Efficiency ratio [1]	84.24	88.17		81.54	75.07	
Cost per dollar deposit [3]	2.47	2.68		2.51	2.55	
Balance Sheet						
Average						
Total earning assets	$420,310	$410,330	2	$420,975	$414,212	2
Total assets	447,053	436,479	2	447,369	440,598	2
Total deposits	422,331	411,117	3	422,452	415,458	2
Allocated equity	23,820	24,402	(2)	23,692	24,254	(2)
Economic capital [2]	5,873	6,424	(9)	5,740	6,277	(9)
Period end				September 30 2011	December 31 2010	
Total earning assets				$422,197	$414,215	2
Total assets				448,906	440,954	2
Total deposits				424,267	415,189	2
Client brokerage assets				61,918	63,597	(3)

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. An increase in the ratio for the three-month period resulted from higher net income and a decrease in economic capital. The decrease in the ratio for the nine-month period resulted from lower net income partially offset by a decrease in economic capital. Economic capital decreased due to improvements in interest rate risk related to changes in the composition of the deposit base. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Cost per dollar deposit represents annualized noninterest expense, excluding certain expenses, as a percentage of average deposits.

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. Deposit products provide a relatively stable source of funding and liquidity for the Corporation. We earn net interest spread revenue from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits.

Table of Contents

Deposits also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. Merrill Edge is an integrated investing and banking service targeted at clients with less than $250,000 in total assets. Merrill Edge provides team-based investment advice and guidance, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation’s network of banking centers and ATMs. Deposits includes the net impact of migrating customers and their related deposit balances between Deposits and other client-managed businesses.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $78 million, or 39 percent, to $276 million due to a decrease in noninterest expense partially offset by lower revenue. Revenue of $3.1 billion was down $27 million from the year-ago quarter driven by lower noninterest income, reflecting the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010. For more information on Regulation E, see Regulatory Matters of the Corporation's 2010 Annual Report on Form 10-K on page 56. Noninterest expense was down $147 million from a year ago to $2.6 billion due to a decrease in operating expenses.

Average deposits increased $11.2 billion from a year ago driven by a customer shift to more liquid products in a low interest rate environment.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income decreased $511 million, or 33 percent, to $1.1 billion due to a decrease in noninterest income of $1.2 billion, or 27 percent, to $3.1 billion, driven by the same factor described in the three-month discussion above. Other components of net income remained relatively unchanged.

Average deposits increased $7.0 billion from a year ago driven by the same factor described in the three-month discussion above.

Table of Contents

Card Services

(Dollars in millions)	Three Months Ended September 30 2011	2010	% Change	Nine Months Ended September 30 2011	2010	% Change
Net interest income [1]	$2,823	$3,500	(19)%	$8,743	$11,002	(21)%
Noninterest income:						
Card income	1,720	1,731	(1)	4,980	5,206	(4)
All other income (loss)	(36)	146	n/m	362	776	(53)
Total noninterest income	1,684	1,877	(10)	5,342	5,982	(11)
Total revenue, net of interest expense	4,507	5,377	(16)	14,085	16,984	(17)
Provision for credit losses	1,037	3,066	(66)	1,934	9,116	(79)
Goodwill impairment	—	10,400	(100)	—	10,400	(100)
All other noninterest expense	1,458	1,434	2	4,632	4,495	3
Income (loss) before income taxes	2,012	(9,523)	n/m	7,519	(7,027)	n/m
Income tax expense [1]	748	321	133	2,752	1,242	122
Net income (loss)	$1,264	$(9,844)	n/m	$4,767	$(8,269)	n/m
Net interest yield [1]	8.98%	9.76%		9.07%	9.86%	
Return on average equity	22.36	n/m		27.76	n/m	
Return on average economic capital [2]	49.31	16.63		59.71	18.94	
Efficiency ratio [1]	32.35	n/m		32.88	87.70	
Efficiency ratio, excluding goodwill impairment charge [1]	32.35	26.69		32.88	26.46	
Balance Sheet						
Average						
Total loans and leases	$123,547	$141,092	(12)	$127,755	$147,893	(14)
Total earning assets	124,767	142,228	(12)	128,905	149,181	(14)
Total assets	130,298	149,156	(13)	132,657	157,030	(16)
Allocated equity	22,410	33,033	(32)	22,958	37,073	(38)
Economic capital [2]	10,194	13,665	(25)	10,701	15,424	(31)
Period end				September 30 2011	December 31 2010	
Total loans and leases				$122,223	$137,024	(11)
Total earning assets				123,510	138,072	(11)
Total assets				128,759	140,146	(8)

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. Increases in the ratios resulted from higher net income and a decrease in economic capital. Economic capital decreased due to lower levels of credit risk as loan balances declined. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses providing a broad offering of lending products including co-branded and affinity products. On August 15, 2011, we announced an agreement to sell our Canadian consumer card business and that we intend to exit our consumer card businesses in Europe. The sale of the Canadian consumer card business is expected to close in the fourth quarter of 2011. In light of these actions, the international consumer card business results were moved to All Other, prior period results have been reclassified and the Global Card Services business segment was renamed Card Services. The loans related to the Canada consumer card business are currently classified as held-for-sale within All Other.

Table of Contents

During 2010 and 2011, Card Services was negatively impacted by provisions of the CARD Act. The majority of the provisions of the CARD Act became effective on February 22, 2010, while certain provisions became effective in the third quarter of 2010. The CARD Act has negatively impacted net interest income due to restrictions on our ability to reprice credit cards based on risk and card income due to restrictions imposed on certain fees. For more information on the CARD Act, see Regulatory Matters of the Corporation's 2010 Annual Report on Form 10-K on page 56.

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment, effective October 1, 2011, that establishes the maximum allowable interchange fees a bank can receive for a debit card transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements. We intend to comply with these fraud-related requirements. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which are effective April 1, 2012. For more information on the final interchange rules, see Regulatory Matters on page 68. The new interchange fee rules are expected to result in a reduction of debit card revenue in the fourth quarter of 2011 of approximately $475 million.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $11.1 billion to $1.3 billion primarily driven by a decline in noninterest expense due to the $10.4 billion goodwill impairment charge in 2010, and a $2.0 billion decrease in the provision for credit losses. This was partially offset by a decrease in revenue of $870 million, or 16 percent, to $4.5 billion primarily due to lower net interest income.

Net interest income decreased $677 million, or 19 percent, to $2.8 billion driven by lower average loan balances and yields. Net interest yield decreased 78 bps to 8.98 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $193 million, or 10 percent, to $1.7 billion.

The provision for credit losses decreased $2.0 billion to $1.0 billion reflecting lower delinquencies, improved collection rates and fewer bankruptcy filings as a result of improving economic conditions and lower average loans. For more information on the provision for credit losses, see Provision for Credit Losses on page 119.

Average loans decreased $17.5 billion driven by higher payments, charge-offs, continued run-off of non-core portfolios and the impact of portfolio divestitures earlier in 2011.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income increased $13.0 billion to $4.8 billion primarily due to the $10.4 billion goodwill impairment charge in the third quarter of 2010 and a decrease in the provision for credit losses of $7.2 billion to $1.9 billion, partially offset by a $2.9 billion decline in revenue to $14.1 billion. Net interest income of $8.7 billion decreased $2.3 billion, noninterest income declined $640 million to $5.3 billion and noninterest expense decreased $10.3 billion to $4.6 billion. These period over period changes were primarily driven by the same factors described in the three-month discussion above. In addition, the decline in noninterest income reflected the gain on the sale of our MasterCard position in the second quarter of 2010 and the CARD Act as discussed above.

Table of Contents

Consumer Real Estate Services

(Dollars in millions)	Three Months Ended September 30, 2011 Home Loans	Legacy Asset Servicing	Other	Total Consumer Real Estate Services	Three Months Ended September 30, 2010	% Change
Net interest income (1)	$473	$472	$(22)	$923	$1,339	(31)%
Noninterest income:						
Mortgage banking income	914	526	360	1,800	1,757	2
Insurance income	23	—	—	23	527	(96)
All other income (loss)	38	38	—	76	(11)	n/m
Total noninterest income	975	564	360	1,899	2,273	(16)
Total revenue, net of interest expense	1,448	1,036	338	2,822	3,612	(22)
Provision for credit losses	50	868	—	918	1,302	(29)
Noninterest expense	1,340	2,512	—	3,852	2,923	32
Income (loss) before income taxes	58	(2,344)	338	(1,948)	(613)	n/m
Income tax expense (benefit) (1)	24	(976)	141	(811)	(221)	n/m
Net income (loss)	$34	$(1,368)	$197	$(1,137)	$(392)	(190)
Net interest yield (1)	2.72%	2.77%	(0.69)%	2.45%	2.87%	
Efficiency ratio (1)	92.54	n/m	n/m	n/m	80.94	
Balance Sheet						
Average						
Total loans and leases	$54,961	$65,118	$—	$120,079	$127,712	(6)
Total earning assets	68,924	67,524	12,729	149,177	184,994	(19)
Total assets	72,601	81,560	28,682	182,843	221,908	(18)
Allocated equity	n/a	n/a	n/a	14,240	26,493	(46)
Economic capital (2)	n/a	n/a	n/a	14,240	21,692	(34)

	Nine Months Ended September 30, 2011 Home Loans	Legacy Asset Servicing	Other	Total Consumer Real Estate Services	Nine Months Ended September 30, 2010	% Change
Net interest income (1)	$1,520	$941	$(63)	$2,398	$3,538	(32)%
Noninterest income:						
Mortgage banking income (loss)	2,602	(12,615)	(510)	(10,523)	4,418	n/m
Insurance income	753	—	—	753	1,578	(52)
All other income	860	82	—	942	315	199
Total noninterest income (loss)	4,215	(12,533)	(510)	(8,828)	6,311	n/m
	5,735	(11,592)	(573)	(6,430)	9,849	n/m

Total revenue, net of interest expense						
Provision for credit losses	171	3,352	—	3,523	7,292	(52)
Goodwill impairment	—	—	2,603	2,603	—	n/m
Noninterest expense	4,548	10,146	—	14,694	8,906	65
Income (loss) before income taxes	1,016	(25,090)	(3,176)	(27,250)	(6,349)	n/m
Income tax expense (benefit) [(1)]	377	(9,362)	(195)	(9,180)	(2,339)	n/m
Net income (loss)	$639	$(15,728)	$(2,981)	$(18,070)	$(4,010)	n/m
Net interest yield [(1)]	2.78 %	1.85 %	(0.44)%	2.00 %	2.53 %	
Efficiency ratio [(1)]	79.30	n/m	n/m	n/m	90.43	
Balance Sheet						
Average						
Total loans and leases	$55,128	$65,644	$—	$120,772	$130,684	(8)
Total earning assets	73,110	67,854	19,015	159,979	187,134	(15)
Total assets	75,305	83,114	38,218	196,637	227,323	(13)
Allocated equity	n/a	n/a	n/a	16,688	26,591	(37)
Economic capital [(2)]	n/a	n/a	n/a	14,884	21,788	(32)
Period end	September 30, 2011				December 31, 2010	
Total loans and leases	$55,170	$64,653	$—	$119,823	$122,933	(3)
Total earning assets	66,618	67,548	10,665	144,831	172,082	(16)
Total assets	80,670	83,529	24,570	188,769	212,412	(11)

(1) FTE basis

(2) Economic capital is a non-GAAP measure. Economic capital decreased due to improvements in credit risk as loan balances declined and due to a lower MSR balance. Allocated equity decreased due to the $2.0 billion goodwill impairment charge recorded during the fourth quarter of 2010 and the $2.6 billion goodwill impairment charge recorded during the second quarter of 2011. For additional information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 21.

n/m = not meaningful

n/a = not applicable

CRES was realigned effective January 1, 2011 and its activities are now referred to as Home Loans, Legacy Asset Servicing and Other. This realignment allows CRES management to lead the ongoing home loan business while also providing greater focus and transparency on legacy mortgage issues.

CRES generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. CRES products include fixed and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, home equity lines of credit (HELOC) and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while we retain MSRs and the Bank of America customer relationships, or are held on our balance sheet in All Other for ALM purposes. HELOC and home equity loans are retained on the CRES balance sheet. CRES services mortgage loans, including those loans it owns, loans owned by other business segments and All Other, and loans owned by outside investors.

The financial results of the on-balance sheet loans are reported in the business segment that owns the loans or All Other. CRES is not impacted by the Corporation’s first mortgage production retention decisions as CRES is compensated for loans held for ALM purposes on a management accounting basis, with a corresponding offset recorded in All Other, and for servicing loans owned by other business segments and All Other.

CRES includes the impact of transferring customers and their related loan balances between GWIM and CRES based on client segmentation thresholds. For more information on the migration of customer balances, see GWIM on page 52.

Home Loans

Home Loans' products are available to our customers through our retail network of approximately 5,700 banking centers, mortgage loan officers in approximately 750 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent lending channel. In October 2011, we announced that we intend to wind down the correspondent channel by the end of 2011. On February 4, 2011, we announced that we were exiting the reverse mortgage origination business. In October 2010, we exited the first mortgage wholesale acquisition channel. These strategic changes were made to allow greater focus on our direct to consumer channels and to deepen relationships with existing customers and use mortgage products to acquire new relationships.

Home Loans includes the ongoing loan production activities, certain servicing activities and the CRES home equity portfolio not selected for inclusion in the Legacy Asset Servicing portfolio. Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to non-default related customer inquiries. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to Card Services following the sale of Balboa’s lender-placed insurance business. Due to the realignment of CRES, the composition of the Home Loans loan portfolio does not currently reflect a normalized level of credit losses and noninterest expense which we expect will develop over time.

Legacy Asset Servicing

Legacy Asset Servicing is responsible for servicing and managing the exposures related to selected residential mortgage, home equity and discontinued real estate loan portfolios. These selected loan portfolios include owned loans and loans serviced for others, including loans held in other business segments and All Other (collectively, the Legacy Asset Servicing portfolio). The Legacy Asset Servicing portfolio includes residential mortgage loans, home equity loans and discontinued real estate loans that would not have been originated under our underwriting standards at December 31, 2010. Countrywide loans that were impaired at the time of acquisition (the Countrywide PCI portfolio) as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011, are also included in the Legacy Asset Servicing portfolio. Since determining the pool of loans that would be included in the Legacy Asset Servicing portfolio as of January 1, 2011, the criteria have not changed for this portfolio. However, the criteria for inclusion of certain assets and liabilities in the Legacy Asset Servicing portfolio will continue to be evaluated over time.

The total owned loans in the Legacy Asset Servicing portfolio were $163.2 billion at September 30, 2011, of which $64.7 billion are reflected on the balance sheet of Legacy Asset Servicing within CRES and the remainder is held on the balance sheet of All Other. For more information on the Legacy Asset Servicing portfolio criteria, see Consumer Credit Portfolio on page 85.

Legacy Asset Servicing results reflect the net cost of legacy exposures that is included in the results of CRES, including representations and warranties provision, litigation costs and financial results of the CRES home equity portfolio selected as part of the Legacy Asset Servicing portfolio. In addition, certain revenue and expenses on loans serviced for others, including loans serviced for other business segments and All Other, are included in Legacy Asset Servicing results. The results of the Legacy Asset Servicing residential mortgage and discontinued real estate portfolios are recorded primarily in All Other.

Table of Contents

Our home retention efforts are part of our servicing activities, along with supervising foreclosures and property dispositions. These default-related activities are performed by Legacy Asset Servicing. In an effort to help our customers avoid foreclosure, Legacy Asset Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. We have resumed foreclosure sales in all non-judicial states; however, while we have recently resumed foreclosure proceedings in nearly all judicial states, our progress on foreclosure sales in judicial states has been significantly slower than in non-judicial states. We have also not resumed foreclosure sales for certain types of customers, including those in bankruptcy and those with FHA-insured loans, although we have resumed foreclosure proceedings with respect to certain customers in bankruptcy and with FHA-insured loans. The implementation of changes in procedures and controls, including loss mitigation procedures related to our ability to recover on FHA insurance-related claims, as well as governmental, regulatory and judicial actions, may result in continuing delays in foreclosure proceedings and foreclosure sales, as well as creating obstacles to the collection of certain fees and expenses, in both judicial and non- judicial foreclosures. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

Other

The Other component within CRES includes the results of certain MSR activities, including net hedge results, together with any related assets or liabilities used as economic hedges. The change in the value of the MSRs reflects the change in discount rates and prepayment speed assumptions, as well as the effect of changes in other assumptions, including the cost to service. These amounts are not allocated between Home Loans and Legacy Asset Servicing since the MSRs are managed as a single asset. Goodwill assigned to CRES was included in Other; however, the remaining balance of goodwill was written off in its entirety during the three months ended June 30, 2011. For additional information on MSRs, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

The CRES net loss increased $745 million to $1.1 billion. Revenue declined $790 million to $2.8 billion primarily driven by a decrease of $1.0 billion in core production income, due to a 54 percent decline in loan funding volume caused primarily by lower overall market demand, a drop in market share, largely in the correspondent channel. Additionally, the decline in revenue was due to a $504 million decrease in insurance income due to the sale of Balboa's lender-placed insurance business in the second quarter of 2011 and a decline in net interest income primarily due to the change in the composition of assets and liabilities driven primarily by lower average balances of loans held-for-sale (LHFS). Partially offsetting the revenue decline was a decrease of $594 million in representations and warranties provision and more favorable MSR results, net of hedges, of $450 million.

Provision for credit losses declined $384 million to $918 million reflecting improved portfolio trends, including the Countrywide PCI home equity portfolio.

Noninterest expense increased $929 million to $3.9 billion primarily due to higher default-related and other loss mitigation expenses and $290 million in litigation expense. Additionally, as a result of elongated default timelines, our servicing costs have increased driven by $350 million of mortgage-related assessments and waivers costs, which included $244 million for compensatory fees that we expect to be assessed by the GSEs as a result of foreclosure delays pursuant to our agreements and first mortgage seller/servicer guides with the GSEs which provide timelines to complete the liquidation of delinquent loans. In instances where we fail to meet these timelines, our agreements provide the GSEs with the option to assess compensatory fees. The remainder of the mortgage-related assessments and waivers costs are out-of-pocket costs that we do not expect to recover. We expect these costs will remain elevated as additional loans are delayed in the foreclosure process and as the GSEs assert more aggressive criteria. We also expect that continued elevated costs, including costs related to resources necessary to perform the foreclosure process assessments, to revise affidavit filings and to implement other operational changes will continue. These increases were partially offset by a decrease of $181 million in insurance expenses and a decline of $199 million in production expense primarily due to lower origination volumes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

The CRES net loss increased $14.1 billion to $18.1 billion. Revenue declined $16.3 billion to a loss of $6.4 billion due in large part to a decrease of $14.9 billion in mortgage banking income driven by an increase in representations and warranties provision of $12.7 billion and a decline in core production income of $2.3 billion. The representations and warranties provision included $8.6 billion related to the BNY Mellon Settlement in the second quarter of 2011 and $6.7 billion related to other non-GSE exposures, and to a lesser extent, GSE exposures. For additional information on representations and warranties, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58. The decrease in core production income was due to lower production volume and driven by the same factors noted in the three-month discussion. Net interest income also contributed to the decline in revenue driven by increases in allocated interest expense and the same factors noted in the three-month discussion. These declines were partially offset by a pre-tax gain on the sale of Balboa's lender-placed insurance business of $752 million, net of an inter-segment advisory fee. Provision for credit losses decreased $3.8 billion to $3.5 billion driven primarily by improving portfolio trends, including the Countrywide PCI home equity

Table of Contents

portfolio. Noninterest expense increased $8.4 billion to $17.3 billion due to a non-cash, non-tax deductible goodwill impairment charge of $2.6 billion in the second quarter of 2011 and increased litigation expenses as well as the same factors noted in the three-month discussion.

Mortgage Banking Income

CRES mortgage banking income is categorized into production and servicing income. Core production income is comprised of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and LHFS, the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. In addition, production income includes revenue, which is offset in All Other, for transfers of mortgage loans from CRES to the ALM portfolio related to the Corporation's mortgage production retention decisions. Ongoing costs related to representations and warranties and other obligations that were incurred in the sales of mortgage loans in prior periods are also included in production income.

Servicing income includes income earned in connection with servicing activities and MSR valuation adjustments, net of economic hedge activities. The costs associated with our servicing activities are included in noninterest expense.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Nine Months Ended September 30 2011	Nine Months Ended September 30 2010
Production income (loss):				
Core production revenue	$803	$1,849	$2,295	$4,560
Representations and warranties provision	(278)	(872)	(15,328)	(2,646)
Total production income (loss)	525	977	(13,033)	1,914
Servicing income:				
Servicing fees	1,464	1,623	4,626	4,842
Impact of customer payments (1)	(664)	(923)	(2,009)	(2,961)
Fair value changes of MSRs, net of economic hedge results (2)	361	(89)	(509)	120
Other servicing-related revenue	114	169	402	503
Total net servicing income	1,275	780	2,510	2,504
Total CRES mortgage banking income (loss)	1,800	1,757	(10,523)	4,418
Eliminations (3)	(183)	(2)	(426)	(265)
Total consolidated mortgage banking income (loss)	$1,617	$1,755	$(10,949)	$4,153

(1) Represents the change in the market value of the MSR asset due to the impact of customer payments received during the period.
(2) Includes net gains from the sale of MSRs.
(3) Includes the effect of transfers of mortgage loans from CRES to the ALM portfolio in All Other.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Core production revenue of $803 million represented a decrease of $1.0 billion due primarily to lower new loan origination volumes. The decline in new loan originations was caused primarily by lower overall market demand, a drop in market share, largely in the correspondent and retail sales channels and the exit from the wholesale acquisition channel. In addition, the representations and warranties provision decreased $594 million to $278 million due primarily to a lower provision related to the GSEs.

Net servicing income increased $495 million due to favorable MSR results, net of hedges. While overall MSRs results, net of hedges, were favorable, the MSR results during the three months ended September 30, 2011 reflect a $3.9 billion decline in the capitalized value of MSRs offset by $4.3 billion in gains from the economic hedges designed to protect against changes in the value of the MSRs driven by interest rate fluctuations. The decline in the value of the MSRs was driven primarily by a decline in interest rates, which resulted in higher forecasted prepayment speeds. For additional information on MSRs and the related hedge instruments, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements and Mortgage Banking Risk Management on page 132.

Table of Contents

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Core production revenue of $2.3 billion represented a decline of $2.3 billion due to lower production volume driven by the same factors noted in the three-month discussion. The representations and warranties provision increased $12.7 billion to $15.3 billion. Net servicing income was unchanged as less favorable MSR results, net of hedges, and lower servicing income was offset by a decline in impact of customer payments.

Key Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except as noted)	2011	2010	2011	2010
Loan production				
CRES:				
First mortgage	$30,448	$69,875	$121,220	$205,981
Home equity	660	2,000	3,114	5,602
Total Corporation [1]:				
First mortgage	$33,038	$71,925	$130,142	$213,365
Home equity	847	2,136	3,629	6,300

Period end	September 30 2011	December 31 2010
Mortgage servicing portfolio (in billions) [2, 3]	$1,917	$2,057
Mortgage loans serviced for investors (in billions) [3]	1,512	1,628
Mortgage servicing rights:		
Balance	7,880	14,900
Capitalized mortgage servicing rights (% of loans serviced for investors)	52 bps	92 bps

(1) In addition to loan production in CRES, the remaining first mortgage and home equity loan production is primarily in GWIM.

(2) Servicing of residential mortgage loans, home equity lines of credit, home equity loans and discontinued real estate mortgage loans.

(3) The total Corporation mortgage servicing portfolio included $1,062 billion in Home Loans and $855 billion in Legacy Asset Servicing at September 30, 2011. The total Corporation mortgage loans serviced for investors included $858 billion in Home Loans and $654 billion in Legacy Asset Servicing at September 30, 2011.

First mortgage production was $33.0 billion and $130.1 billion for the three and nine months ended September 30, 2011 compared to $71.9 billion and $213.4 billion for the same periods in 2010. The decrease of $38.9 billion and $83.2 billion was primarily due to a decline in the overall market demand for mortgages and a reduction in market share in both the retail and correspondent sales channels partially driven by pricing strategies in the correspondent channel as well as our exit from the wholesale acquisition channel.

Home equity production was $847 million and $3.6 billion for the three and nine months ended September 30, 2011 compared to $2.1 billion and $6.3 billion for the same periods in 2010 primarily due to a decline in reverse mortgage originations based on our decision to exit this business in February 2011.

At September 30, 2011, the consumer MSR balance was $7.9 billion, which represented 52 bps of the related unpaid principal balance compared to $14.9 billion or 92 bps of the related unpaid principal balance at December 31, 2010. The decline in the consumer MSR balance was primarily driven by lower mortgage rates, which resulted in higher forecasted prepayment speeds partially offset by adjustments to prepayment models to reflect muted refinancing activity relative to historic norms, the impact of elevated expected costs to service delinquent loans, which reduced expected cash flows and the value of the MSRs and MSR sales. In addition, the MSRs declined as a result of customer payments. These declines were partially offset by the addition of new MSRs recorded in connection with sales of loans. During the three and nine months ended September 30, 2011, MSRs in the amount of $218 million and $452 million were sold. Gains and losses recognized on these transactions were not significant. These sales are designed to reduce the balance of MSRs and lower our default-related servicing costs. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

Table of Contents

Global Commercial Banking

(Dollars in millions)	Three Months Ended September 30 2011	2010	% Change	Nine Months Ended September 30 2011	2010	% Change
Net interest income [1]	$1,743	$1,853	(6)%	$5,420	$6,143	(12)%
Noninterest income:						
Service charges	563	589	(4)	1,745	1,777	(2)
All other income	227	191	19	832	691	20
Total noninterest income	790	780	1	2,577	2,468	4
Total revenue, net of interest expense	2,533	2,633	(4)	7,997	8,611	(7)
Provision for credit losses	(150)	556	n/m	(488)	2,115	n/m
Noninterest expense	1,018	1,061	(4)	3,195	3,068	4
Income before income taxes	1,665	1,016	64	5,290	3,428	54
Income tax expense [1]	615	372	65	1,936	1,263	53
Net income	$1,050	$644	63	$3,354	$2,165	55
Net interest yield [1]	2.65 %	2.61 %		2.66 %	3.03 %	
Return on average equity	10.22	5.95		10.96	6.61	
Return on average economic capital [2]	20.78	11.52		22.18	12.55	
Efficiency ratio [1]	40.19	40.31		39.95	35.63	
Balance Sheet						
Average						
Total loans and leases	$188,037	$199,320	(6)	$189,924	$206,699	(8)
Total earning assets	261,422	281,740	(7)	272,585	270,719	1
Total assets	299,542	318,404	(6)	310,804	307,484	1
Total deposits	173,837	148,605	17	166,895	145,931	14
Allocated equity	40,726	42,930	(5)	40,917	43,790	(7)
Economic capital [2]	20,037	22,223	(10)	20,222	23,112	(13)
Period end				September 30 2011	December 31 2010	
Total loans and leases				$188,650	$194,038	(3)
Total earning assets				247,068	274,624	(10)
Total assets				284,897	312,807	(9)
Total deposits				171,297	161,279	6

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. Increases in the ratios resulted from higher net income and lower economic capital. Economic capital decreased due to improved credit quality and declining loan balances. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

n/m = not meaningful

Global Commercial Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include business banking and middle-market companies, commercial real estate firms and governments, and are generally defined as companies with annual sales up to $2 billion. Our lending products and services include commercial loans and commitment facilities, real estate lending, asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Effective in the first quarter of 2011, management responsibility for the merchant processing joint venture, Banc of America Merchant Services, LLC, was moved from GBAM to Global Commercial Banking where it more closely aligns with the business model. Prior periods have been reclassified to reflect this change. In the nine months ended September 30, 2011, we recorded $1.1 billion of impairment write-downs on our investment in the joint venture, of which $630 million was recorded in the three months ended September 30, 2011. Because of the recent transfer of the joint venture to Global Commercial Banking, the impairment write-downs were recorded in All Other. For additional information, see Note 5 – Securities to the Consolidated Financial Statements.

Table of Contents

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $406 million, or 63 percent, to $1.1 billion driven by lower credit costs from improved asset quality and lower expenses partially offset by lower revenue.

Revenue decreased $100 million, or four percent, primarily driven by lower net interest income related to ALM activities and lower loan volumes. Offsetting this decrease was an increase in average deposits of $25.2 billion, as clients continue to maintain high levels of liquidity. Noninterest income was essentially unchanged.

The provision for credit losses decreased $706 million to a benefit of $150 million driven by improved overall economic conditions and an accelerated rate of loan resolutions in the commercial real estate portfolio.

Noninterest expense decreased $43 million driven by lower support costs.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income increased $1.2 billion, or 55 percent, to $3.4 billion due to an improvement in the provision for credit losses of $2.6 billion partially offset by lower revenue and higher expenses. The decrease in net interest income of $723 million was primarily related to ALM activities and lower average loan balances, partially offset by the impact of higher deposits. The decrease in provision for credit losses was driven by the same factors described in the three-month discussion above. Noninterest expense increased $127 million due to an increase in FDIC expense driven by growth in deposit balances and higher support costs related primarily to technology investments.

Global Commercial Banking Revenue

Global Commercial Banking revenue can also be categorized into treasury services revenue primarily from capital and treasury management, and business lending revenue derived from credit-related products and services.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Treasury Services				
Net interest income	$706	$620	$2,187	$2,142
Noninterest income	469	481	1,417	1,464
Total revenue, net of interest expense	$1,175	$1,101	$3,604	$3,606
Total average deposits	$173,835	$148,603	$166,893	$145,928
Business Lending				
Net interest income	$1,036	$1,232	$3,233	$4,000
Noninterest income	322	300	1,160	1,005
Total revenue, net of interest expense	$1,358	$1,532	$4,393	$5,005
Total average loans and leases	$186,501	$197,946	$188,411	$205,393

Treasury services revenue for the three and nine months ended September 30, 2011 was $1.2 billion and $3.6 billion, $74 million higher than the three months ended September 30, 2010 and essentially unchanged compared to the nine months ended September 30, 2010. Net interest income increased $86 million and $45 million to $706 million and

$2.2 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The increases were driven by the funding benefit of an increase in average deposits of $25.2 billion and $21.0 billion. Noninterest income decreased $12 million and $47 million to $469 million and $1.4 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as clients' use of certain treasury services declined and clients continued to convert from paper to electronic services. These actions, combined with our clients leveraging compensating balances to offset fees, have negatively impacted treasury services noninterest income.

Table of Contents

Business lending revenue for the three and nine months ended September 30, 2011 was $1.4 billion and $4.4 billion, a decrease of $174 million and $612 million compared to the same periods in 2010. Net interest income declined from $1.2 billion to $1.0 billion for the three months ended September 30, 2011 and from $4.0 billion to $3.2 billion for the nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were driven by a lower net interest income allocation related to ALM activities and lower loan balances. Noninterest income increased $22 million to $322 million for the three months ended September 30, 2011 and $155 million to $1.2 billion for the nine months ended September 30, 2011 due in part to a gain on the termination of a purchase contract in the second quarter of 2011. Average loan and lease balances decreased $11.4 billion and $17.0 billion, or six percent and eight percent, for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as commercial real estate net paydowns and sales outpaced new originations and renewals, and charge-offs continued to reduce exposure, particularly in higher risk portfolios.

Table of Contents

Global Banking & Markets

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2011	2010	% Change	2011	2010	% Change
Net interest income (1)	$1,846	$1,884	(2)%	$5,668	$6,011	(6)%
Noninterest income:						
Service charges	410	455	(10)	1,327	1,378	(4)
Investment and brokerage services	613	565	8	1,876	1,831	2
Investment banking fees	1,048	1,306	(20)	4,196	3,823	10
Trading account profits	1,621	2,454	(34)	6,312	8,727	(28)
All other income (loss)	(316)	409	n/m	517	814	(36)
Total noninterest income	3,376	5,189	(35)	14,228	16,573	(14)
Total revenue, net of interest expense	5,222	7,073	(26)	19,896	22,584	(12)
Provision for credit losses	15	(157)	n/m	(269)	(54)	n/m
Noninterest expense	4,480	4,311	4	13,892	13,213	5
Income before income taxes	727	2,919	(75)	6,273	9,425	(33)
Income tax expense (1)	1,029	1,451	(29)	2,873	3,797	(24)
Net income (loss)	$(302)	$1,468	n/m	$3,400	$5,628	(40)
Return on average equity	n/m	11.61 %		11.83 %	14.73 %	
Return on average economic capital (2)	n/m	14.57		16.37	18.39	
Efficiency ratio (1)	85.82 %	60.96		69.83	58.51	
Balance Sheet						
Average						
Total trading-related assets (3)	$490,356	$507,014	(3)	$483,232	$515,469	(6)
Total loans and leases	120,143	98,874	22	111,167	97,915	14
Total earning assets	572,758	591,313	(3)	571,745	611,061	(6)
Total assets	748,289	743,264	1	735,438	763,797	(4)
Total deposits	121,389	96,040	26	116,364	95,568	22
Allocated equity	36,372	50,173	(28)	38,422	51,083	(25)
Economic capital (2)	25,589	40,116	(36)	27,875	41,022	(32)
Period end				September 30 2011	December 31 2010	
Total trading-related assets (3)				$448,062	$417,714	7
Total loans and leases				124,527	99,964	25
Total earning assets				530,471	512,962	3
Total assets				686,035	653,737	5
Total deposits				115,724	109,691	5

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. The decrease in the ratio for the nine-month period resulted from lower net income partially offset by a decrease in economic capital. Economic capital decreased due to improvements in

credit quality and counterparty credit exposure. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Includes assets which are not considered earning assets (i.e., derivative assets).

n/m = not meaningful

Table of Contents

GBAM provides financial products, advisory services, financing, securities clearing, settlement and custody services globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate clients to provide debt and equity underwriting and distribution capabilities, merger-related and other advisory services, and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of our market-making activities in these products, we may be required to manage positions in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS and asset-backed securities (ABS). Underwriting debt and equity issuances, securities research and certain market-based activities are executed through our global broker/dealer affiliates which are our primary dealers in several countries. GBAM is a leader in the global distribution of fixed income, currency and energy commodity products and derivatives. GBAM also has one of the largest equity trading operations in the world and is a leader in the origination and distribution of equity and equity-related products. Our corporate banking services provide a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our corporate clients are generally defined as companies with annual sales greater than $2 billion.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income decreased $1.8 billion to a loss of $302 million primarily driven by a decline of $1.7 billion in sales and trading revenue due to a less favorable market environment that was partially offset by DVA gains, and a decline of $258 million in investment banking fees mainly due to weakening markets for debt and equity issuances. DVA gains, which are included in sales and trading revenue, on derivatives during the three months ended September 30, 2011 were $1.7 billion compared to losses of $34 million in the same period in 2010 due to uncertainty caused by the European sovereign debt crisis and the downgrade of our credit ratings by Moody's, both of which contributed to a widening of the Corporation's credit spreads in the third quarter of 2011.

Provision for credit losses increased to $15 million compared to a benefit of $157 million due to higher reserve releases in the prior-year period, coupled with loan growth and a slower rate of improvement within the corporate credit portfolio in the current period. Tax expense in the current-year period included a $774 million charge related to a reduction in the U.K. corporate income tax rate enacted during the quarter which reduced the carrying value of the related deferred tax assets, compared to a charge of $388 million for a reduction enacted in the prior-year period. For additional information related to the U.K corporate income tax rate reduction, see Financial Highlights – Income Tax Expense on page 16.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income decreased $2.2 billion to $3.4 billion primarily due to a decline of $3.1 billion in sales and trading revenue driven by the same factors described in the three-month discussion above, and an increase of $679 million in noninterest expense driven by increased costs related to investments in infrastructure. These drivers were partially offset by an increase of $373 million in investment banking fees. DVA gains on derivatives during the nine months ended September 30, 2011 were $1.5 billion compared to gains of $212 million in the same period in 2010, resulting from the same factors described in the three-month discussion above.

Provision for credit losses decreased $215 million to a benefit of $269 million primarily from the positive impact of an improving economic environment on the credit portfolio and a loan recovery.

Table of Contents

Components of Global Banking & Markets

Sales and Trading Revenue

Sales and trading revenue is segregated into fixed income including investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), swaps and collateralized debt obligations (CDOs); currencies including interest rate and foreign exchange contracts; commodities including primarily futures, forwards and options; and equity income from equity-linked derivatives and cash equity activity. For additional information on sales and trading revenue, see Note 4 – Derivatives to the Consolidated Financial Statements.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Sales and trading revenue [1]				
Fixed income, currencies and commodities	$1,820	$3,478	$8,145	$11,188
Equity income	960	966	3,308	3,369
Total sales and trading revenue	$2,780	$4,444	$11,453	$14,557

(1) Includes $44 million and $147 million of net interest income on a FTE basis for the three and nine months ended September 30, 2011 as compared to $65 million and $213 million for the same periods in 2010.

Fixed income, currencies and commodities (FICC) revenue decreased $1.7 billion, or 48 percent, to $1.8 billion for the three months ended September 30, 2011 compared to the same period in 2010 driven primarily by declines in our credit and mortgage products businesses due to lower client activity and adverse market conditions, partially offset by DVA gains. Equity income of $960 million, which remained relatively unchanged for the three months ended September 30, 2011 compared to the same period in 2010, was impacted by lower trading revenue in equity derivatives. Sales and trading revenue included total commissions and brokerage fee revenue of $610 million ($574 million from equities and $36 million from FICC) for the three months ended September 30, 2011 compared to $560 million ($532 million from equities and $28 million from FICC) for the same period in 2010.

FICC revenue decreased $3.0 billion, or 27 percent, to $8.1 billion for the nine months ended September 30, 2011 compared to the same period in 2010 primarily due to lower client activity and adverse market conditions impacting our mortgage products, credit, and rates and currencies businesses, partially offset by DVA gains. Equity income of $3.3 billion remained relatively unchanged for the nine months ended September 30, 2011 compared to the same period in 2010 with an increase in commission revenue offsetting lower equity derivative trading volumes. Sales and trading revenue included total commissions and brokerage fee revenue of $1.9 billion ($1.8 billion from equities and $111 million from FICC) for the nine months ended September 30, 2011 compared to $1.8 billion ($1.7 billion from equities and $128 million from FICC) for the same period in 2010.

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we completely exited our proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. There was no proprietary trading revenue for the three months ended September 30, 2011 compared to $323 million for the same period in 2010. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.2 billion for the nine months ended September 30, 2010. For additional information on restrictions on proprietary trading, see Financial Reform Act – Limitations on Proprietary Trading on page 68.

Sales and trading revenue may continue to be adversely affected by lower client activity and adverse market conditions as a result of, among other things, the European sovereign debt crisis, uncertainty regarding the outcome of the evolving domestic regulatory landscape, our credit ratings and market volatility.

Table of Contents

Investment Banking Fees

Product specialists within GBAM provide advisory services, and underwrite and distribute debt and equity issuances and other loan products. The table below presents total investment banking fees for GBAM which represents a majority of the Corporation's total investment banking income, with the remainder reported in GWIM and Global Commercial Banking.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Investment banking fees [1]				
Advisory [2]	$273	$273	$973	$682
Debt issuance	479	743	2,158	2,252
Equity issuance	296	290	1,065	889
Total investment banking fees	$1,048	$1,306	$4,196	$3,823

(1) Includes self-led deals.
(2) Advisory includes fees on debt and equity advisory services and mergers and acquisitions.

Investment banking fees, including self-led deals, decreased $258 million for the three months ended September 30, 2011 compared to the same period in 2010 mainly due to weakening markets for debt and equity issuances as a result of market uncertainty and a decrease in global fee pools. Investment banking fees increased $373 million for the nine months ended September 30, 2011 compared to the same period in 2010 reflecting strong performance across advisory services as well as equity issuances in the first half of 2011 compared to the same period in 2010.

Global Corporate Banking

Client relationship teams along with product partners work with our customers to provide a wide range of lending-related products and services, integrated working capital management and treasury solutions through the Corporation's global network of offices. The table below presents total revenue, net of interest expense, total average deposits and loans and leases for Global Corporate Banking.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Global Corporate Banking				
Business Lending	$792	$778	$2,416	$2,523
Global Treasury Services	602	545	1,831	1,681
Total revenue, net of interest expense	$1,394	$1,323	$4,247	$4,204
Total average deposits	$114,061	$89,382	$109,187	$87,673
Total average loans and leases	101,288	80,756	93,914	80,743

Global Corporate Banking revenues of $1.4 billion and $4.2 billion for the three and nine months ended September 30, 2011 remained in line with the same periods in 2010. Business Lending revenues remained relatively unchanged for the three months ended September 30, 2011 but declined $107 million for the nine months ended September 30, 2011 compared to the same periods in 2010 as growth in loan volumes was offset by lower purchase accounting accretion in the portfolio because prior periods included the impact of prepayments. Global Treasury Services revenues increased $57 million and $150 million for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as growth in U.S. and non-U.S. deposit volumes was partially offset by a challenging rate environment.

Global Corporate Banking average deposits increased 28 percent and 25 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as balances continued to grow due to clients' excess liquidity and limited alternative investment options. Average loan and lease balances in Global Corporate Banking increased 25 percent and 16 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 due to expansion in commercial loans and non-U.S. trade finance portfolios driven by continuing international demand and improved domestic momentum.

Table of Contents

Collateralized Debt Obligation Exposure

CDO vehicles hold diversified pools of fixed-income securities and issue multiple tranches of debt securities including commercial paper, and mezzanine and equity securities. Our CDO-related exposure can be divided into funded and unfunded super senior liquidity commitment exposure and other super senior exposure (i.e., cash positions and derivative contracts). For more information on our CDO positions, see Note 8 – Securitizations and Other Variable Interest Entities to the Consolidated Financial Statements. Super senior exposure represents the most senior class of notes that are issued by the CDO vehicles and benefits from the subordination of all other securities issued by the CDO vehicles. In the three and nine months ended September 30, 2011, we recorded losses of $70 million and $72 million from our CDO-related exposure compared to losses of $64 million and $669 million for the same periods in 2010.

At September 30, 2011, our super senior CDO exposure before consideration of insurance, net of write-downs, was $706 million, comprised of $420 million in trading account assets and $286 million in available-for-sale (AFS) debt securities, compared to $2.0 billion, comprised of $1.3 billion in trading account assets and $675 million in AFS debt securities at December 31, 2010. Of our super senior CDO exposure at September 30, 2011, $254 million was hedged and $452 million was unhedged compared to $772 million hedged and $1.2 billion unhedged at December 31, 2010. At September 30, 2011, there were no unrealized losses recorded in accumulated OCI on super senior cash positions and retained positions from liquidated CDOs compared to $466 million at December 31, 2010. The decline was the result of sales of ABS CDOs and impairment charges recorded during the nine-month period.

Excluding amounts related to transactions with a single counterparty, which were transferred to other assets as discussed below, the following table presents our original total notional, mark-to-market receivable and credit valuation adjustment for credit default swaps and other positions with monolines. The receivable for super senior CDOs at December 31, 2010 reflects hedge gains recorded from inception of the contracts in connection with write-downs on super senior CDOs.

Credit Default Swaps with Monoline Financial Guarantors

	September 30, 2011			December 31, 2010		
(Dollars in millions)	Super Senior CDOs	Other Guaranteed Positions	Total	Super Senior CDOs	Other Guaranteed Positions	Total
Notional	$—	$22,079	$22,079	$3,241	$35,183	$38,424
Mark-to-market or guarantor receivable	$—	$1,933	$1,933	$2,834	$6,367	$9,201
Credit valuation adjustment	—	(500)	(500)	(2,168)	(3,107)	(5,275)
Total	$—	$1,433	$1,433	$666	$3,260	$3,926
Credit valuation adjustment %	—%	26%	26%	77%	49%	57%
(Losses) gains	$—	$54	$54	$(386)	$362	$(24)

Total monoline exposure, net of credit valuation adjustments, decreased $2.5 billion compared to December 31, 2010 driven by terminated monoline contracts and the reclassification of certain exposures. During the three months ended September 30, 2011, we terminated all of our monoline contracts referencing super senior ABS CDOs. In addition, we reclassified approximately $1.6 billion ($4.3 billion gross receivable less impairment) of net monoline exposure from derivative assets to other assets, which was previously included in other guaranteed positions, because of the inherent default risk and given that these contracts no longer provide a hedge benefit, they are no longer considered derivative trading instruments. This exposure relates to a single counterparty and is recorded at fair value based on current net recovery projections. The net recovery projections take into account the present value of projected payments expected to be received from the counterparty.

With the Merrill Lynch acquisition, we acquired a loan with a current carrying value of $3.5 billion as of September 30, 2011, down from $4.2 billion at December 31, 2010 primarily due to paydowns, that is collateralized by U.S. super senior ABS CDOs. The loan is recorded in All Other and all scheduled payments on the loan have been received to date. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity. Collateral for the loan is excluded from our CDO exposure. The loan matures in September 2023.

Table of Contents

Global Wealth & Investment Management

(Dollars in millions)	Three Months Ended September 30 2011	2010	% Change	Nine Months Ended September 30 2011	2010	% Change
Net interest income [1]	$1,411	$1,345	5 %	$4,551	$4,252	7 %
Noninterest income:						
Investment and brokerage services	2,364	2,091	13	7,120	6,394	11
All other income	455	462	(2)	1,541	1,482	4
Total noninterest income	2,819	2,553	10	8,661	7,876	10
Total revenue, net of interest expense	4,230	3,898	9	13,212	12,128	9
Provision for credit losses	162	127	28	280	491	(43)
Noninterest expense	3,516	3,345	5	10,746	9,737	10
Income before income taxes	552	426	30	2,186	1,900	15
Income tax expense [1]	205	157	31	800	878	(9)
Net income	$347	$269	29	$1,386	$1,022	36
Net interest yield [1]	2.06 %	2.18 %		2.23 %	2.38 %	
Return on average equity	7.72	5.91		10.42	7.58	
Return on average economic capital [2]	19.66	15.84		26.63	20.12	
Efficiency ratio [1]	83.12	85.81		81.34	80.29	
Balance Sheet						
Average						
Total loans and leases	$102,785	$99,103	4	$101,952	$98,920	3
Total earning assets	270,973	245,146	11	272,289	238,608	14
Total assets	290,765	265,641	9	292,359	259,587	13
Total deposits	255,660	234,807	9	256,455	227,613	13
Allocated equity	17,839	18,039	(1)	17,783	18,015	(1)
Economic capital [2]	7,148	7,264	(2)	7,075	7,227	(2)
Period end				September 30 2011	December 31 2010	
Total loans and leases				$102,361	$100,724	2
Total earning assets				260,706	275,260	(5)
Total assets				280,686	296,251	(5)
Total deposits				251,027	257,982	(3)

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Increases in ratios resulted from higher net income and a decrease in economic capital. Economic capital decreased modestly due to improvements in interest rate risk due to changes in the composition of client balances. For additional information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 21.

GWIM consists of three primary businesses: Merrill Lynch Global Wealth Management (MLGWM); U.S. Trust, Bank of America Private Wealth Management (U.S. Trust); and Retirement Services.

MLGWM's advisory business provides a high-touch client experience through a network of more than 16,500 financial advisors focused on clients with over $250,000 in total investable assets. MLGWM provides tailored solutions to meet our clients' needs through a full set of brokerage, banking and retirement products in both domestic and international locations.

U.S. Trust, together with MLGWM's Private Banking & Investments Group, provides comprehensive wealth management solutions targeted at wealthy and ultra-wealthy clients with investable assets of more than $5 million, as well as customized solutions to meet clients' wealth structuring, investment management, trust and banking needs, including specialty asset management services.

Table of Contents

Retirement Services partners with financial advisors to provide institutional and personal retirement solutions including investment management, administration, recordkeeping and custodial services for 401(k), pension, profit-sharing, equity award and non-qualified deferred compensation plans. Retirement Services also provides comprehensive investment advisory services to individuals, small to large corporations and pension plans.

GWIM results also include the BofA Global Capital Management business which is comprised primarily of the cash and liquidity asset management business that was retained following the sale of the Columbia Management long-term asset management business in May 2010.

For the three and nine months ended September 30, 2011, revenue from MLGWM was $3.4 billion and $10.5 billion, up eight percent and 12 percent compared to the same periods in 2010 driven by an increase in asset management fees due to higher market levels and long-term AUM inflows, as well as higher net interest income. Revenue from U.S. Trust was $682 million and $2.1 billion, down one percent for the three months due to lower net interest income offset by increased noninterest income, and up four percent for the nine months driven by higher asset management fees primarily from improved market levels and higher net interest income compared to the same periods in the prior year. Revenue from Retirement Services was $262 million and $807 million, up eight percent and 11 percent compared to the same periods in the prior year driven by higher investment and brokerage services income due primarily to higher market valuations, as well as higher net interest income.

GWIM results are impacted by the migration of clients and their related deposit and loan balances to or from Deposits, CRES and the ALM portfolio, as presented in the table below. Migration in the current year includes the additional movement of balances to Merrill Edge, which is in Deposits. Subsequent to the date of the migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

Migration Summary

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Average				
Total deposits — GWIM from / (to) Deposits	$(2,195)	$4,335	$(1,870)	$2,437
Total loans — GWIM to CRES and the ALM portfolio	(231)	(1,502)	(139)	(1,338)
Period end				
Total deposits — GWIM from / (to) Deposits	$(512)	$2,681	$(2,565)	$4,712
Total loans — GWIM to CRES and the ALM portfolio	(65)	(122)	(254)	(1,552)

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $78 million, or 29 percent, to $347 million driven by higher revenue, partially offset by higher noninterest expense and credit costs. Net interest income increased $66 million, or five percent, to $1.4 billion driven by the $20.9 billion increase in average deposits partially offset by the impact of the current interest rate environment. Noninterest income increased $266 million, or 10 percent, to $2.8 billion primarily due to higher asset management fees from higher market levels and inflows into long-term AUM. Provision for credit losses increased $35 million to $162 million driven by increased reserves in the residential mortgage portfolio. Noninterest expense increased $171 million, or five percent, to $3.5 billion driven by higher revenue-related expenses and personnel costs associated with the continued build-out of the business.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income increased $364 million, or 36 percent, to $1.4 billion driven by higher revenue as well as lower credit costs, partially offset by higher noninterest expense. Net interest income increased $299 million, or seven percent, to $4.6 billion driven by the $28.8 billion increase in average deposits partially offset by the impact of the current interest rate environment. Noninterest income increased $785 million, or 10 percent, to $8.7 billion due to higher asset management fees from higher market levels and inflows into long-term AUM as well as higher transactional revenue. The provision for credit losses decreased $211 million to $280 million driven by improving portfolio trends in the home equity and commercial portfolios. The increase in noninterest expense of $1.0 billion was driven by the same factors as described in the three-month discussion above.

Table of Contents

Client Balances

The table below presents client balances which consist of AUM, client brokerage assets, assets in custody, client deposits, and loans and leases. The decrease in client balances was driven by lower market levels reflected in an 11 percent drop in the S&P 500 Index at September 30, 2011 compared to December 31, 2010 and outflows in liquidity AUM and brokerage assets; partially offset by inflows into long-term AUM.

Client Balances by Type

(Dollars in millions)	September 30 2011	December 31 2010
Assets under management	$ 616,899	$ 643,343
Brokerage assets	986,718	1,064,516
Assets in custody	106,293	114,721
Deposits	251,027	257,982
Loans and leases	102,361	100,724
Total client balances	$ 2,063,298	$ 2,181,286

Table of Contents

All Other

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2011	2010	% Change	2011	2010	% Change
Net interest income [1]	$6	$842	(99)%	$1,376	$2,766	(50)%
Noninterest income:						
Card Income	72	148	(51)	375	457	(18)
Equity investment income	1,382	266	n/m	3,930	3,050	29
Gains on sales of debt securities	697	794	(12)	1,996	1,455	37
All other income (loss)	4,112	(807)	n/m	3,234	279	n/m
Total noninterest income	6,263	401	n/m	9,535	5,241	82
Total revenue, net of interest expense	6,269	1,243	n/m	10,911	8,007	36
Provision for credit losses	1,373	440	n/m	5,380	4,186	29
Merger and restructuring charges	176	421	(58)	537	1,450	(63)
All other noninterest expense	486	547	(11)	2,618	3,049	(14)
Income (loss) before income taxes	4,234	(165)	n/m	2,376	(678)	n/m
Income tax benefit [1]	(500)	(523)	(4)	(1,191)	(1,586)	(25)
Net income	$4,734	$358	n/m	$3,567	$908	n/m
Balance Sheet						
Average						
Total loans and leases	$286,753	$268,056	7	$287,627	$281,478	2
Total assets [2]	202,664	244,545	(17)	210,968	307,158	(31)
Total deposits	52,853	55,466	(5)	50,367	72,206	(30)
Allocated equity [3]	67,003	38,908	72	68,925	31,659	118
Period end				September 30 2011	December 31 2010	
Total loans and leases				$274,269	$285,087	(4)
Total assets [2]				201,576	208,602	(3)
Total deposits				52,947	40,142	32

(1) FTE basis

(2) Represents consolidated total assets which, for certain segments, may include assets allocated to match liabilities (i.e., deposits) and allocated equity. Such allocated assets were $661.7 billion and $667.8 billion for the three and nine months ended September 30, 2011 compared to $625.5 billion and $604.0 billion for the same periods in 2010, and $623.9 billion and $645.8 billion at September 30, 2011 and December 31, 2010.

(3) Represents the economic capital assigned to All Other as well as the remaining portion of equity not specifically allocated to the segments. Allocated equity increased due to excess capital not being assigned to the business segments.

All Other consists of two broad groupings, Equity Investments and Other. Equity Investments includes GPI, Strategic and other investments, and Corporate Investments. Other includes liquidating businesses, merger and restructuring charges, ALM functions (i.e., residential mortgage portfolio and investment securities) and related activities (i.e., economic hedges and fair value option on structured liabilities), the impact of certain allocation methodologies and any accounting hedge ineffectiveness. Other also includes certain residential mortgage and discontinued real estate loans that are managed by Legacy Asset Servicing within CRES. During the third quarter of 2011, we announced an agreement to sell our consumer card business in Canada and intention to exit our consumer card businesses in Europe. In light of these actions, the international consumer card results were moved to All Other from Card Services and prior periods have been reclassified. For additional information on the other activities included in All Other, see Note 26 – Business Segment Information to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K.

Table of Contents

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

All Other reported net income of $4.7 billion compared to net income of $358 million due to higher revenue and lower noninterest expense partially offset by higher provision for credit losses. Revenue increased $5.0 billion primarily due to positive fair value adjustments of $4.5 billion on structured liabilities related to significant widening of our credit spreads in the quarter, compared to negative fair value adjustments of $190 million in the same period in 2010. Equity investment income increased by $1.1 billion and included a gain of $3.6 billion on the sale of approximately half of our investment in CCB offset by losses in GPI of $1.6 billion and an impairment write-down of $630 million on our merchant services joint venture. Net interest income decreased primarily due to hedge ineffectiveness. See Note 4 – Derivatives to the Consolidated Financial Statements for additional information. The decrease of $306 million in noninterest expense was primarily the result of a $245 million decrease in merger and restructuring charges. In addition, the year-ago period included a $592 million charge related to PPI claims in the U.K. in our international consumer card business.

Provision for credit losses increased $933 million to $1.4 billion driven primarily by a slower pace of improvement in the residential mortgage portfolio and with projected losses in the non-U.S. credit card portfolio.

The income tax benefit was $500 million compared to a benefit of $523 million for the same period in 2010. The current-period tax benefit reflects the impact of the valuation allowance reduction, a benefit for capital loss deferred tax assets recognized in connection with the liquidation of certain subsidiaries and recurring tax preference items such as tax-exempt income and affordable housing credits.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

All Other reported net income of $3.6 billion compared to net income of $908 million due to the same factors as described above in the three-month period including positive fair value adjustments of $4.1 billion on structured liabilities compared to positive fair value adjustments of $1.2 billion in the same period in 2010. Equity investment income increased by $880 million as a result of the CCB gain partially offset by $1.1 billion of impairment write-downs on our merchant services joint venture and a decrease of $1.3 billion in GPI income, largely as a result of a gain on the sale of a strategic equity investment during the same period in 2010.

Provision for credit losses increased $1.2 billion to $5.4 billion driven by reserve additions to the Countrywide PCI discontinued real estate and residential mortgage portfolios and higher credit costs related to the non-PCI residential mortgage portfolio due to the impact of refreshed valuations of underlying collateral.

The income tax benefit was $1.2 billion compared to a benefit of $1.6 billion for the same period in 2010 driven by the same factors as described in the three-month discussion above, as well as by the effect of those net tax benefits on the level of the year-to-date pre-tax income.

Table of Contents

Equity Investment Activity

The tables below present the components of the equity investments in All Other at September 30, 2011 and December 31, 2010, and also a reconciliation to the total consolidated equity investment income for the three and nine months ended September 30, 2011 and 2010.

Equity Investments

(Dollars in millions)	September 30 2011	December 31 2010
Global Principal Investments	$6,885	$11,640
Strategic and other investments	7,774	22,545
Total equity investments included in All Other	$14,659	$34,185

Equity Investment Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Global Principal Investments	$(1,578)	$44	$183	$1,433
Strategic and other investments	2,960	216	3,747	1,916
Corporate Investments	—	6	—	(299)
Total equity investment income included in All Other	1,382	266	3,930	3,050
Total equity investment income included in the business segments	64	91	203	698
Total consolidated equity investment income	$1,446	$357	$4,133	$3,748

Equity investments included in All Other decreased $19.5 billion during the nine months ended September 30, 2011. The decrease is consistent with our continued efforts to reduce non-core assets including reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from regulatory capital. For more information, see Capital Management – Regulatory Capital Changes on page 73.

GPI is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. GPI had unfunded equity commitments of $878 million and $1.4 billion at September 30, 2011 and December 31, 2010 related to certain of these investments. The decrease of $4.7 billion in GPI for the nine months ended September 30, 2011 was due to the sale of assets within certain GPI portfolios.

Strategic and other investments included in All Other decreased $14.8 billion during the nine months ended September 30, 2011. The decrease was primarily the result of our sale of investments in CCB and Blackrock during 2011. During the three months ended September 30, 2011, we sold 13.1 billion common shares, or approximately half of our investment in CCB in a private transaction with a group of investors. In connection with the sale, we recorded a gain of $3.6 billion. At September 30, 2011 and December 31, 2010, we owned 12.5 billion and 25.6 billion shares and our investment had a fair value of $7.7 billion and $20.8 billion. In the nine months ended September 30, 2011, we recorded a $836 million dividend on our investment in CCB compared to $535 million in the same period in 2010. Also in the nine months ended September 30, 2011, we sold our investment in BlackRock, resulting in a $377 million gain and recorded $1.1 billion of impairment write-downs on our merchant services joint venture, including $630 million in the three months ended September 30, 2011. After the transfer of the merchant services joint venture to Global Commercial Banking during 2011, the impairment write-downs were recorded in All Other. The impairment write-downs were based on the ongoing financial performance of the joint venture and updated forecasts of its long-term financial performance. During 2010, the $2.7 billion Corporate Investments equity securities portfolio, which consisted of highly liquid publicly-traded equity securities, was sold resulting in a loss of $331 million.

Table of Contents

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into a number of off-balance sheet commitments including commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For additional information on our obligations and commitments, see Note 11 – Commitments and Contingencies to the Consolidated Financial Statements, page 51 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K, as well as Note 13 – Long-term Debt and Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K.

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of MBS guaranteed by the GSEs or by Government National Mortgage Association (GNMA) in the case of the FHA-insured, U.S. Department of Veterans Affairs (VA) -guaranteed and Rural Housing Service-guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities issued), or in the form of whole loans. In connection with these transactions, we or our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, HUD with respect to FHA-insured loans, VA, whole-loan buyers, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In such cases, we would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance or mortgage guaranty payments that we may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan buyer, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor at any time. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, in the loan, or of the monoline insurer or other financial guarantor (as applicable). Contracts with the GSEs do not contain an equivalent requirement, while GNMA generally limits repurchases to loans that are not insured or guaranteed as required.

For additional information about accounting for representations and warranties and our representations and warranties claims and exposures, see Recent Events – Private-label Securitization Settlement with the Bank of New York Mellon, Complex Accounting Estimates – Representations and Warranties, Note 9 – Representations and Warranties Obligations and Corporate Guarantees and Note 11 – Commitments and Contingencies to the Consolidated Financial Statements, Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 and Item 1A. Risk Factors of the Corporation's 2010 Annual Report on Form 10-K.

Representations and Warranties Bulk Settlement Actions

Beginning in the fourth quarter of 2010, we have settled, or entered into agreements to settle, certain bulk representations and warranties claims with a trustee for certain legacy Countrywide private-label securitization trusts (the BNY Mellon Settlement), a monoline insurer (the Assured Guaranty Settlement) and with each of the GSEs (the GSE Agreements). We have contested, and will continue to vigorously contest any request for repurchase when we conclude that a valid basis for repurchase does not exist. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with the above referenced counterparties in lieu of a loan-by-loan review process. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. For a summary of the significant settlement actions we have taken beginning in the fourth quarter of 2010 and the related impact on the representations and warranties provision and liability see Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. As indicated in Note 9 – Representations and Warranties Obligations and Corporate Guarantees and Note 11 – Commitments and Contingencies to the Consolidated Financial Statements, these bulk settlements generally do not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

Table of Contents

Recent Developments Related to the BNY Mellon Settlement

The BNY Mellon Settlement is subject to final court approval and certain other conditions. Under an order entered by the court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the BNY Mellon Settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both filed notices of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware, the FDIC and the Federal Housing Finance Agency. These motions have not yet been ruled on by the court. Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement, including challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the Covered Trusts, while other motions do not make substantive objections but state that they need more information about the settlement. A number of investors opposed to the settlement removed the proceeding to federal court. On October 19, 2011, the federal court denied BNY Mellon's motion to remand the proceeding to state court, and BNY Mellon, as well as investors that have intervened in support of the BNY Mellon Settlement, have petitioned to appeal the denial of this motion.

It is not currently possible to predict how many of the parties who have appeared in the court proceeding will ultimately object to the BNY Mellon Settlement, whether the objections will prevent receipt of final court approval or the ultimate outcome of the court approval process, which can include appeals and could take a substantial period of time. In particular, the conduct of discovery and the resolution of the objections to the settlement and any appeals could also take a substantial period of time and these factors, along with the recent removal of the proceedings to federal court, could materially delay the timing of final court approval. Accordingly, it is not possible to predict when the court approval process will be completed.

If final court approval is not obtained by December 31, 2015, we and legacy Countrywide may withdraw from the BNY Mellon Settlement, if the Trustee consents. The BNY Mellon Settlement also provides that if Covered Trusts representing unpaid principal balance exceeding a specified amount are excluded from the final BNY Mellon Settlement, based on investor objections or otherwise, we and legacy Countrywide have the option to withdraw from the BNY Mellon Settlement pursuant to the terms of the BNY Mellon Settlement agreement.

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if we and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals described under Experience with Investors Other than Government-sponsored Enterprises on page 63. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

Unresolved Claims Status

At September 30, 2011, our total unresolved repurchase claims were approximately \$11.7 billion compared to \$10.7 billion at December 31, 2010. These repurchase claims include \$1.7 billion in demands from investors in the Covered Trusts received in the third quarter of 2010 but otherwise do not include any repurchase claims related to the Covered Trusts. The increase in unresolved claims is primarily attributable to \$10.9 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $711 million in repurchase claims received from trustees in non-GSE transactions. The high level of new claims was partially offset by the resolution of claims with the GSEs and the resolution of certain monoline claims through the Assured Guaranty Settlement. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. For additional information concerning FHA-insured loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income (loss). 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, estimated home prices, other economic conditions, estimated probability that a repurchase claim will be received, consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that a loan will be required to be repurchased as well as other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of

Table of Contents

counterparty, as we believe appropriate. In the case of private-label securitizations, our estimate considers implied repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. The estimate of the liability for representations and warranties is based on currently available information, significant judgment and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on our results of operations for any particular period.

At September 30, 2011 and December 31, 2010, the liability was $16.3 billion and $5.4 billion. For the three and nine months ended September 30, 2011, the provision for representations and warranties and corporate guarantees was $278 million and $15.3 billion compared to $872 million and $2.6 billion for the same periods in 2010. Of the $15.3 billion provision recorded in the nine months ended September 30, 2011, $8.6 billion was attributable to the BNY Mellon Settlement and $6.7 billion was attributable to other non-GSE exposures, and to a lesser extent, GSE exposures. The BNY Mellon Settlement led to the determination that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations. This determination, combined with changes in our experience with the behavior of certain counterparties, including the GSEs was the driver of this additional provision in the first nine months of 2011. The provision in the three months ended September 30, 2011 was related primarily to the GSEs and is based upon results of our ongoing evaluation of the GSE behavior, which is continually evolving and considers, among other things, increased levels of claims from one of the GSEs in recent periods relative to historical claims. Additionally, a significant factor in the estimate of the liability for losses is repurchase rates, which increased in the three and nine months ended September 30, 2011. Future provisions associated with obligations under representations and warranties made to the GSEs may be materially impacted if actual results are different from our assumptions as discussed below.

Estimated Range of Possible Loss

Government-sponsored Enterprises

Our estimated liability for obligations under representations and warranties with respect to the GSEs is necessarily dependent on, and limited by, our historical claims experience with the GSEs and reflects current developments, including the GSEs' current interpretations of the GSE Agreements and recent GSE behavior, projections of future defaults as well as certain other assumptions regarding economic conditions, home prices and other factors. The behavior of the GSEs is continually evolving which impacts our estimated repurchase rates and liability. Notably, in recent periods we have been experiencing elevated levels of new claims, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans on which a substantial period has elapsed since default, in each case, in numbers that were not expected based on historical experience, and the criteria on which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to us. In addition, the recent FNMA announcement regarding mortgage insurance rescissions, cancellations and claim denials, including a purported ban on bulk settlements with mortgage insurers that provide for loss sharing in lieu of rescission, could result in increased repurchase requests from FNMA that exceed the repurchase requests contemplated by our estimated liability. Accordingly, future provisions associated with obligations under representations and warranties made to the GSEs may be materially impacted if actual results are different from our assumptions regarding projected future defaults, estimated home prices, other economic conditions and other factors, including the behavior of the GSEs and estimated repurchase rates. Repurchase requests and resolution processes with the GSEs have become increasingly inconsistent with our interpretation of our contractual obligations. We continue to evaluate our relationship with the GSEs. We intend to continue to closely monitor these changing behaviors and to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs.

As the GSEs' behavior is continually evolving, we are not able to anticipate changes in the behavior of the GSEs from our past experiences. Therefore, it is not possible to reasonably estimate a possible loss or range of possible loss with respect to any such potential impact in excess of current accruals on future GSE provisions. See Complex Accounting Estimates – Representations and Warranties on page 138 for information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties.

Non-Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated principally in the 2004 through 2008 vintage. For the remainder of the population of private-label securitizations, we believe it is probable that other claimants may come forward with claims that meet the requirements of the terms of the securitizations. We have seen an increased trend in requests for loan files from private-label securitization trustees and an increase in repurchase claims from private-label securitization trustees that meet the required standards. We believe that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in the three and nine months ended September 30, 2011, have provided for a substantial portion of our non-GSE repurchase claims. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole loan and other private-label securitization exposures. We currently estimate that the range of possible loss related to non-GSE representations and warranties exposure as of September 30, 2011 could be up to $5 billion over existing accruals. This estimate of the range of possible loss for non-GSE representations and warranties does not represent a probable loss, is based on currently available information, significant judgment, and a number of assumptions, including those set forth below, that are subject to change.

The methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss considers a variety of factors including our experience related to actual defaults, projected future defaults, historical loss experience, estimated home prices and other economic conditions. Among the factors that impact the non-GSE representations and warranties liability and the corresponding estimated range of possible loss are: (1) contractual loss causation requirements, (2) the representations and warranties provided, and (3) the requirement to meet certain presentation thresholds. The first factor is based on our belief that a non-GSE contractual liability to repurchase a loan generally arises only if the counterparties prove there is a breach of representations and warranties that materially and adversely affects the interest of the investor or all investors, or the monoline insurer (as applicable), in a securitization trust and, accordingly, we believe that the repurchase claimants must prove that the alleged representations and warranties breach was the cause of the loss. The second factor is related to the fact that non-GSE securitizations include different types of representations and warranties than those provided to the GSEs. We believe the non-GSE securitizations' representations and warranties are less rigorous and actionable than the explicit provisions of the comparable agreements with the GSEs without regard to any variations that may have arisen as a result of dealings with the GSEs. The third factor is related to the fact that certain presentation thresholds need to be met in order for any repurchase claim to be asserted under the non-GSE agreements. A securitization trustee may investigate or demand repurchase on its own action, and most agreements contain a threshold, for example 25 percent of the voting rights per trust, that allows investors to declare a servicing event of default under certain circumstances or to request certain action, such as requesting loan files, that the trustee may choose to accept and follow, exempt from liability, provided the trustee is acting in good faith. If there is an uncured servicing event of default, and the trustee fails to bring suit during a 60-day period, then, under most agreements, investors may file suit. In addition to this, most agreements also allow investors to direct the securitization trustee to investigate loan files or demand the repurchase of loans, if security holders hold a specified percentage, for example, 25 percent, of the voting rights of each tranche of the outstanding securities.

Although we continue to believe that presentation thresholds are a factor in the determination of probable loss, given the BNY Mellon Settlement, the upper end of the estimated range of possible loss assumes that the presentation threshold can be met for all of the non-GSE securitization transactions. In addition, in the case of private-label securitizations, our estimate considers implied repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. For additional information about the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual results are different from our assumptions in our predictive models, including, without limitation, those regarding ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, home prices, consumer and counterparty behavior, and a variety of judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and this estimated range of possible loss. For example, if courts were to disagree with our interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. For additional information, see Note 11 –

Commitments and Contingencies to the Consolidated Financial Statements. Additionally, if recent court rulings related to monoline litigation, including one related to us, that have allowed sampling of loan files instead of a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative as compared to a loan-by-loan review. Finally, although we believe that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, we do not have significant loan-level experience to measure the impact of these differences on the probability that a loan will be required to be repurchased.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures do not include any losses related to litigation matters disclosed in Note 11 – Commitments and Contingencies to the Consolidated Financial Statements, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any possible losses related to potential claims for breaches of performance of servicing obligations, potential securities law or fraud claims or potential indemnity or other claims against us. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law (except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in Note 11 – Commitments and Contingencies to the Consolidated Financial Statements), fraud or other claims against us; however, such loss could be material.

Table of Contents

Government-sponsored Enterprises Experience

Our current repurchase claims experience with the GSEs is predominantly concentrated in the 2004 through 2008 origination vintages where we believe that our exposure to representations and warranties liability is most significant. Our repurchase claims experience related to loans originated prior to 2004 has not been significant and we believe that the changes made to our operations and underwriting policies have reduced our exposure related to loans originated after 2008. The cumulative repurchase claims for 2007 originations exceed all other vintages as the volume of loans originated in 2007 was significantly higher than any other vintage which, together with the high delinquency level in this vintage, contributes to the high level of repurchase claims compared to the other vintages.

Bank of America and legacy Countrywide sold approximately $1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of September 30, 2011, 11 percent of the loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 64 percent of severely delinquent or defaulted loans. Through September 30, 2011, we have received $30.9 billion in repurchase claims associated with these vintages, representing approximately three percent of the loans sold to the GSEs in these vintages. Including the agreement reached with FNMA on December 31, 2010, we have resolved $25.5 billion of these claims with a net loss experience of approximately 30 percent. The claims resolved and the loss rate do not include $839 million in claims extinguished as a result of the agreement with FHLMC due to the global nature of the agreement and, specifically, the absence of a formal apportionment of the agreement amount between current and future claims. Our collateral loss severity rate on approved repurchases has averaged approximately 45 to 55 percent.

Table 14 highlights our experience with the GSEs related to loans originated from 2004 through 2008. The increase in unresolved claims is primarily attributable to $10.9 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $711 million in repurchase claims received from trustees in non-GSE transactions. The high level of new claims was partially offset by the resolution of claims with the GSEs and the resolution of certain monoline claims through the Assured Guaranty Settlement.

Table 14
Overview of GSE Balances - 2004-2008 Originations

(Dollars in billions)	Legacy Originator			
	Countrywide	Other	Total	Percent of total
Original funded balance	$846	$272	$1,118	
Principal payments	(442)	(149)	(591)	
Defaults	(49)	(7)	(56)	
Total outstanding balance at September 30, 2011	$355	$116	$471	
Outstanding principal balance 180 days or more past due (severely delinquent)	$54	$13	$67	
Defaults plus severely delinquent	103	20	123	
Payments made by borrower:				
Less than 13			$15	12 %
13-24			30	24
25-36			34	28
More than 36			44	36
Total payments made by borrower			$123	100 %
Outstanding GSE pipeline of representations and warranties claims (all vintages)				
As of December 31, 2010			$2.8	

As of September 30, 2011	4.8
Cumulative GSE representations and warranties losses (2004-2008 vintages)	$8.8

Our repurchase experience with the GSEs continues to evolve and their repurchase requests and resolution processes have become increasingly inconsistent with our interpretation of our contractual obligations. Notably, in recent periods we have been experiencing elevated levels of new claims, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case, in numbers that were not expected based on historical experience, and the criteria by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to us. We intend to continue to closely monitor and update our processes related to these changing behaviors and intend to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs.

Table of Contents

FNMA recently issued an announcement requiring servicers to report, effective October 1, 2011, all mortgage insurance rescissions, cancellations and claim denials with respect to loans sold to FNMA. The announcement also confirmed FNMA's view of its position that a mortgage insurance company's issuance of a rescission, cancellation notice or claim denial constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the mortgage insurer's rescission cancellation or claim denial. The announcement also included a ban on bulk settlements with mortgage insurers that provide for loss sharing in lieu of rescission. Through June 30, 2012, lenders have 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. To be successful in its appeal, a lender must provide documentation confirming reinstatement or continuation of coverage according to the FNMA announcement. This announcement could result in more repurchase requests from FNMA than the assumptions in our estimated liability contemplate. We also expect that in many cases (particularly in the context of litigation), we will not be able to resolve rescissions, cancellations or claim denials with the mortgage insurance companies before the expiration of the appeal period allowed by FNMA. We have informed FNMA that we do not believe that the new policy is valid under the relevant contracts, and that we do not intend to repurchase loans under the terms set forth in the new policy. Accordingly, our pipeline of unresolved repurchase claims may increase and, if we are required to abide by the terms of the new policy, our representations and warranties liability may increase.

Experience with Investors Other than Government-sponsored Enterprises

In prior years, legacy companies and certain subsidiaries have sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. As detailed in Table 15, legacy companies and certain subsidiaries sold loans originated from 2004 through 2008 with an original principal balance of $963 billion to investors other than GSEs, of which approximately $499 billion in principal has been paid and $234 billion has defaulted or are severely delinquent at September 30, 2011.

As it relates to private-label securitizations, a contractual liability to repurchase mortgage loans generally arises only if counterparties prove there is a breach of the representations and warranties that materially and adversely affects the interest of the investor or all investors in a securitization trust or of the monoline insurer or other financial guarantor (as applicable). We believe that the longer a loan performs, the less likely it is that an alleged representations and warranties breach had a material impact on the loan's performance or that a breach even exists. Because the majority of the borrowers in this population would have made a significant number of payments if they are not yet 180 days or more past due, we believe that the principal balance at the greatest risk for repurchase claims in this population of private-label securitization investors is a combination of loans that have already defaulted and those that are currently severely delinquent. Additionally, the obligation to repurchase loans also requires that counterparties have the contractual right to demand repurchase of the loans (presentation thresholds). While we believe the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on investors seeking repurchases than the explicit provisions of the comparable agreements with the GSEs without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary.

Any amounts paid related to repurchase claims from a monoline insurer are paid to the securitization trust and are applied in accordance with the terms of the governing securitization documents, which may include use 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 it will be required to advance funds to the securitization trust, the likelihood of receiving a repurchase claim from a monoline may be reduced as the monoline would receive limited or no benefit from the payment of repurchase claims. Moreover, some monolines are not currently performing their obligations under the financial guaranty policies they issued which may, in certain circumstances, impact their ability to present repurchase claims, although in those circumstances, investors may be able to bring claims if contractual thresholds are met.

Table of Contents

Table 15 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent at September 30, 2011. As shown in Table 15, at least 25 payments have been made on approximately 62 percent of the defaulted and severely delinquent loans. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan's default. As of September 30, 2011, approximately 24 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement.

Table 15
Overview of Non-Agency Securitization and Whole Loan Balances

(Dollars in billions)	Principal Balance				Defaulted or Severely Delinquent				
By Entity	Original Principal Balance	Outstanding Principal Balance September 30, 2011	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made more than 36 Payments
Bank of America	$100	$30	$5	$4	$9	$1	$2	$2	$4
Countrywide (1)	716	261	84	96	180	24	45	47	64
Merrill Lynch	65	20	6	11	17	3	4	3	7
First Franklin	82	21	7	21	28	4	6	6	12
Total (2, 3, 4)	$963	$332	$102	$132	$234	$32	$57	$58	$87
By Product									
Prime	$302	$107	$17	$14	$31	$2	$6	$8	$15
Alt-A	172	73	20	27	47	7	12	12	16
Pay option	150	58	29	26	55	5	14	16	20
Subprime	245	76	34	48	82	16	19	17	30
Home equity	88	15	—	16	16	2	5	4	5
Other	6	3	2	1	3	—	1	1	1
Total	$963	$332	$102	$132	$234	$32	$57	$58	$87

(1) $409 billion of original principal balance is included in the BNY Mellon Settlement.
(2) Includes $185 billion of original principal balance related to transactions with monoline participation.
(3) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representation or warranties were made.
(4) Includes exposures on third-party sponsored transactions related to legacy entity originations.

Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 15, including $103.9 billion of first-lien mortgages and $80.6 billion of second-lien mortgages. Of these balances, $44.6 billion of the first-lien mortgages and $50.2 billion of the second-lien mortgages have been paid in full and $34.9 billion of the first-lien mortgages and $16.2 billion of the second-lien mortgages have defaulted or are severely delinquent at September 30, 2011. At least 25 payments have been made on approximately 56 percent of the defaulted and severely delinquent loans. Of the first-lien mortgages sold, $39.1 billion, or 38 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines typically insured one or more securities. Through September 30, 2011, we have received $6.0 billion of representations and warranties claims related to the monoline-insured transactions. Of these repurchase claims, $2.0 billion were resolved through the Assured Guaranty Settlement, $809 million were resolved through repurchase or indemnification with losses of $705 million and $126 million were rescinded by the investor or paid in full. The majority of these resolved claims related to second-lien mortgages.

Unresolved Monoline Repurchase Claims

At September 30, 2011, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.0 billion, substantially all of which we have reviewed and declined to repurchase based on an assessment of whether a material breach exists. At September 30, 2011, the unpaid principal balance of loans for which the monolines had requested loan files for review but for which no repurchase claim had been received was $6.1 billion, excluding loans that had been paid in full and file requests for loans included in the trusts settled with Assured Guaranty. There will likely be additional requests for loan files in the future leading to repurchase claims.

We have had limited experience with the monoline insurers, other than Assured Guaranty, in the repurchase process as each of these monoline insurers has instituted litigation against legacy Countrywide and/or Bank of America, which limits our ability to enter into constructive dialogue with these monolines to resolve the open claims. It is not possible at this time to reasonably estimate probable future repurchase obligations with respect to those monolines with whom we have limited repurchase experience and, therefore, no representations and warranties liability has been recorded in connection with these monolines, other than a liability for repurchase claims where we have determined that there are valid loan defects. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of September 30, 2011 includes possible losses related to these monoline insurers.

Whole Loans and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold whole loans to investors, and the majority of the sales were executed through private-label securitizations, including third-party sponsored transactions. The loans sold with total principal balance of $778.2 billion, included in Table 15, were originated between 2004 and 2008, of which $403.9 billion have been paid in full and $182.9 billion are defaulted or severely delinquent at September 30, 2011. In connection with these transactions, we provided representations and warranties, and the whole-loan investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. At least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans. We have received approximately $9.4 billion of representations and warranties claims from whole-loan investors and private-label securitization investors related to these vintages, including $6.1 billion from whole-loan investors, $819 million from one private-label securitization counterparty which were submitted prior to 2008, $840 million from private-label securitization trustees and $1.7 billion in claims from private-label securitization investors in the Covered Trusts received in the third quarter of 2010. In 2011 we have seen an increase in repurchase claims from private-label securitization trustees. During the three and nine months ended September 30, 2011, we have received $325 million and $711 million of such repurchase claims. In addition, there has been an increase in requests for loan files from private-label securitization trustees, and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees that have met the required standards.

We have resolved $5.6 billion of the claims received from whole-loan investors and private-label securitization investors with losses of $1.2 billion. Approximately $2.4 billion of these claims were resolved through repurchase or indemnification and $3.2 billion were rescinded by the investor. Claims outstanding related to these vintages totaled $3.8 billion, including $3.0 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 $787 million that are in the process of review.

The majority of the claims that we have received outside of the GSEs and monolines are from third-party whole-loan investors. However, the amount of claims received from private-label securitization trustees has been increasing. Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement led to the determination in the second quarter of 2011 that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations. However, the BNY Mellon Settlement did not provide sufficient experience related to certain private-label securitizations sponsored by third-party whole-loan investors. As it relates to certain private-label securitizations sponsored by third-party whole-loan investors and certain other whole loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of September 30, 2011 includes possible losses related to these whole loan sales and private-label securitizations sponsored by third-party whole-loan investors.

Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files. The inclusion of the $1.7 billion in outstanding claims noted on page 65 does not mean that we believe these claims have satisfied the contractual thresholds required for these investors to direct the securitization trustee to take action or that these claims are otherwise procedurally or substantively valid. One of these claimants has filed litigation against us relating to certain of these claims; the claims in this litigation would be extinguished if there is final court approval of the BNY Mellon Settlement. Additionally, certain private-label securitizations are insured by the monoline insurers, which are not reflected in these amounts regarding whole loan sales and private-label securitizations.

Table of Contents

Other Mortgage-related Matters

Servicing Matters and Foreclosure Processes

We service a large portion of the loans we or our subsidiaries have securitized and also service loans on behalf of third-party securitization vehicles and other investors. Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically has the right to demand that the servicer repurchase loans that breach the seller's representations and warranties made in connection with the initial sale of the loans even if the servicer was not the seller. The GSEs also reserve the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, the GSEs' first mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary, and purport to require the imposition of “compensatory” fees if those deadlines are not satisfied except for reasons beyond the control of the servicer. In addition, many non-agency RMBS and whole-loan servicing agreements require the servicer to indemnify the trustee or other investor for or against failures by the servicer to perform its servicing obligations or acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer’s duties. Although it is not possible to reasonably estimate our liability with respect to potential servicing-related claims, the amount of such liability could be material.

In October 2010, we voluntarily stopped taking residential mortgage foreclosure proceedings to judgment in states where foreclosure requires a court order following a legal proceeding (judicial states) and stopped foreclosure sales in all states in order to complete an assessment of related business processes. We have resumed foreclosure sales in all non-judicial states; however, while we have recently resumed foreclosure proceedings in nearly all judicial states, our progress on foreclosure sales in judicial states has been significantly slower than in non-judicial states. We have also not resumed foreclosure sales for certain types of customers, including those in bankruptcy and those with FHA-insured loans, although we have resumed foreclosure proceedings with respect to certain customers in bankruptcy and with FHA-insured loans. The implementation of changes in procedures and controls, including loss mitigation procedures related to our ability to recover on FHA insurance-related claims, as well as governmental, regulatory and judicial actions, may result in continuing delays in foreclosure proceedings and foreclosure sales, as well as creating obstacles to the collection of certain fees and expenses, in both judicial and non-judicial foreclosures.

On April 13, 2011, we entered into a consent order with the Federal Reserve and BANA entered into a consent order with the Office of the Comptroller of the Currency (OCC) to address the regulators' concerns about residential mortgage servicing practices and foreclosure processes. Also, on this date, the other 13 largest mortgage servicers in the U.S. separately entered into consent orders with their respective federal bank regulators related to residential mortgage servicing practices and foreclosure processes. The orders resulted from an interagency horizontal review conducted by federal bank regulators of major residential mortgage servicers. While federal bank regulators found that loans foreclosed upon had been generally considered for other alternatives (such as loan modifications), were seriously delinquent, and that servicers could support their standing to foreclose, several areas for process improvement requiring timely and comprehensive remediation across the industry were also identified. We identified most of these areas for process improvement after our own review in late 2010 and continue to make significant progress in these areas. The federal bank regulator consent orders with the mortgage servicers do not assess civil monetary penalties. However, the consent orders do not preclude the assertion of civil monetary penalties and a federal bank regulator has stated publicly that it believes monetary penalties are appropriate.

The consent order with the OCC requires servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes, adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan and implementation of enhanced controls over third-party vendors that provide default servicing support services. In addition, the consent order required that servicers retain an independent consultant, approved by the OCC, in order to conduct a review of all foreclosure actions pending, or foreclosure sales that occurred, between January 1, 2009 and December 31, 2010 and submit a plan to the OCC to remediate all financial injury to borrowers caused by any deficiencies identified through the review. The OCC accepted the independent consultant that we retained to conduct the foreclosure review and approved our action plan related to the review. Through the foreclosure review, which began in October 2011, eligible borrowers will have the opportunity to request a review by the independent consultant beginning in November 2011. Because the review process will be available to a large number of potentially eligible borrowers and will involve an examination of many details and documents, each review could take several months to complete. It is not yet possible to determine how many borrowers will request a review, how many borrowers will meet the eligibility requirements or how much in compensation might ultimately be paid to eligible borrowers.

In addition, law enforcement authorities in all 50 states and the DOJ and other federal agencies continue to investigate alleged irregularities in the foreclosure practices of residential mortgage servicers, including us. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to mortgage origination, loan modification and loss mitigation practices, including compliance with HUD requirements related to FHA-insured loans. We continue to cooperate with these investigations and are dedicating significant resources to addressing these issues. We and the other largest mortgage originators and servicers continue to engage in ongoing negotiations regarding these matters with law enforcement authorities and federal agencies. Although certain states' Attorneys General have recently withdrawn from global settlement negotiations related to these matters, the negotiations remain ongoing and are focused on the amount and form of any settlement payment or commitment and additional settlement terms, including principal forgiveness, servicing standards, enforcement mechanisms and releases. We cannot be certain as to the ultimate outcome that may result from these negotiations or the timing of such outcome.

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current servicing and foreclosure activities. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. The current environment of heightened regulatory scrutiny has the potential to subject us to inquiries or investigations that could significantly adversely affect our reputation. Such investigations by state and federal authorities, as well as any other governmental or regulatory scrutiny of our foreclosure processes, could result in material fines, penalties, equitable remedies, additional default servicing requirements and process changes, or other enforcement actions, and could result in significant legal costs in responding to governmental investigations and additional litigation.

In the three and nine months ended September 30, 2011, we incurred $350 million and $1.9 billion of mortgage-related assessments and waivers costs which included $244 million and $1.3 billion for compensatory fees that we expect to be assessed by the GSEs as a result of foreclosure delays with the remainder being out-of-pocket costs that we do not expect to recover because of foreclosure delays. We expect that these costs will remain elevated as additional loans are delayed in the foreclosure process and as the GSEs assert more aggressive criteria. We also expect that additional costs related to resources necessary to perform the foreclosure process assessment, to revise affidavit filings and to implement other operational changes will continue for at least the remainder of 2011. This will likely result in continued higher noninterest expense, including higher default servicing costs and legal expenses in CRES, and has impacted and may continue to impact the value of our MSRs related to these serviced loans. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. In addition, required process changes, including those required under the consent orders with federal bank regulators, are likely to result in further increases in our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties.

An increase in the time to complete foreclosure sales also may increase the number of severely delinquent loans in our mortgage servicing portfolio, result in increasing levels of consumer nonperforming loans and could have a dampening effect on net interest margin as nonperforming assets increase. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our continued process enhancements, including those required under the OCC and federal bank regulator consent orders and any issues that may arise out of alleged irregularities in our foreclosure process could significantly increase the costs associated with our mortgage operations.

Private-label Securitization Settlement – Servicing Matters

In connection with the BNY Mellon Settlement, BAC HLS has agreed to implement certain servicing changes. The Trustee and BAC HLS have agreed to clarify and conform certain servicing standards related to loss mitigation. In particular, the BNY Mellon Settlement would clarify that it is permissible to apply the same loss-mitigation strategies to the Covered Trusts as are applied to BAC HLS affiliates' held-for-investment (HFI) portfolios. This agreement was effective in the second quarter of 2011 and is not conditioned on final court approval.

BAC HLS also agreed to transfer the servicing related to certain high-risk loans to qualified subservicers on a schedule that began with the signing of the BNY Mellon Settlement. This servicing transfer will reduce the servicing fees payable to BAC HLS in the future. Upon final court approval, failure to meet the established benchmarking standards for loans not in subservicing arrangements can trigger the payment of agreed-upon fees. Additionally, we and legacy Countrywide have agreed to work to resolve with the Trustee certain mortgage documentation issues related to the enforceability of mortgages in foreclosure and to reimburse the related Covered Trust for any loss if BAC HLS is unable to foreclose on the mortgage and the Covered Trust is not made whole by a title policy because of these documentation issues. These agreements will terminate if final court approval of the BNY Mellon Settlement is not obtained, although we could still have exposure under the pooling and servicing agreements related to the mortgages in the Covered Trusts for these documentation issues.

We estimate that the costs associated with additional servicing obligations under the BNY Mellon Settlement contributed $400 million to the second quarter 2011 valuation charge related to the MSR asset. The additional servicing actions are consistent with the consent orders with the OCC and the Federal Reserve.

Regulatory Matters

For additional information regarding significant regulatory matters including Regulation E and the CARD Act, see Item 1A. Risk Factors, as well as Regulatory Matters on page 56 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Financial Reform Act

The Financial Reform Act, which was signed into law on July 21, 2010, enacts sweeping financial regulatory reform and has altered and will continue to alter the way in which we conduct certain businesses, increase our costs and reduce our revenues. Many aspects of the Financial Reform Act remain subject to final rulemaking and will take effect over several years, making it difficult to anticipate the precise impact on the Corporation, our customers or the financial services industry.

Debit Interchange Fees

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment effective on October 1, 2011 which, among other things, establishes a regulatory cap for many types of debit interchange transactions to equal no more than 21 cents plus five bps of the value of the transaction. Furthermore, the Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements promulgated by the Federal Reserve. We intend to comply with these fraud-related requirements. The Federal Reserve also approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which are effective April 1, 2012. For additional information, see Card Services on page 37.

Limitations on Proprietary Trading

On October 11, 2011, the Federal Reserve, the OCC, FDIC and the SEC released for comment proposed regulations implementing limitations on proprietary trading as well as the sponsorship of or investment in hedge funds and private equity funds (the Volcker Rule) established by the Financial Reform Act. The proposed regulations include clarifications to the definition of proprietary trading and distinctions between permitted and prohibited activities. The comment period ends on January 13, 2012 and sometime thereafter final regulations will be promulgated. However, in light of the complexity of the proposed regulations and the likelihood that a substantial number of comments will be submitted (the proposal requests comments on over 1,300 questions on 400 different topics), it is not possible to predict the content of the final regulations. In addition, the Commodities Futures Trading Commission (CFTC) has not yet issued its proposed regulations under the Volcker Rule.

The statutory provisions of the Volcker Rule will become effective on July 21, 2012, whether or not the final regulations are adopted, and it gives certain financial institutions two years from the effective date, with opportunities for additional extensions, to bring activities and investments into compliance. Although GBAM completely exited its proprietary trading business as of June 30, 2011 in anticipation of the Volcker Rule and our initiative to optimize our balance sheet, the ultimate impact of the Volcker Rule on us remains uncertain. However, it is possible that the implementation of the Volcker Rule could limit or restrict our remaining trading activities. Implementation of the Volcker Rule could also limit or restrict our ability to sponsor and hold ownership interests in hedge funds, private equity funds and other subsidiary operations. Additionally, implementation of the Volcker Rule could increase our operational and compliance costs and reduce our trading revenues and adversely affect out results of operations. For additional information about our trading business, see GBAM on page 47.

FDIC Deposit Insurance Assessments

In April 2011, a new regulation became effective that implements revisions to the assessment system mandated by the Financial Reform Act. The regulation was reflected in the June 30, 2011 FDIC fund balance and in payments made on September 30, 2011. Among other things, the regulation changed the assessment base for insured depository institutions from adjusted domestic deposits to average consolidated total assets during an assessment period, less average tangible equity capital during that assessment period. Additionally, the FDIC has broad discretionary authority to increase assessments on large and highly complex institutions on a case by case basis. Any future increases in required deposit insurance premiums or other bank industry fees could have an adverse impact on our financial condition and results of operations.

Recovery and Resolution Planning

On October 17, 2011, the Federal Reserve approved a final rule to be issued jointly with the FDIC that requires the Corporation and other bank holding companies with assets of $50 billion or more, as well as companies designated as systemic by the Financial Stability Oversight Council, to periodically report to the FDIC and the Federal Reserve their plans for a rapid and orderly resolution in the event of material financial distress or failure.

Table of Contents

The final rule, which was approved by the FDIC on September 13, 2011, will require a company to submit a plan for how it could be resolved in a bankruptcy proceeding. If the FDIC and the Federal Reserve determine that a company's plan is not credible and the company fails to cure the deficiencies in a timely manner, then the FDIC and the Federal Reserve may jointly impose on the company, or any of its subsidiaries, more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations. The Corporation's initial plan will be required to be submitted no later than June 30, 2012, and updated annually.

Orderly Liquidation Authority

Under the Financial Reform Act, where a systemically important financial institution such as the Corporation is in default or danger of default, the FDIC may, in certain circumstances, be appointed receiver in order to conduct an orderly liquidation of such systemically important financial institution. In such a case, the FDIC could invoke a new form of resolution authority, called the orderly liquidation authority, instead of the U.S. Bankruptcy Code, if the Secretary of the Treasury makes certain financial distress and systemic risk determinations. The orderly liquidation authority is modeled in part on the Federal Deposit Insurance Act, but also adopts certain concepts from the U.S. Bankruptcy Code.

The orderly liquidation authority contains certain differences from the U.S. Bankruptcy Code. Macroprudential systemic protection is the primary objective of the orderly liquidation authority, subject to minimum threshold protections for creditors. Accordingly, in certain circumstances under the orderly liquidation authority, the FDIC could permit payment of obligations determined to be systemically significant (for example, short-term creditors or operating creditors) in lieu of the payment of other obligations (for example, long-term creditors) without the need to obtain creditors' consent or prior court review. Additionally, under the orderly liquidation authority, amounts owed to the U.S. government generally enjoy a statutory payment priority.

Certain Other Provisions

The Financial Reform Act also expands the role of state regulators in enforcing consumer protection requirements over banks, includes new minimum leverage and risk-based capital requirements for large financial institutions and disqualifies trust preferred securities and other hybrid capital securities from Tier 1 capital. Many of the provisions under the Financial Reform Act have begun to be phased in or will be phased in over the next several months or years and will be subject both to further rulemaking and the discretion of applicable regulatory bodies.

The Financial Reform Act will continue to have a significant and negative impact on our earnings through fee reductions, higher costs and new restrictions, as well as reductions to available capital. The Financial Reform Act may also continue to have a material adverse impact on the value of certain assets and liabilities held on our balance sheet. The ultimate impact of the Financial Reform Act on our businesses and results of operations will depend on regulatory interpretation and rulemaking, as well as the success of any of our actions to mitigate the negative earnings impact of certain provisions. For information on the impact of the Financial Reform Act on our credit ratings, see Liquidity Risk on page 77.

U.K. Bank Levy

The U.K. government bank levy legislation was enacted on July 19, 2011. The rate on banks operating in the U.K. has been set at 7.5 bps for short-term liabilities and 3.75 bps for long-term liabilities for 2011 and will increase to 7.8 bps for short-term liabilities and 3.9 bps for long-term liabilities beginning in 2012. Based on current estimates, the cost of the bank levy to the Corporation is expected to be approximately $80 million for 2011, of which $60 million has been accrued as of September 30, 2011, and is non-deductible for U.K. tax purposes.

Transactions with Affiliates

The terms of certain OTC derivative contracts and other trading agreements of the Corporation provide that upon the occurrence of certain specified events, such as a change in our credit ratings, Merrill Lynch and other non-bank affiliates may be required to provide additional collateral or to provide other remedies, or our counterparties may have the right to terminate or otherwise diminish our rights under these contracts or agreements. Following the recent downgrade of the credit ratings of the Corporation, we have engaged in discussions with certain derivative and other counterparties regarding their rights under these agreements. In response to counterparties' inquiries and requests, we have discussed and in some cases substituted derivative contracts and other trading agreements, including naming BANA as the new counterparty. Our ability to substitute or make changes to these agreements to meet counterparties' requests may be subject to certain limitations, including counterparty willingness, regulatory limitations on naming BANA as the new counterparty, and the type or amount of collateral required. It is possible that such limitations on our ability to substitute or make changes to these agreements, including naming BANA as the new counterparty, could adversely affect our results of operations. For additional information regarding limitations associated with transactions among our affiliates, see Item 1. Business – Transactions with Affiliates of the Corporation's 2010 Annual Report on Form 10-K.

Table of Contents

Managing Risk

Overview

Risk is inherent in every activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risk. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings. Our risk management infrastructure is continually evolving to meet the heightened challenges posed by the increased complexity of the financial services industry and markets, by our increased size and global footprint, and by the 2008 financial crisis. We have a defined risk framework and risk appetite which is approved by the Corporation’s Board of Directors (the Board).

We take a comprehensive approach to risk management. Risk management planning is fully integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by executive management and the Board. For a more detailed discussion of our risk management activities, see pages 59 through 107 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Strategic Risk Management

Strategic risk is embedded in every line of business and is one of the major risk categories along with credit, market, liquidity, compliance and operational risks. It is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution and/or other inherent risks of the business including reputational and operational risk. In the financial services industry, strategic risk is elevated due to changing customer, competitive and regulatory environments. Our appetite for strategic risk is assessed within the context of the strategic plan, with strategic risks selectively and carefully considered in the context of the evolving marketplace. Strategic risk is managed in the context of our overall financial condition and assessed, managed and acted on by the Chief Executive Officer and executive management team. Significant strategic actions, such as material acquisitions or capital actions, require review and approval of the Board.

For more information on our Strategic Risk Management activities, see pages 62 and 63 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Capital Management

Bank of America manages its capital position to ensure capital is sufficient to support our business activities and that capital, risk and risk appetite are commensurate with one another, ensure safety and soundness under adverse scenarios, take advantage of growth and strategic opportunities, maintain ready access to financial markets, remain a source of strength for its subsidiaries and satisfy current and future regulatory capital requirements.

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from investors, ratings agencies and regulators. For additional information regarding the ICAAP, see page 63 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K. For additional information regarding possible exchange transactions, see Recent Events – Debt and Capital Exchanges on page 10.

Capital management is integrated into the risk and governance processes, as capital is a key consideration in the development of the strategic plan, risk appetite and risk limits. Economic capital is allocated to each business unit and used to perform risk-adjusted return analysis at the business unit, client relationship and transaction levels.

Regulatory Capital

As a financial services holding company, we are subject to the risk-based capital guidelines (Basel I) issued by federal banking regulators. At September 30, 2011, we operated banking activities primarily under two charters: BANA and FIA Card Services, N.A. (FIA). Under these guidelines, the Corporation and its affiliated banking entities measure capital adequacy based on Tier 1 common capital, Tier 1 capital and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio.

Table of Contents

The Corporation has issued notes to certain unconsolidated corporate-sponsored trust companies which issued Trust Securities. In accordance with Federal Reserve guidance, Trust Securities continue to qualify as Tier 1 capital with revised quantitative limits. As a result, the Corporation includes Trust Securities in Tier 1 capital. The Financial Reform Act includes a provision under which the Corporation’s outstanding Trust Securities in the aggregate amount of $19.9 billion (approximately 147 bps of Tier 1 capital) at September 30, 2011 will be excluded from Tier 1 capital, with the exclusion to be phased in incrementally over a three-year period beginning January 1, 2013. This amount excludes $1.6 billion of hybrid Trust Securities that are expected to be converted to preferred stock prior to the date of implementation. The treatment of Trust Securities during the phase-in period is unknown and is subject to future rulemaking.

For additional information on these and other regulatory requirements, see Note 18 – Regulatory Requirements and Restrictions to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K.

Capital Composition and Ratios

Tier 1 common capital decreased $7.5 billion to $117.7 billion at September 30, 2011 compared to December 31, 2010. The decrease was driven by an increase in deferred tax assets disallowed for regulatory capital, partially offset by the Warrant issued in connection with the investment made by Berkshire. The $11.3 billion increase in the deferred tax asset disallowance at September 30, 2011 compared to December 31, 2010 was primarily due to the expiration of the longer look-forward period granted by the regulators at the time of the Merrill Lynch acquisition and an increase in net deferred tax assets due to pre-tax results. Tier 1 capital and Total capital decreased $7.6 billion and $14.0 billion at September 30, 2011 compared to December 31, 2010.

Risk-weighted assets decreased $96 billion to $1,360 billion at September 30, 2011 compared to December 31, 2010. The decrease was driven in part by our sale of a portion of our investment in CCB and the sale of our stake in BlackRock and is consistent with our continued efforts to reduce non-core assets and legacy loan portfolios. The Tier 1 common capital ratio increased 5 bps to 8.65 percent, the Tier 1 capital ratio increased 24 bps to 11.48 percent and the Total capital ratio increased 9 bps to 15.86 percent driven by a decline in risk-weighted assets. The Tier 1 leverage ratio decreased 10 bps to 7.11 percent at September 30, 2011 compared to December 31, 2010 reflecting the decrease in Tier 1 capital and a reduction in adjusted quarterly average total assets.

During the three months ended September 30, 2011, our risk-based capital ratios were positively impacted by the gain on the sale of a portion of our investment in CCB and the warrants issued in connection with the investment made by Berkshire as well as the reduction in our risk-weighted assets as discussed above. For additional information regarding the sale of a portion of our investment in CCB, see Note 5 – Securities to the Consolidated Financial Statements. For additional information regarding the investment made by Berkshire, see Recent Events – Berkshire Investment and Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Table of Contents

Table 16 presents Bank of America Corporation's capital ratios and related information at September 30, 2011 and December 31, 2010. The goodwill impairment charges and fair value gains recognized in 2011 and 2010 did not impact the regulatory capital ratios.

Table 16
Bank of America Corporation Regulatory Capital

	September 30, 2011 Actual				December 31, 2010 Actual			
(Dollars in millions)	Ratio		Amount	Minimum Required [1]	Ratio		Amount	Minimum Required [1]
Tier 1 common equity ratio	8.65	%	$117,658	n/a	8.60	%	$ 125,139	n/a
Tier 1 capital ratio	11.48		156,074	$54,383	11.24		163,626	$ 58,238
Total capital ratio	15.86		215,596	108,765	15.77		229,594	116,476
Tier 1 leverage ratio	7.11		156,074	87,756	7.21		163,626	90,811

	September 30 2011	December 31 2010
Risk-weighted assets (in billions)	$ 1,360	$ 1,456
Adjusted quarterly average total assets (in billions) [2]	2,194	2,270

[1] Dollar amount required to meet guidelines for adequately capitalized institutions.
[2] Reflects adjusted average total assets for the three months ended September 30, 2011 and December 31, 2010.
n/a = not applicable

Table 17 presents the capital composition at September 30, 2011 and December 31, 2010.

Table 17
Capital Composition

(Dollars in millions)	September 30 2011		December 31 2010	
Total common shareholders' equity	$ 210,772		$ 211,686	
Goodwill	(70,832	)	(73,861	)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	(6,127	)	(6,846	)
Net unrealized gains on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	(1,903	)	(4,137	)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	3,743		3,947	
Exclusion of fair value adjustment related to structured liabilities [1]	408		2,984	
Disallowed deferred tax asset	(19,965	)	(8,663	)
Other	1,562		29	
Total Tier 1 common capital	117,658		125,139	
Qualifying preferred stock	16,562		16,562	
Trust preferred securities	21,479		21,451	
Noncontrolling interest	375		474	
Total Tier 1 capital	156,074		163,626	
Long-term debt qualifying as Tier 2 capital	39,666		41,270	
Allowance for loan and lease losses	35,082		41,885	
Reserve for unfunded lending commitments	790		1,188	

Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(18,607)	(24,690)
45 percent of the pre-tax net unrealized gains on AFS marketable equity securities	1,211	4,777
Other	1,380	1,538
Total regulatory capital	$ 215,596	$ 229,594

(1) Represents loss on structured liabilities, net-of-tax, that is excluded from Tier 1 common capital, Tier 1 capital and Total capital for regulatory capital purposes.

72

Table of Contents

Regulatory Capital Changes

We manage regulatory capital to adhere to regulatory standards of capital adequacy based on our current understanding of the rules and the application of such rules to our business as currently conducted. The regulatory capital rules as written by the Basel Committee on Banking Supervision (the Basel Committee) continue to evolve.

U.S. banking regulators published a final Basel II rule (Basel II) in December 2007, which requires us to implement Basel II at the holding company level as well as at certain U.S. bank subsidiaries. We are currently in the Basel II parallel period. On January 11, 2011, U.S. banking regulators issued a Notice of Proposed Rulemaking on the Risk-based Capital Guidelines for Market Risk (the Market Risk Rules) reflecting partial adoption of the Basel Committee's July 2009 consultative document on the topic.

In addition, the Basel Committee issued capital standards entitled "Basel III: A global regulatory framework for more resilient banks and banking systems," together with liquidity standards discussed below (Basel III) in December 2010. We expect to be in full compliance with the Basel III capital standards within the regulatory timelines.

If implemented by U.S. banking regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of Trust Securities from Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, MSRs, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of accumulated OCI in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. For additional information on MSRs, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements and for additional information on deferred tax assets, see Note 21 – Income Taxes to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K. The phase-in period for the capital deductions is proposed to occur in 20 percent increments from 2014 through 2018 with full implementation by December 31, 2018. An increase in capital requirements for counterparty credit is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. banking regulators have indicated a goal to adopt final rules by year-end 2011 or early 2012.

Preparing for the implementation of the new capital rules is a top priority. We intend to continue to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from capital. On June 17, 2011, U.S. banking regulators proposed rules requiring all large bank holding companies (BHCs) to submit capital plans to the Federal Reserve annually and to require such BHCs to provide prior notice to the Federal Reserve under certain circumstances before making a capital distribution. We expect to comply with this guidance after final rules are issued and become effective.

On July 19, 2011, the Basel Committee published the consultative document "Globally systemic important banks: Assessment methodology and the additional loss absorbency requirement" which sets out measures for global, systemically important financial institutions including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer), and the arrangements by which they will be phased in. As proposed, the SIFI buffer would be met with additional Tier 1 common equity ranging from one percent to 3.5 percent and will be phased in from 2016 through 2018. U.S. banking regulators have not yet provided similar rules or guidance for U.S. implementation of a SIFI buffer.

Given that the U.S. regulatory agencies have issued neither proposed rulemaking nor supervisory guidance on Basel III, significant uncertainty around the eventual impacts remain. For additional information regarding Basel II, Basel III, Market Risk Rules and other proposed regulatory capital changes, see Regulatory Capital on page 63 of the

MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Table of Contents

Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

Table 18 presents regulatory capital information for BANA and FIA at September 30, 2011 and December 31, 2010. The goodwill impairment charges recognized in 2011 and 2010 did not impact BANA's or FIA's regulatory capital ratios.

Table 18
Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	September 30, 2011			December 31, 2010		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required [1]	Ratio	Amount	Minimum Required [1]
Tier 1						
Bank of America, N.A.	11.44 %	$120,409	$42,098	10.78 %	$114,345	$42,416
FIA Card Services, N.A.	17.65	26,730	6,059	15.30	25,589	6,691
Total						
Bank of America, N.A.	14.87	156,503	84,196	14.26	151,255	84,831
FIA Card Services, N.A.	19.15	29,015	12,118	16.94	28,343	13,383
Tier 1 leverage						
Bank of America, N.A.	8.60	120,409	55,975	7.83	114,345	58,391
FIA Card Services, N.A.	14.60	26,730	7,321	13.21	25,589	7,748

(1) Dollar amount required to meet guidelines for adequately capitalized institutions.

BANA's Tier 1 capital ratio increased 66 bps to 11.44 percent and the Total capital ratio increased 61 bps to 14.87 percent at September 30, 2011 compared to December 31, 2010. The increase in the ratios was driven by $3.1 billion and $7.1 billion in earnings generated during the three and nine months ended September 30, 2011. The Tier 1 leverage ratio increased 77 bps to 8.60 percent, benefiting from the improvement in Tier 1 capital combined with a $6.2 billion decrease in adjusted quarterly average total assets resulting from our continued efforts to reduce non-core assets and legacy loan portfolios.

FIA's Tier 1 capital ratio increased 235 bps to 17.65 percent and the Total capital ratio increased 221 bps to 19.15 percent at September 30, 2011 compared to December 31, 2010. The Tier 1 leverage ratio increased 139 bps to 14.60 percent at September 30, 2011 compared to December 31, 2010. The increase in ratios was driven by $895 million and $4.4 billion in earnings generated during the three and nine months ended September 30, 2011.

During the three and nine months ended September 30, 2011, BANA paid dividends of $2.0 billion and $6.8 billion to Bank of America Corporation. FIA returned capital of $3.5 billion to Bank of America Corporation during the three and nine months ended September 30, 2011.

Broker/Dealer Regulatory Capital

The Corporation’s principal U.S. broker/dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith (MLPF&S) and Merrill Lynch Professional Clearing Corp (MLPCC). MLPCC is a fully-guaranteed subsidiary of MLPF&S and provides clearing and settlement services. Both entities are subject to the net capital requirements of SEC Rule 15c3-1. Both entities are also registered as futures commission merchants and are subject to the CFTC Regulation 1.17.

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At September 30, 2011, MLPF&S’s regulatory net capital as defined by Rule 15c3-1 was $10.8 billion and exceeded the minimum requirement of $864 million by $9.9 billion. MLPCC’s net capital of $2.8 billion exceeded the minimum requirement of $170 million by approximately $2.6 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5 billion. At September 30, 2011, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Table of Contents

Economic Capital

Our economic capital measurement process provides a risk-based measurement of the capital required for unexpected credit, market and operational losses over a one-year time horizon at a 99.97 percent confidence level, consistent with a "AA" credit rating. Economic capital is allocated to each business unit based upon its risk positions and contribution to enterprise risk, and is used for capital adequacy, performance measurement and risk management purposes. The strategic planning process utilizes economic capital with the goal of allocating risk appropriately and measuring returns consistently across all businesses and activities. Economic capital allocation plans are incorporated into the Corporation's operating plan which is approved by the Board on an annual basis. For additional information regarding economic capital, credit risk capital, market risk capital and operational risk capital, see page 66 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Common Stock Dividends

Table 19 is a summary of our declared quarterly cash dividends on common stock for 2011 as of November 3, 2011.

Table 19
Common Stock Cash Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
August 22, 2011	September 2, 2011	September 23, 2011	$0.01
May 11, 2011	June 3, 2011	June 24, 2011	0.01
January 26, 2011	March 4, 2011	March 25, 2011	0.01

Table of Contents

Preferred Stock Dividends

Table 20 is a summary of our most recent cash dividend declarations on preferred stock as of November 3, 2011. For additional information on preferred stock, see Note 15 – Shareholders' Equity to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K.

Table 20
Preferred Stock Cash Dividend Summary

Preferred Stock	Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate		Dividend Per Share
Series B [1]	$ 1	August 22, 2011	October 11, 2011	October 25, 2011	7.00	%	$1.75
Series D [2]	$ 661	October 4, 2011	November 30, 2011	December 14, 2011	6.204	%	$0.38775
Series E [2]	$ 487	October 4, 2011	October 31, 2011	November 15, 2011	Floating		$0.25556
Series H [2]	$ 2,862	October 4, 2011	October 15, 2011	November 1, 2011	8.20	%	$0.51250
Series I [2]	$ 365	October 4, 2011	December 15, 2011	January 2, 2012	6.625	%	$0.41406
Series J [2]	$ 978	October 4, 2011	October 15, 2011	November 1, 2011	7.25	%	$0.45313
Series K [3, 4]	$ 1,668	July 5, 2011	July 15, 2011	August 1, 2011	Fixed-to-floating		$40.00
Series L	$ 3,349	September 16, 2011	October 1, 2011	October 31, 2011	7.25	%	$18.125
Series M [3, 4]	$ 1,434	October 4, 2011	October 31, 2011	November 15, 2011	Fixed-to-floating		$40.625
Series T [1]	$ 5,000	September 21, 2011	September 25, 2011	October 11, 2011	6.00	%	$650.00
Series 1 [5]	$ 146	October 4, 2011	November 15, 2011	November 28, 2011	Floating		$0.19167
Series 2 [5]	$ 526	October 4, 2011	November 15, 2011	November 28, 2011	Floating		$0.19167
Series 3 [5]	$ 670	October 4, 2011	November 15, 2011	November 28, 2011	6.375	%	$0.39843
Series 4 [5]	$ 389	October 4, 2011	November 15, 2011	November 28, 2011	Floating		$0.25556
Series 5 [5]	$ 606	October 4, 2011	November 1, 2011	November 21, 2011	Floating		$0.25556
Series 6 [6]	$ 65	October 4, 2011	December 15, 2011	December 30, 2011	6.70	%	$0.41875
Series 7 [6]	$ 17	October 4, 2011	December 15, 2011	December 30, 2011	6.25	%	$0.39063
Series 8 [5]	$ 2,673	October 4, 2011	November 15, 2011	November 28, 2011	8.625	%	$0.53906

(1) Dividends are cumulative.
(2) Dividends per depositary share, each representing a 1/1,000th interest in a share of preferred stock.
(3) Initially pays dividends semi-annually.
(4) Dividends per depositary share, each representing a 1/25th interest in a share of preferred stock.

(5) Dividends per depositary share, each representing a 1/1,200th interest in a share of preferred stock.
(6) Dividends per depositary share, each representing a 1/40th interest in a share of preferred stock.

Enterprise-wide Stress Testing

As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated. These enterprise-wide stress tests provide an understanding of the potential impacts from our risk profile on earnings, capital and liquidity and serve as a key component of our capital management practices. Scenarios are selected by a group comprised of senior line of business, risk and finance executives. Impacts to each line of business from each scenario are then determined and analyzed, primarily by leveraging the models and processes utilized in everyday management routines. Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our Chief Financial Officer Risk Committee (CFORC), Asset Liability Market Risk Committee (ALMRC) and the Board's Enterprise Risk Committee (ERC) and serves to inform decision making by management and the Board. We have made substantial investments to establish stress testing capabilities as a core business process.

Table of Contents

Liquidity Risk

Funding and Liquidity Risk Management

We define liquidity risk as the potential inability to meet our contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Our primary liquidity objective is to ensure adequate funding for our businesses throughout market cycles, including periods of financial stress. To achieve that objective, we analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base. We define excess liquidity as readily available assets, limited to cash and high-quality, liquid, unencumbered securities that we can use to meet our funding requirements as those obligations arise.

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. For additional information regarding global funding and liquidity risk management, see Funding and Liquidity Risk Management on page 67 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Global Excess Liquidity Sources and Other Unencumbered Assets

We maintain excess liquidity available to Bank of America Corporation, or the parent company, and selected subsidiaries in the form of cash and high-quality, liquid, unencumbered securities. These assets, which we call our Global Excess Liquidity Sources, serve as our primary means of liquidity risk mitigation. Our cash is primarily on deposit with central banks, such as the Federal Reserve. We limit the composition of high-quality, liquid, unencumbered securities to U.S. government securities, U.S. agency securities, U.S. agency MBS and a select group of non-U.S. government and supranational securities. We believe we can quickly obtain cash for these securities, even in stressed market conditions, through repurchase agreements or outright sales. We hold our Global Excess Liquidity Sources in entities that allow us to meet the liquidity requirements of our global businesses, and we consider the impact of potential regulatory, tax, legal and other restrictions that could limit the transferability of funds among entities.

Our Global Excess Liquidity Sources increased $27 billion to $363 billion at September 30, 2011 compared to December 31, 2010 and were maintained as presented in Table 21. This increase was due primarily to liquidity generated by our bank subsidiaries through deposit growth, reductions in LHFS and other factors. Partially offsetting the increase were the results of our ongoing reductions of long-term debt announced in 2010.

Table 21
Global Excess Liquidity Sources

(Dollars in billions)	September 30 2011	December 31 2010	Average for Three Months Ended September 30, 2011
Parent company	$ 119	$ 121	$113
Bank subsidiaries	217	180	244
Broker/dealers	27	35	34
Total global excess liquidity sources	$ 363	$ 336	$391

As noted in Table 21, the Global Excess Liquidity Sources available to the parent company totaled $119 billion and $121 billion at September 30, 2011 and December 31, 2010. Typically, parent company cash is deposited overnight with BANA.

Table of Contents

Table 22 presents the composition of Global Excess Liquidity Sources at September 30, 2011 and December 31, 2010.

Table 22
Global Excess Liquidity Sources Composition

(Dollars in billions)	September 30 2011	December 31 2010
Cash on deposit	$ 27	$ 80
U.S. treasuries	63	65
U.S. agency securities and mortgage-backed securities	253	174
Non-U.S. government and supranational securities	20	17
Total global excess liquidity sources	$ 363	$ 336

Global Excess Liquidity Sources available to our bank subsidiaries at September 30, 2011 and December 31, 2010 totaled $217 billion and $180 billion. These amounts are distinct from the cash deposited by the parent company presented in Table 21. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold significant amounts of other unencumbered securities that we believe could also be used to generate liquidity, primarily investment-grade MBS. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $194 billion and $170 billion at September 30, 2011 and December 31, 2010. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or nonbank subsidiaries with prior regulatory approval.

Global Excess Liquidity Sources available to our broker/dealer subsidiaries at September 30, 2011 and December 31, 2010 totaled $27 billion and $35 billion. Our broker/dealers also held significant amounts of other unencumbered securities that we believe could also be used to generate additional liquidity, including investment-grade securities and equities. Liquidity held in a broker/dealer subsidiary is only available to meet the obligations of that entity and can only be transferred to the parent company or to any other subsidiary with prior regulatory approval due to regulatory restrictions and minimum requirements.

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is “Time to Required Funding.” This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation or Merrill Lynch. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity and issuances under the FDIC’s Temporary Liquidity Guarantee Program (TLGP), all of which will mature by June 30, 2012. The Corporation has established a target for Time to Required Funding of 21 months. Our Time to Required Funding at September 30, 2011 was 27 months. For purposes of calculating Time to Required Funding for September 30, 2011, we have also included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement. This settlement is subject to final court approval and certain other conditions, and the timing of the payment is not certain.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. These models are risk sensitive and have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis. For additional information on Time to Required Funding and liquidity stress modeling, see page 68 of the MD&A of the Corporation's 2010 Annual Report on Form 10-K.

Basel III Liquidity Standards

In December 2010, the Basel Committee issued “International framework for liquidity risk measurement, standards and monitoring,” which includes two proposed measures of liquidity risk. These two minimum liquidity measures were initially introduced in guidance in December 2009 and are considered part of Basel III.

The first proposed liquidity measure is the Liquidity Coverage Ratio (LCR), which is calculated as the amount of a financial institution’s unencumbered, high-quality, liquid assets relative to the net cash outflows the institution could encounter under an acute 30-day stress scenario. The second proposed liquidity measure is the Net Stable Funding Ratio (NSFR), which measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations over a one-year period. The Basel Committee expects the LCR requirement to be implemented in January 2015 and the NSFR requirement to be implemented in January 2018, following an observation period that began in 2011. We continue to monitor the development and the potential impact of these proposals, and, assuming adoption by U.S. banking regulators, we expect to meet the final standards within the regulatory timelines.

Diversified Funding Sources

We fund our assets primarily with a mix of deposits and secured and unsecured liabilities through a globally coordinated funding strategy. We diversify our funding globally across products, programs, markets, currencies and investor groups.

We fund a substantial portion of our lending activities through our deposit base, which was $1,041 billion and $1,010 billion at September 30, 2011 and December 31, 2010. Deposits are primarily generated by our Deposits, Global Commercial Banking, GWIM and GBAM segments. These deposits are diversified by clients, product type and geography and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including securitizations and FHLB loans.

Our trading activities in broker/dealer subsidiaries are primarily funded on a secured basis through securities lending and repurchase agreements and these amounts will vary based on customer activity and market conditions. We believe funding these activities in the secured financing markets is more cost efficient and less sensitive to changes in our credit ratings than unsecured financing. Repurchase agreements are generally short-term and often overnight. Disruptions in secured financing markets for financial institutions have occurred in prior market cycles which resulted in adverse changes in terms or significant reductions in the availability of such financing. We manage the liquidity risks arising from secured funding by sourcing funding globally from a diverse group of counterparties, providing a range of securities collateral and pursuing longer durations, when appropriate.

We significantly reduced our use of unsecured short-term borrowings at the parent company and broker/dealer subsidiaries, including commercial paper and master notes, during the nine months ended September 30, 2011. These short-term borrowings were used to support customer activities, short-term financing requirements and cash management objectives.

Table of Contents

Table 23 presents information on short-term borrowings.

Table 23
Short-term borrowings

	Three Months Ended September 30				Nine Months Ended September 30			
	Amount		Rate		Amount		Rate	
(Dollars in millions)	2011	2010	2011	2010	2011	2010	2011	2010
Average during period								
Federal funds purchased	$1,495	$4,608	0.05 %	0.20 %	$2,072	$5,205	0.08 %	0.14 %
Securities loaned or sold under agreements to repurchase [1]	260,334	313,760	1.39	0.76	279,403	367,106	1.35	0.65
Commercial paper [2]	2,653	20,842	(2.27)	0.73	11,704	27,146	0.51	0.56
Other short-term borrowings [3]	38,752	51,938	2.62					