BANK OF AMERICA CORP /DE/
Form 10-K
February 27, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[ü] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

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 No.:

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

	Name of each exchange
	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange
ach Representing a 1/1,000th interest in a share of ative Preferred Stock, Series D	New York Stock Exchange
ach Representing a 1/1,000th interest in a share of Cumulative Preferred Stock, Series E	New York Stock Exchange
ach Representing a 1/1,000th Interest in a Share of 8.20% Non-Cumulative Preferred Stock, Series H	New York Stock Exchange
ach Representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
ach Representing a 1/1,000th interest in a share of 7.25% Non-Cumulative Preferred Stock, Series J	New York Stock Exchange
e Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 1	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 2	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation 6.375% Non-Cumulative Preferred Stock, Series 3	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 4	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation Floating Rate Non-Cumulative Preferred Stock, Series 5	New York Stock Exchange
ach representing a 1/40th interest in a share of Bank of America Corporation 6.70% Non-cumulative Perpetual Preferred Stock, Series 6	New York Stock Exchange
ach representing a 1/40th interest in a share of Bank of America Corporation 6.25% Non-cumulative Perpetual Preferred Stock, Series 7	New York Stock Exchange
ach representing a 1/1,200th interest in a share of Bank of America Corporation 8.625% Non-Cumulative Preferred Stock, Series 8	New York Stock Exchange
Securities of Countrywide Capital IV (and the guarantees related thereto)	New York Stock Exchange
es of Countrywide Capital V (and the guarantees related thereto)	New York Stock Exchange
AC Capital Trust I (and the guarantee related thereto)	New York Stock Exchange
AC Capital Trust II (and the guarantee related thereto)	New York Stock Exchange
AC Capital Trust III (and the guarantee related thereto)	New York Stock Exchange
ies of BAC Capital Trust IV (and the guarantee related thereto)	New York Stock Exchange
of BAC Capital Trust V (and the guarantee related thereto)	New York Stock Exchange
of BAC Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
es of BAC Capital Trust X (and the guarantee related thereto)	New York Stock Exchange
ies of BAC Capital Trust XII (and the guarantee related thereto)	New York Stock Exchange

d Hybrid Income Term Securities of BAC Capital Trust XIII (and the guarantee related thereto)	New York Stock Exchang
g Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIV (and the guarantee related thereto)	New York Stock Exchang

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Title of each class	Name of each exchange on which registered
Minimum Return Index EAGLES℠, due June 1, 2010, Linked to the Nasdaq-100 Index®	NYSE Alternext US
Minimum Return Index EAGLES®, due June 28, 2010, Linked to the S&P 500® Index	NYSE Alternext US
Minimum Return Return Linked Notes, due June 24, 2010, Linked to the Nikkei 225 Index	NYSE Alternext US
Minimum Return Basket EAGLES℠, due August 2, 2010, Linked to a Basket of Energy Stocks	NYSE Alternext US
Minimum Return Index EAGLES®, due August 28, 2009, Linked to the Russell 2000® Index	NYSE Alternext US
Minimum Return Index EAGLES®, due September 25, 2009, Linked to the Dow Jones Industrial Average℠	NYSE Alternext US
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the Nasdaq-100 Index®	NYSE Alternext US
1.50% Index CYCLES™, due November 26, 2010, Linked to the S&P 500® Index	NYSE Alternext US
1.00% Index CYCLES™, due December 28, 2010, Linked to the S&P MidCap 400 Index	NYSE Alternext US
Return Linked Notes due June 28, 2010, Linked to the Nikkei 225 Index	NYSE Alternext US
1.00% Index CYCLES™, due January 28, 2011, Linked to a Basket of Health Care Stocks	NYSE Alternext US
Minimum Return Index EAGLES®, due January 28, 2011, Linked to the Russell 2000® Index	NYSE Alternext US
1.25% Index CYCLES™, due February 24, 2010, Linked to the S&P 500® Index	NYSE Alternext US
Minimum Return Index EAGLES®, due March 27, 2009, Linked to the Nasdaq-100 Index®	NYSE Alternext US
1.75% Basket CYCLES™, due April 30, 2009, Linked to a Basket of Three Indices	NYSE Alternext US
1.00% Basket CYCLES™, due May 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	NYSE Alternext US
Minimum Return Index EAGLES®, due June 25, 2010, Linked to the Dow Jones Industrial Average℠	NYSE Alternext US
1.50% Basket CYCLES™, due July 29, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Alternext US
Minimum Return Index EAGLES®, due August 28, 2009, Linked to the AMEX Biotechnology Index℠	NYSE Alternext US
1.25% Index CYCLES™, due August 25, 2010, Linked to the Dow Jones Industrial Average℠	NYSE Alternext US
1.25% Basket CYCLES™, due September 27, 2011, Linked to a Basket of Four Indices	NYSE Alternext US
Minimum Return Basket EAGLES℠, due September 29, 2010, Linked to a Basket of Energy Stocks	NYSE Alternext US
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the S&P 500® Index	NYSE Alternext US
Minimum Return Index EAGLES®, due November 23, 2010, Linked to the Nasdaq-100 Index®	NYSE Alternext US
Minimum Return Index EAGLES®, due November 24, 2010, Linked to the CBOE China Index	NYSE Alternext US
1.25% Basket CYCLES™, due December 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	NYSE Alternext US
1.50% Index CYCLES™, due December 28, 2011, Linked to a Basket of Health Care Stocks	NYSE Alternext US
6 1/2% Subordinated InterNotes℠, due 2032	New York Stock Exchange
5 1/2% Subordinated InterNotes℠, due 2033	New York Stock Exchange
5 7/8% Subordinated InterNotes℠, due 2033	New York Stock Exchange
6% Subordinated InterNotes℠, due 2034	New York Stock Exchange
Minimum Return Index EAGLES, due March 25, 2011, Linked to the Dow Jones Industrial Average	NYSE Alternext US
1.625% Index CYCLES, due March 23, 2010, Linked to the Nikkei 225 Index	NYSE Alternext US
1.75% Index CYCLES, due April 28, 2011, Linked to the S&P 500 Index	NYSE Alternext US

Return Linked Notes, due August 26, 2010, Linked to a Basket of Three Indices	NYSE Alternext US
Return Linked Notes, due June 27, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Alternext US
Minimum Return Index EAGLES, due July 29, 2010, Linked to the S&P 500 Index	NYSE Alternext US
Return Linked Notes, due January 28, 2011, Linked to a Basket of Two Indices	NYSE Alternext US
Minimum Return Index EAGLES, due August 26, 2010, Linked to the Dow Jones Industrial Average	NYSE Alternext US
Return Linked Notes, due August 25, 2011, Linked to the Dow Jones EURO STOXX 50 Index	NYSE Alternext US
Minimum Return Index EAGLES, due October 3, 2011, Linked to the S&P 500 Index	NYSE Alternext US
Minimum Return Index EAGLES, due October 28, 2011, Linked to the AMEX Biotechnology Index	NYSE Alternext US
Return Linked Notes, due October 27, 2011, Linked to a Basket of Three Indices	NYSE Alternext US
Return Linked Notes, due November 22, 2010, Linked to a Basket of Two Indices	NYSE Alternext US
Minimum Return Index EAGLES, due November 23, 2011, Linked to a Basket of Five Indices	NYSE Alternext US
Minimum Return Index EAGLES, due December 27, 2011, Linked to the Dow Jones Industrial average	NYSE Alternext US
0.25% Senior Notes Optionally Exchangeable Into a Basket of Three Common Stocks, due February 2012	NYSE Alternext US
Return Linked Notes, due December 29, 2011 Linked to a Basket of Three Indices	NYSE Alternext US
Bear Market Strategic Accelerated Redemption Securities®, Linked to the iShares® Dow Jones U.S. Real Estate Index Fund, due August 3, 2010	NYSE Arca, Inc.
Accelerated Return Notes℠, Linked to the S&P 500® Index, due April 5, 2010	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities®, Linked to the S&P 500® Index, due February 1, 2011	NYSE Arca, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No ü

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

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 Rule 12b-2 of the Act). Yes No ü

The aggregate market value of the registrant s common stock (Common Stock) held by non-affiliates is approximately $151,887,915,138 (based on the June 30, 2008 closing price of Common Stock of $23.87 per share as reported on the New York Stock Exchange). As of February 25, 2009, there were 6,401,387,626 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document of the Registrant	**Form 10-K Reference Locations**
Portions of the 2009 Proxy Statement	PART III

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Part I

Bank of America Corporation and Subsidiaries

Item 1. Business

General

Bank of America Corporation (Bank of America or the Corporation) is a Delaware corporation, a bank holding company and a financial holding company under the Gramm-Leach-Bliley Act. Our principal executive offices are located in the Bank of America Corporate Center, Charlotte, North Carolina 28255.

Through our banking subsidiaries (Banks) and various nonbanking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and nonbanking financial services and products through three business segments: *Global Consumer and Small Business Banking, Global Corporate and Investment Banking* and *Global Wealth and Investment Management.* With the acquisition of Merrill Lynch & Co., Inc. (Merrill Lynch) on January 1, 2009, we have one of the largest wealth management businesses in the world with more than 18,000 financial advisors and more than $1.8 trillion in client assets, and 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. In addition, through our ownership of Merrill Lynch, we have an approximately 50 percent economic ownership in BlackRock, Inc., a publicly traded investment management company. With the acquisition of Merrill Lynch, we currently operate in all 50 states, the District of Columbia and more than 40 foreign countries. As of December 31, 2008, the Bank of America retail banking footprint covers more than 82 percent of the U.S. population and 44 percent of the country s wealthy households, and in the United States, we serve approximately 59 million consumer and small business relationships with more than 6,100 banking centers, approximately 18,700 ATMs, nationwide call centers, and leading online and mobile banking platforms. We have banking centers in 13 of the 15 fastest growing states and have leadership positions in 10 of those states. We offer industry-leading support to more than 4 million small business owners.

Additional information relating to our businesses and our subsidiaries is included in the information set forth in pages 26 through 43 of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and *Note 22 Business Segment Information* to the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplemental Data (Consolidated Financial Statements).

Bank of America s website is *www.bankofamerica.com.* Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website at *http://investor.bankofamerica.com* under the heading SEC Filings as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). In addition, we make available on *http://investor.bankofamerica.com* under the heading Corporate Governance: (i) our Code of Ethics (including our insider trading policy); (ii) our Corporate Governance Guidelines; and (iii) the charters of each of Bank of America s Board committees, and we also intend to disclose any amendments to our Code of Ethics, or waivers of our Code of Ethics on behalf of our Chief

Executive Officer, Chief Financial Officer or Chief Accounting Officer, on our website. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing to: Bank of America Corporation, Attention: Shareholder Relations Department, 101 South Tryon Street, NC1-002-29-01, Charlotte, North Carolina 28255.

Competition

Bank of America and our subsidiaries operate in a highly competitive environment. Our competitors include banks, thrifts, credit unions, investment banking firms, investment advisory firms, brokerage firms, investment companies, insurance companies, mortgage banking companies, credit card issuers, mutual fund companies and e-commerce and other Internet-based companies. We compete with some of these competitors globally and with others on a regional or product basis. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience. Our ability to continue to compete effectively also depends in large part on our ability to attract new employees and retain and motivate our existing employees, while managing compensation and other costs. In connection with the purchase by the U.S. Department of the Treasury (U.S. Treasury) of an additional series of our preferred stock in January 2009, we agreed to certain compensation limitations, and the recently enacted American Recovery and Reinvestment Act of 2009 (ARRA) includes certain additional restrictions, applicable to our senior executive officers and certain other senior managers, which may impact our ability to attract or retain employees.

More specifically, our consumer banking business competes with banks, thrifts, credit unions, finance companies and other nonbank organizations offering financial services. Our commercial lending business competes with local, regional and international banks and nonbank financial organizations, some of which are larger than certain of our nonbanking subsidiaries and the Banks. In the investment banking, wealth management, investment advisory and brokerage businesses, our nonbanking subsidiaries compete with U.S. and international commercial banking and investment banking firms, investment advisory firms, brokerage firms, investment companies, mutual funds, hedge funds, private equity funds, other organizations offering similar services and other investment alternatives available to investors, some of which are larger than our subsidiaries. Our mortgage banking units compete with banks, thrifts, government agencies, mortgage brokers and other nonbank organizations offering mortgage banking and mortgage related services. Our card business competes in the U.S. and internationally with banks, as well as monoline and retail card product companies. In the trust business, the Banks compete with other banks, thrifts, insurance agents, financial counselors and other fiduciaries for personal trust business and with other banks, investment counselors and insurance companies for institutional funds.

We also compete actively for funds. A primary source of funds for the Banks is deposits, and competition for deposits includes other deposit-taking organizations, such as banks, thrifts and credit unions, as well as money market mutual funds. Investment banks and

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other entities that became bank holding companies and financial holding companies as a result of the financial crisis also may become competitors for deposits. In addition, we compete for funding in the domestic and international short-term and long-term debt securities capital markets.

Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. This trend accelerated over the course of 2008 as the credit crisis caused numerous mergers and asset acquisitions among industry participants. This trend toward consolidation has significantly increased the capital base and geographic reach of some of our competitors. This trend has also hastened the globalization of the securities and other financial services market. These developments could result in our remaining competitors gaining greater capital and other resources or having stronger local presences and longer operating histories outside the U.S.

Our ability to expand into additional states remains subject to various federal and state laws. See Government Supervision and Regulation General below for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

Employees

As of December 31, 2008, there were approximately 243,000 full-time equivalent employees with Bank of America and our subsidiaries. Of these employees, 158,700 were employed within *Global Consumer and Small Business Banking,* 28,300 were employed within *Global Corporate and Investment Banking* and 15,500 were employed within *Global Wealth and Investment Management.* The remainder were employed elsewhere within our company including various staff and support functions. With the acquisition of Merrill Lynch on January 1, 2009, we added approximately 59,000 employees, of which 29,000 were employed within the Merrill Lynch Global Wealth Management business and 10,000 were employed within the Merrill Lynch Global Trading and Investment Banking business. The remainder were employed elsewhere within Merrill Lynch including various staff and support functions.

None of our domestic employees are subject to a collective bargaining agreement. Management considers our employee relations to be good.

Acquisition and Disposition Activity

As part of our operations, we regularly evaluate the potential acquisition of, and hold discussions with, various financial institutions and other businesses of a type eligible for financial holding company ownership or control. In addition, we regularly analyze the values of, and submit bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. We also regularly consider the potential disposition of certain of our assets, branches, subsidiaries or lines of businesses. As a general rule, we publicly announce any material acquisitions or dispositions when a definitive agreement has been reached.

On January 1, 2009, the Corporation completed the acquisition of Merrill Lynch through its merger with a subsidiary of the Corporation. On July 1, 2008, the Corporation completed the acquisition of Countrywide Financial Corporation through its merger with a subsidiary of the Corporation. Additional information on our acquisitions and mergers is included under *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements which is incorporated herein by reference.

Government Supervision and Regulation

The following discussion describes elements of an extensive regulatory framework applicable to bank holding companies, financial holding

companies and banks and specific information about Bank of America and our subsidiaries. Federal regulation of banks, bank holding companies and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund rather than for the protection of stockholders and creditors.

General

As a registered bank holding company and financial holding company, Bank of America is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (Federal Reserve Board or FRB). The Banks are organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (Comptroller or OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, other federal and state regulatory agencies, and with respect to Bank of America s operations in the United Kingdom, the Financial Services Authority (FSA). Bank of America also controls a federal thrift that is subject to the examination and supervision of the Office of Thrift Supervision. In addition to banking laws, regulations and regulatory agencies, Bank of America and our subsidiaries and affiliates are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of Bank of America and our ability to make distributions to stockholders.

A financial holding company, and the companies under its control, are permitted to engage in activities considered financial in nature as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations (including, without limitation, insurance and securities activities), and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. A financial holding company may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, provided the financial holding company gives the Federal Reserve Board after-the-fact notice of the new activities. The Gramm-Leach-Bliley Act also permits national banks, such as the Banks, to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC.

Bank holding companies (including bank holding companies that also are financial holding companies) also are required to obtain the prior approval of the Federal Reserve Board before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Banking and Branching Act), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state. Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines to create interstate banks. The Interstate Banking and Branching Act also permits a bank to open new branches in a state in which it does not already have banking operations if such state enacts a law permitting de novo branching.

Changes in Regulations

Proposals to change the laws and regulations governing the banking and financial services industries are frequently introduced in Congress, in the

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state legislatures and before the various bank regulatory agencies. For example, the U.S. Treasury, the FDIC and the FRB have developed programs and facilities, including, among others, the U.S Treasury s Troubled Asset Relief Program (TARP) Capital Purchase Program, designed to support the banking and financial services industries, as further described in Regulatory Initiatives in the MD&A. In addition, Congress and the U.S. government have continued to evaluate and develop legislation, programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the ARRA, which increases government spending and provides tax cuts designed to stimulate the economy, the U.S. Treasury s recently announced Financial Stability Plan and the U.S. government s recently announced foreclosure prevention program. The final form of any such programs or initiatives or related legislation, the likelihood and timing of any other future proposals or legislation, and the impact they might have on Bank of America and our subsidiaries cannot be determined at this time.

Capital and Operational Requirements

The Federal Reserve Board, the OCC and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Tier 1 capital includes common shareholders equity, trust securities, minority interests and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank s risk-based capital ratio to fall or remain below the required minimum. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents our qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent. Our Tier 1 and total risk-based capital ratios under these guidelines at December 31, 2008 were 9.15 percent and 13.00 percent. At December 31, 2008, we had no subordinated debt that qualified as Tier 3 capital.

The leverage ratio is determined by dividing Tier 1 capital by adjusted quarterly average total assets, after certain adjustments. Well-capitalized bank holding companies must have a minimum Tier 1 leverage ratio of three percent and are not subject to an FRB directive to maintain higher capital levels. Our leverage ratio at December 31, 2008 was 6.44 percent, which exceeded our leverage ratio requirement.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on

operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital-raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank s compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent s general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well capitalized institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2008.

Regulators also must take into consideration: (a) concentrations of credit risk; (b) interest rate risk; and (c) risks from non-traditional activities, as well as an institution s ability to manage those risks, when determining the adequacy of an institution s capital. This evaluation will be made as a part of the institution s regular safety and soundness examination. In addition, Bank of America, and any Bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

Distributions

Our funds for cash distributions to our stockholders are derived from a variety of sources, including cash and temporary investments. The primary source of such funds, and funds used to pay principal and interest on our indebtedness, is dividends received from the Banks. Each of the Banks is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof.

As a result of our issuance of preferred stock to the U.S. Treasury pursuant to the TARP Capital Purchase Program, dividend payments on, and repurchases of our outstanding preferred and common stock are subject to certain restrictions. For more information on these restrictions, see *Note 14 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

In addition, the ability of Bank of America and the Banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. The right of Bank of America, our stockholders and our creditors to participate in any distribution of the assets or earnings of our subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

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Source of Strength

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC either as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default the other Banks may be assessed for the FDIC s loss, subject to certain exceptions.

Additional Information

See also the following additional information which is incorporated herein by reference: Net Interest Income (under the captions Financial Highlights Net Interest Income and Supplemental Financial Data in the MD&A and Tables I, II and XIII of the Statistical Tables); Securities (under the caption Balance Sheet Analysis Debt Securities and Interest Rate Risk Management for Nontrading Activities Securities in the MD&A and *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities* to the Consolidated Financial Statements); Outstanding Loans and Leases (under the caption Balance Sheet Analysis Loans and Leases, Net of Allowance for Loan and Lease Losses and Credit Risk Management in the MD&A, Table III of the Statistical Tables, and *Note 1 Summary of Significant Accounting Principles* and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements); Deposits (under the caption Balance Sheet Analysis Deposits and Liquidity Risk and Capital Management Liquidity Risk in the MD&A and *Note 11 Deposits* to the Consolidated Financial Statements); Short-Term Borrowings (under the caption Balance Sheet Analysis Commercial Paper and Other Short-term Borrowings and Liquidity Risk and Capital Management Liquidity Risk in the MD&A, Table IX of the Statistical Tables and *Note 12 Short-term Borrowings and Long-term Debt* to the Consolidated Financial Statements); Trading Account Assets and Liabilities (under the caption Balance Sheet Analysis Federal Funds Sold and Securities Purchased Under Agreements to Resell and Trading Account Assets , Balance Sheet Analysis Federal Funds Purchased and Securities Sold Under Agreements to Repurchase and Trading Account Liabilities and Market Risk Management Trading Risk Management in the MD&A and *Note 3 Trading Account Assets and Liabilities* to the Consolidated Financial Statements); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk and Capital Management in the MD&A); Compliance and Operational Risk Management (under the caption Compliance and Operational Risk Management in the MD&A); and Performance by Geographic Area (under *Note 24 Performance by Geographical Area* to the Consolidated Financial Statements).

Item 1A. Risk Factors

In the course of conducting our business operations, Bank of America and our subsidiaries are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors which are particularly relevant to us in the current period of significant economic and market disruption. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect Bank of America and our subsidiaries.

Business and economic conditions. Our businesses and earnings are affected by general business and economic conditions in the United States and abroad. Given the concentration of our business activities in the United States, we are particularly exposed to downturns in the U.S. economy. For example, in a poor economic environment there is a greater likelihood that more of our customers or counterparties could become delinquent on their loans or other obligations to us, which, in turn, could result in a higher level of charge-offs and provision for credit losses, all of which would adversely affect our earnings. General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, home prices, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, and the strength of the U.S. economy and the local economies in which we operate.

Economic conditions in the United States and abroad deteriorated significantly during the second half of 2008, and the United States, Europe and Japan currently are in a recession. Dramatic declines in the housing market, with falling home prices and increasing foreclosures, unemployment and underemployment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions, reflecting concern about the stability of the financial markets generally and the strength of counterparties. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, a significant reduction in consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition, results of operations, liquidity and access to capital and credit. We do not expect that the difficult conditions in the United States and international financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry.

Instability of the U.S. financial system. Beginning in the fourth quarter of 2008, the U.S. government has responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. The U.S. Treasury, the FDIC and the Federal Reserve Board each have developed programs and facilities, including, among others, the TARP Capital Purchase Program and other efforts, designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector, as more particularly described in Regulatory Initiatives in the MD&A. In addition, the recently enacted ARRA is intended to expand and establish government spending programs and provide tax cuts to stimulate the economy. Congress and the U.S. government continue to evaluate and develop various programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the U.S. Treasury s recently announced Financial Stability Plan and the U.S. government s recently announced foreclosure prevention program. The final form of any such programs or initiatives or related legislation cannot be known at this time. There can

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be no assurance as to the impact that the ARRA, the Financial Stability Plan or any other such initiatives or governmental programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these efforts to stabilize the financial markets and a continuation or worsening of current or financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our common stock and other equity and debt securities.

International risk. We do business throughout the world, including in developing regions of the world commonly known as emerging markets, and our acquisition of Merrill Lynch on January 1, 2009, has significantly increased our exposure to a number of risks, including economic, market, reputational, litigation and regulatory risks, in non-U.S. markets. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, changes in governmental policies or policies of central banks, expropriation, nationalization, confiscation of assets, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be magnified, because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.

Soundness of other financial institutions. Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, funding, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

We are party to a large number of derivative transactions, including credit derivatives. Many of these derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling the position difficult. Many credit derivatives require that we deliver to the counterparty the underlying security, loan or other obligation in order to receive payment. In a number of cases, we do not hold, and may not be able to obtain, the underlying security, loan or other obligation. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us.

Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of default may find it more difficult to enforce the contract. In addition, as new and more complex derivative products have been created, covering a wider array of

underlying credit and other instruments, disputes about the terms of the underlying contracts may arise, which could impair our ability to effectively manage our risk exposures from these products and subject us to increased costs.

Access to funds from subsidiaries. The Corporation is a separate and distinct legal entity from our banking and nonbanking subsidiaries. We therefore depend on dividends, distributions and other payments from our banking and nonbanking subsidiaries to fund dividend payments on the common stock and our preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the Corporation. Regulatory action of that kind could impede access to funds we need to make payments on our obligations or dividend payments. In addition, the Corporation s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

Changes in accounting standards. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. From time to time the Financial Accounting Standards Board (FASB) and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the Corporation restating prior period financial statements.

For a further discussion of some of our critical accounting policies and standards and recent accounting changes, see Recent Accounting Developments and Complex Accounting Estimates in the MD&A and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Competition. We operate in a highly competitive environment. Over time, there has been substantial consolidation among companies in the financial services industry, and this trend accelerated over the course of 2008 as the credit crisis has led to numerous mergers and asset acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. This trend also has hastened the globalization of the securities and financial services markets. We will continue to experience intensified competition as continued consolidation in the financial services industry in connection with current market conditions may produce larger and better-capitalized companies that are capable of offering a wider array of financial products and services at more competitive prices. To the extent we expand into new business areas and new geographic regions, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to compete. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and Internet-based financial solutions. Increased competition may affect our results by creating pressure to

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lower prices on our products and services and reducing market share.

Our continued ability to compete effectively in our businesses, including management of our existing businesses as well as expansion into new businesses and geographic areas, depends on our ability to retain and motivate our existing employees and attract new employees. We face significant competition for qualified employees both within the financial services industry, including foreign-based institutions and institutions not subject to compensation restrictions imposed under the TARP Capital Purchase Program, the ARRA or any other U.S. government initiatives, and from businesses outside the financial services industry. This is particularly the case in emerging markets, where we are often competing for qualified employees with entities that may have a significantly greater presence or more extensive experience in the region. Over the past year, we have significantly reduced compensation levels. In January 2009, in connection with the U.S. Treasury s purchase of an additional series of our preferred stock, we agreed to certain compensation limitations, and the ARRA also includes certain additional compensation restrictions, applicable to our senior executive officers and certain other senior managers. A substantial portion of our annual bonus compensation paid to our senior employees has in recent years been paid in the form of equity-based awards. The value of these awards has been impacted by the significant decline in the market price of our common stock. We also have reduced the number of employees across nearly all of our businesses during the latter portion of 2008 and into 2009. In addition, the recent consolidation in the financial services industry has intensified the challenges of cultural integration between differing types of financial services institutions. The combination of these events could have a significant adverse impact on our ability to retain and hire the most qualified employees.

Credit and concentration risk. When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation s largest lenders, the credit quality of our portfolio can have a significant impact on our earnings. Negative economic conditions are likely to adversely affect our home equity line of credit, credit card and other loan portfolios, including causing increases in delinquencies and default rates, which we expect could impact our charge-offs and provision for credit losses.

We estimate and establish reserves for credit risks and potential credit losses inherent in our credit exposure (including unfunded credit commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use become less predictive of future behaviors, valuations, assumptions or estimates.

We have experienced concentration of risk with respect to our consumer real estate and credit card portfolios, each of which represents a large percentage of our overall credit portfolio. The current financial crisis and economic slowdown has adversely affected these portfolios and exposed this concentration of risk. Continued deterioration in real estate values and household incomes could result in materially higher credit losses.

In the ordinary course of our business, we also may be subject to a concentration of credit risk to a particular industry, counterparty, borrower

or issuer. A deterioration in the financial condition or prospects of a particular industry or a failure or downgrade of, or default by, any particular entity or group of entities could negatively impact our businesses, perhaps materially, and the systems by which we set limits and monitor the level of our credit exposure to individual entities, industries and countries may not function as we have anticipated. While our activities expose us to many different industries and counterparties, we routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment funds and insurers. This has resulted in significant credit concentration with respect to this industry.

For a further discussion of credit risk and our credit risk management policies and procedures, see Credit Risk Management in the MD&A.

Liquidity risk. Liquidity is essential to our businesses. Under normal business conditions, primary sources of funding for the parent company include dividends received from banking and nonbanking subsidiaries and proceeds from the issuance of securities in the capital markets. The primary sources of funding for our banking subsidiaries include customer deposits and wholesale market-based funding. Our liquidity could be impaired by an inability to access the capital markets or by unforeseen outflows of cash, including deposits. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption, negative views about the financial services industry generally, or an operational problem that affects third parties or us. Our ability to raise funding in the debt or equity capital markets has been and could continue to be adversely affected by conditions in the United States and international markets and economy. Global capital and credit markets have been experiencing volatility and disruption since the second half of 2007, and in the second half of 2008, volatility reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for issuers without regard to those issuers underlying financial strength. As a result of disruptions in the capital and credit markets, we have utilized several of the U.S. government liquidity programs, which are temporary in nature, to enhance our liquidity position. Our ability to borrow from other financial institutions or to engage in securitization funding transactions on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.

Our credit ratings and the credit ratings of our securitization trusts are important to our liquidity. The ratings of our long-term debt have been downgraded during 2008 by all of the major rating agencies. These rating agencies regularly evaluate us and our securities, and their ratings of our long-term and short-term debt and other securities, including asset securitizations, are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect our liquidity and competitive position, increase our borrowing costs or limit our access to the capital markets or our ability to engage in securitization funding transactions at all. While the impact on the incremental cost of funds and potential lost funding of an incremental downgrade of our long-term debt by one level might be negligible, a downgrade of the Corporation s short-term credit rating could negatively impact our commercial paper program by materially affecting our incremental cost of funds and potential lost funding. A reduction in our credit ratings also could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, we may be required to provide additional collateral in the event of a credit ratings downgrade.

For a further discussion of our liquidity position and other liquidity matters and the policies and procedures we use to manage our liquidity risks, see Liquidity Risk and Capital Management in the MD&A.

Market risk. We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates could adversely affect our net interest margin the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding which could in turn affect our net interest income and earnings. Market risk is inherent in the financial instruments associated with our operations and activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity and futures prices, changes in the implied volatility of interest rates, credit spreads and price deterioration or changes in value due to changes in market perception or actual credit quality of either the issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on our results from operations and our overall financial condition.

The models that we use to assess and control our risk exposures reflect assumptions about the degrees of correlation or lack thereof among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, such as the market conditions experienced during 2008, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of our hedging strategies and have caused us to incur significant losses, and they may do so in the future. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to ours. In these and other cases, it may be difficult to reduce our risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets. To the extent that we make investments directly in securities that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, we may not be able to reduce our positions and therefore reduce our risk associated with such positions.

Merrill Lynch and its businesses are subject to many of the same difficulties resulting from the market turmoil and tightening of credit as we are. As a result of the acquisition, we have increased our trading-related activities and exposure as well as our exposure to the mortgage market through securities, derivatives, loans and loan commitments, including CDOs and subprime mortgages or related securities, with respect to which Merrill Lynch has entered into credit derivatives with various counterparties, including financial guarantors. Like us, Merrill Lynch also faces counterparty risk. Valuation of these exposures will continue to be impacted by external market factors, including default rates, rating agency actions, and the prices at which observable market transactions occur and the continued availability of these transactions. Merrill Lynch s ability to mitigate its risk by selling or hedging its exposures is also limited by the market environment, and its future results may continue to be materially impacted by the valuation adjustments applied to these positions.

For a further discussion of market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A.

Declining asset values. We have a large portfolio of assets held for sale at any time in connection with our originate to distribute strategy. We also have large proprietary trading and investment positions in a number of our businesses. These positions are accounted for at fair value, and the declines in the values of assets had a direct and large negative impact on our earnings in 2008, as well as the earnings of Merrill Lynch. We may incur additional losses as a result of increased market volatility or decreased market liquidity, which may adversely impact the valuation of our trading and investment positions. If an asset is marked to market, declines in asset values directly and immediately impact our earnings, unless we have effectively hedged our exposures to such declines. These exposures may continue to be impacted by declining values of the underlying assets. In addition, the prices at which observable market transactions occur and the continued availability of these transactions, and the financial strength of counterparties, such as financial guarantors, with whom we have economically hedged some of our exposure to these assets. Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading activity for these assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces our ability to limit losses in such positions and the difficulty in valuing assets may increase our risk-weighted assets which requires us to maintain additional capital and increases our funding costs.

Asset values also directly impact revenues from our asset management business. We receive asset-based management fees based on the value of our clients portfolios or investment in funds managed by us and, in some cases, we also receive incentive fees based on increases in the value of such investments. Declines in asset values have reduced the value of our clients portfolios or fund assets, which in turn has reduced the fees we earn for managing such assets.

Merger risks. There are significant risks and uncertainties associated with mergers. We have made several significant acquisitions in the last several years, and there is a risk that integration difficulties or a significant decline in asset valuations or cash flows may cause us not to realize expected benefits from the transactions and may affect our results, including adversely impacting the carrying value of the acquisition premium or goodwill. The success of the Merrill Lynch merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of Bank of America and Merrill Lynch. To realize these anticipated benefits and cost savings, we must successfully combine our businesses and the businesses of Merrill Lynch. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected. For example, we may fail to realize the growth opportunities and cost savings anticipated to be derived from the merger. Our businesses currently are experiencing unprecedented challenges as a result of the current economic environment and ongoing financial crisis. Upon consummation of the merger, we acquired additional exposure to the mortgage market through the securities, derivatives, loans and loan commitments, including CDOs and subprime mortgages or related securities held by Merrill Lynch, which could expose us to additional losses as a result of further declines in the value of these assets.

In addition, it is possible that the integration process, including changes or perceived changes in our compensation practices, could result in the loss of key employees, the disruption of our and Merrill Lynch s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to

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achieve the anticipated benefits of the merger. Integration efforts also may divert management attention and resources. These integration matters could have an adverse effect on us for an undetermined period after consummation of the merger. We will be subject to similar risks and difficulties in connection with future acquisitions, as well as decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Regulatory considerations and restrictions on dividends. Bank of America, the Banks and many of our nonbank subsidiaries are heavily regulated by bank regulatory agencies at the federal and state levels. This regulatory oversight is established to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders. Bank of America and its nonbanking subsidiaries are also heavily regulated by securities regulators, domestically and internationally. This regulation is designed to protect investors in securities we sell or underwrite. Congress and state legislatures and foreign, federal and state regulatory agencies continually review laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer and increasing the ability of nonbanks to offer competing financial services and products.

As a result of the ongoing financial crisis and challenging market conditions, we expect to face increased regulation and regulatory and political scrutiny of the financial services industry, including as a result of our participation in the TARP Capital Purchase Program and the ARRA and the U.S. Treasury s Financial Stability Plan. As part of the Financial Stability Plan s new Capital Assistance Program, we will be subject to a forward-looking stress test to determine if we have a sufficient capital buffer to withstand the impact of certain economic scenarios, including under economic conditions more severe than we currently anticipate. The increased regulation will allow regulators to determine whether we might require additional capital or a change in the composition of our capital.

Compliance with such regulation and scrutiny may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner. We also will be required to pay significantly higher FDIC premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. The increased costs associated with anticipated regulatory and political scrutiny could adversely impact our results of operations.

In October 2008 and January 2009, we issued preferred stock and warrants to purchase our common stock to the U.S. Treasury under the TARP Capital Purchase Program and targeted investment program. Pursuant to the terms of these issuances, for so long as any of such preferred stock remains outstanding, we are prohibited from increasing the current dividend rate on our common stock (currently $0.01 per share) and from repurchasing our trust preferred securities or equity securities, including our common stock (except for repurchases of common stock in connection with benefit plans consistent with past practice), without the U.S. Treasury s consent until January 2012 or until the U.S. Treasury has transferred all of the preferred stock to third parties. Furthermore, as long as the preferred stock issued to the U.S. Treasury is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our common stock, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions.

Litigation risks. We face significant legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain

high and are increasing. Substantial legal liability or significant regulatory action against Bank of America and our subsidiaries could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. In addition, we face increased litigation risk as a result of the Merrill Lynch acquisition and recent decreases in the market price of our securities. Any such litigation could lead to more volatility of our stock price.

For a further discussion of litigation risks, see Litigation and Regulatory Matters in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements.

Risks related to our commodities business. We are exposed to environmental, reputational, regulatory, market and credit risk as a result of our commodities related activities. Through our commodities business, we enter into exchange-traded contracts, financially settled over-the-counter derivatives, contracts for physical delivery and contracts providing for the transportation, transmission and/or storage rights on or in vessels, barges, pipelines, transmission lines or storage facilities. Contracts relating to physical ownership, delivery and/or related activities can expose us to numerous risks, including performance, environmental and reputational risks. For example, we may incur civil or criminal liability under certain environmental laws and our business and reputation may be adversely affected. In addition, regulatory authorities have recently intensified scrutiny of certain energy markets, which has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies engaged in the activities in which we are engaged.

Governmental fiscal and monetary policy. Our businesses and earnings are affected by domestic and international fiscal and monetary policy. For example, the Federal Reserve Board regulates the supply of money and credit in the United States and its policies determine in large part our cost of funds for lending, investing and capital raising activities and the return we earn on those loans and investments, both of which affect our net interest margin. The actions of the Federal Reserve Board also can materially affect the value of financial instruments we hold, such as debt securities and mortgage servicing rights and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings also are affected by the fiscal or other policies that are adopted by various regulatory authorities of the United States, non-U.S. governments and international agencies. Changes in domestic and international fiscal and monetary policy are beyond our control and hard to predict.

Operational risks. The potential for operational risk exposure exists throughout our organization. Integral to our performance is the continued efficacy of our technical systems, operational infrastructure, relationships with third parties and the vast array of associates and key executives in our day-to-day and ongoing operations. Failure by any or all of these resources subjects us to risks that may vary in size, scale and scope. This includes but is not limited to operational or technical failures, unlawful tampering with our technical systems, terrorist activities, ineffectiveness or exposure due to interruption in third party support, as well as the loss of key individuals or failure on the part of the key individuals to perform properly.

For further discussion of operating risks, see Compliance and Operational Risk Management in the MD&A.

Products and services. Our business model is based on a diversified mix of businesses that provides a broad range of financial products and services, delivered through multiple distribution channels. Our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competition to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services.

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In addition, the widespread adoption of new technologies, including internet services, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing and introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or developing and maintaining loyal customers.

Reputational risks. Our ability to attract and retain customers and employees could be adversely affected to the extent our reputation is damaged. Our actual or perceived failure to address various issues could give rise to reputational risk that could cause harm to Bank of America and our subsidiaries and our business prospects. These issues include, but are not limited to, appropriately addressing potential conflicts of interest; legal and regulatory requirements; ethical issues; money-laundering; privacy; properly maintaining customer and associate personal information; record keeping; sales and trading practices; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. We also are facing enhanced public and regulatory scrutiny resulting from, among other things, the U.S. Treasury s purchase of our preferred stock, which ranges from questions regarding our volume of lending, our acquisition of Merrill Lynch and our compensation of senior executives. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions, reputational harm and legal risks, which could among other things increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

Risk management processes and strategies. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Accordingly, our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. For a further discussion of our risk management policies and procedures, see Managing Risk in the MD&A.

Geopolitical risks. Geopolitical conditions can affect our earnings. Acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts could affect business and economic conditions in the United States and abroad.

Additional risks and uncertainties. We are a diversified financial services company. In addition to banking, we provide investment, mortgage, investment banking, credit card and consumer finance services. Although we believe our diversity helps lessen the effect when downturns affect any one segment of our industry, it also means our earnings could be subject to different risks and uncertainties than the ones discussed herein. If any of the risks that we face actually occur, irrespective of whether those risks are described in this section or elsewhere in this report, our business, financial condition and operating results could be materially adversely affected.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC s staff 180 days or more before the end of Bank of America s 2008 fiscal year relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

As of December 31, 2008, Bank of America s principal offices and primarily all of our business segments were located in or used the 60-story Bank of America Corporate Center in Charlotte, North Carolina, which is owned by one of our subsidiaries. We occupy approximately 587,000 square feet and lease approximately 598,000 square feet to third parties at market rates, which represents substantially all of the space in this facility.

We also occupy approximately 680,000 square feet of space at 100 Federal Street in Boston, Massachusetts, which is the headquarters for one of our primary business segments, *Global Wealth and Investment Management.* The 37-story building is owned by one of our subsidiaries which also leases, at market rates, approximately 469,000 square feet to third parties, which, along with the space we occupy, represents substantially all of the space in this facility.

We also occupy approximately 1,678,000 square feet of space at Bank of America Tower at One Bryant Park in New York, New York, which is the headquarters for one of our primary business segments, *Global Corporate and Investment Banking.* The 51-story building is 49% owned by one of our subsidiaries, which also leases or has available for lease at market rates approximately 480,000 square feet to third parties, which, along with the space we occupy, represents substantially all of the space in this facility.

With the acquisition of Merrill Lynch, on January 1, 2009, we added the following facilities, which support the Merrill Lynch Global Wealth Management and Global Markets and Investment Banking businesses:

Significant Facilities in the U.S. We lease and occupy 100% of the approximately 1,800,000 square feet of space at 4 World Financial Center in New York, New York. One of our subsidiaries is a partner in the partnership that holds the ground lessee s interest in 4 World Financial Center. We also lease approximately 2,500,000 square feet of space at 2 World Financial Center, in New York, New York, occupy 27% of the space in this facility and sublease the remainder to third parties.

We own a 760,000 square foot building at 222 Broadway in New York, New York, and occupy substantially all of the space in this facility. We also lease and occupy, pursuant to an operating lease with an unaffiliated lessor, approximately 1,737,000 square feet of space and ancillary buildings in Hopewell, New Jersey. One of our subsidiaries is the lessee under the operating lease and owns the underlying land upon which the Hopewell facilities are located. We also own a 54-acre campus in Jacksonville, Florida, with four buildings.

Significant Facilities Outside the U.S. In London, we lease and occupy 100% of the approximately 576,000 square foot London headquarters facility known as Merrill Lynch Financial Centre. In addition, we lease approximately 305,000 square feet of space in other London locations, of which we occupy approximately 134,000 square feet of space and sublease the remainder to third parties. In Tokyo, we lease and occupy approximately 292,000 square feet for the Merrill Lynch Japan headquarters.

With the acquisition of Merrill Lynch, as of January 1, 2009, we owned or leased approximately 28,937 locations in 50 states and the District of Columbia. We also owned or leased locations in more than 62 cities in over 40 foreign countries.

Item 3. Legal Proceedings

See Litigation and Regulatory Matters in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements beginning on page 149 for Bank of America s litigation disclosure which is incorporated herein by reference.

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Item 4. Submission of Matters To A Vote of Security Holders

1. A Special Meeting of Stockholders was held on December 5, 2008.
2. The following are the combined common stock and Series B preferred stock voting results on each matter submitted to the stockholders:
   a. To approve the issuance of shares of Bank of America common stock as contemplated by the Agreement and Plan of Merger, dated as of September 15, 2008, by and between Merrill Lynch & Co., Inc. and Bank of America Corporation, as such agreement may be amended from time to time.

For	Against	Abstentions	Broker Non-Votes
2,615,291,535	575,611,403	18,329,942	960,240,625

   b. To approve an amendment to the 2003 Key Associate Stock Plan, as amended and restated.

For	Against	Abstentions	Broker Non-Votes
2,571,420,883	599,866,888	37,944,709	960,241,025

   c. To adopt an amendment to the Bank of America amended and restated certificate of incorporation to increase the number of authorized shares of Bank of America common stock from 7.5 billion to 10 billion.[1]

For	Against	Abstentions	Broker Non-Votes
3,529,366,791	608,728,959	31,377,755	0

[1] Common stock only results were 3,529,362,972 For; 608,728,697 Against; 31,377,755 Abstentions; and no Broker non-votes.

   d. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the foregoing proposals.

For	Against	Abstentions	Broker Non-Votes
2,439,270,907	747,432,033	22,498,440	960,272,125

Item 4A. Executive Officers of The Registrant

Pursuant to the Instructions to Form 10-K and Item 401(b) of Regulation S-K, the name, age and position of each current executive officer of Bank of America are listed below along with such officer s business experience. Executive officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of stockholders.

Amy Woods Brinkley, age 53, Chief Risk Officer. Ms. Brinkley was named to her present position in April 2002. From July 2001 to April 2002, she served as Chairman, Credit Policy and Deputy Corporate Risk Management Executive; and from August 1999 to July 2001, she served as President, Consumer Products. She first became an officer of the Corporation in 1979. She also serves as Chief Risk Officer and a director of Bank of America, N.A., FIA Card Services, N.A., Countrywide Bank, FSB, and Merrill Lynch & Co., Inc.

Barbara J. Desoer, age 56, President, Bank of America Mortgage, Home Equity and Insurance Services. Ms. Desoer was named to her present position in July 2008. From August 2004 to July 2008, she served as Global Technology and Operations Executive. From July 2001 to August 2004, she served as President, Consumer Products; and from September 1999 to July 2001, she served as Director of Marketing. She first became an officer of the Corporation in 1998. She also serves as President, Bank of America Mortgage, Home Equity and Insurance Services and as a director of Bank of America, N.A., FIA Card Services, N.A., and Countrywide Bank, FSB.

Kenneth D. Lewis, age 61, Chairman, Chief Executive Officer and President. Mr. Lewis was named Chief Executive Officer in April 2001, President in July 2004 and Chairman in February 2005. From April 2001 to April 2004, he served as Chairman; from January 1999 to April 2004, he served as President; and from October 1999 to April 2001, he served as Chief Operating Officer. He first became an officer of the Corporation in 1971. Mr. Lewis also serves as a director of the Corporation, as Chairman, Chief Executive Officer, President and a director of Bank of America, N.A., FIA

Card Services, N.A., Countrywide Bank, FSB and as Chairman and a director of Merrill Lynch & Co., Inc.

Liam E. McGee, age 54, President, Bank of America Consumer and Small Business Bank. Mr. McGee was named to his present position in May 2008. From August 2004 to May 2008, he served as President, Global Consumer and Small Business Banking; from August 2001 to August 2004, he served as President, Global Consumer Banking; from August 2000 to August 2001, he served as President, Bank of America California; and from August 1998 to August 2000, he served as President, Southern California Region. He first became an officer of the Corporation in 1998. He also serves as President, Bank of America Consumer and Small Business Bank and as a director of Bank of America, N.A., FIA Card Services, N.A., and Countrywide Bank, FSB.

Brian T. Moynihan, age 49, President, Global Banking and Wealth Management. Mr. Moynihan was named to his present position in January 2009. From December 2008 to January 2009, he served as General Counsel. From October 2007 to December 2008, he served as President, Global Corporate and Investment Banking. From April 2004 to October 2007, he served as President, Global Wealth and Investment Management. Previously he held the following positions at FleetBoston Financial Corporation: from 1999 to April 2004, he served as Executive Vice President, with responsibility for Brokerage and Wealth Management from 2000 and Regional Commercial Financial Services and Investment Management from May 2003. He first became an officer of the Corporation in 2004. He also serves as President, Global Banking and Wealth Management and a director of Bank of America, N.A., FIA Card Services, N.A. and Countrywide Bank, FSB and as Chief Executive Officer of Merrill Lynch & Co., Inc.

Joe L. Price, age 48, Chief Financial Officer. Mr. Price was named to his present position in January 2007. From June 2003 to December 2006, he served as Global Corporate and Investment Banking Risk Management Executive; from July 2002 to May 2003 he served as Senior Vice President Corporate Strategy and President, Consumer Special Assets; from November 1999 to July 2002 he served as President, Consumer Finance; from August 1997 to October 1999 he served as Corporate Risk Evaluation Executive and General Auditor; from June 1995 to July 1997 he served as Controller; and from April 1993 to May 1995 he served as Accounting Policy and Finance Executive. He first became an officer of the Corporation in 1993. He also serves as Chief Financial Officer and a director of Bank of America, N.A., FIA Card Services, N.A., and Countrywide Bank, FSB and as a director of Merrill Lynch & Co., Inc.

Richard K. Struthers, 53, President, Bank of America Global Card Services. Mr. Struthers was named to his present position in January 2009. From May 2008 to January 2009, he served as Consumer Credit Risk Executive; from June 2007 to May 2008, he served as North America Card Services Executive; from December 2006 to June 2007, he served as Credit and Operations Executive, and from January 2006 to December 2006, he served as Card Operations Executive. Prior to Bank of America acquiring MBNA in January 2006, he was Executive Vice Chairman of MBNA Bank, N.A. from January 2002 to January 2006. He first became an officer of the Corporation in 2006. He currently serves as a director of Bank of America, N.A., FIA Card Services, N.A., and Countrywide Bank, FSB.

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Part II

Bank of America Corporation and Subsidiaries

Item 5. Market for Registrant s Common Equity and Related Stock Holder Matters

The principal market on which the Common Stock is traded is the New York Stock Exchange. The Common Stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The following table sets forth the high and low closing sales prices of the Common Stock on the New York Stock Exchange for the periods indicated:

	Quarter	High	Low
2007	first	$ 54.05	$ 49.46
	second	51.82	48.80
	third	51.87	47.00
	fourth	52.71	41.10
2008	first	45.03	35.31
	second	40.86	23.87
	third	37.48	18.52
	fourth	38.13	11.25

As of February 20, 2009, there were 263,495 registered shareholders of Common Stock. During 2007 and 2008, Bank of America paid dividends on the Common Stock on a quarterly basis. The following table

sets forth dividends paid per share of Common Stock for the periods indicated:

	Quarter	Dividend
2007	first	$0.56
	second	0.56
	third	0.64
	fourth	0.64
2008	first	0.64
	second	0.64
	third	0.64
	fourth	0.32

For additional information regarding the Corporation s ability to pay dividends, see the discussion under the heading Government Supervision and Regulation Distributions on page 3 of this report and *Note 14 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements beginning on page 156, *Note 15 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements beginning on page 159 and *Note 25 Subsequent Events* to the Consolidated Financial Statements on page 184, which are incorporated herein by reference.

For information on the Corporation s equity compensation plans, see Item 12 on page 186 of this report and *Note 17 Stock-Based Compensation Plans* to the Consolidated Financial Statements beginning on page 165, both of which are incorporated herein by reference.

The table below presents share repurchase activity for each quarterly period in 2008, each month within the fourth quarter of 2008 and the year ended December 31, 2008, including total common shares repurchased under announced programs, weighted average per share price and the remaining buy back authority under announced share repurchase programs. The Corporation did not repurchase any other shares of equity securities during 2008. Under the TARP Capital Purchase Program, repurchases of the Corporation s outstanding preferred and common stock are subject to certain restrictions. For more information on these restrictions, see *Note 14 Shareholders Equity and Earnings Per Common Share* beginning on page 156 and *Note 25 Subsequent Events* to the Consolidated Financial Statements on page 184 which are incorporated herein by reference.

(Dollars in millions, except per share information; shares in thousands)	**Common Shares Repurchased** [1]	Weighted Average Per Share Price	Remaining Buyback Authority [2] Amounts	Shares
Three months ended March 31, 2008	-	-	$ 13,480	189,358
Three months ended June 30, 2008	-	-	13,480	189,358
Three months ended September 30, 2008	-	-	3,750	75,000
October 1 31, 2008	-	-	3,750	75,000
November 1 30, 2008	-	-	3,750	75,000
December 1 31, 2008	-	-	3,750	75,000
Three months ended December 31, 2008	-	-		
Year ended December 31, 2008	-	-		

(1) There were no share repurchases during 2008.

(2) On July 23, 2008, the Board of Directors (the Board) authorized a stock repurchase program of up to 75 million shares of the Corporation s common stock at an aggregate cost not to exceed $3.75 billion and is limited to a period of 12 to 18 months. The repurchase program is subject to repurchase restrictions imposed under the TARP Capital Purchase Program. On January 24, 2007, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $14.0 billion. This stock repurchase program expired on July 24, 2008.

The Corporation did not have any unregistered sales of its equity securities in fiscal year 2008, except as previously disclosed on Form 8-K.

Item 6. Selected Financial Data

See Table 5 in the MD&A on page 22 and Table XII of the Statistical Tables on page 102 which are incorporated herein by reference.

Item 7. Bank of America Corporation and Subsidiaries

Management s Discussion and Analysis of Financial Condition and Results of Operations

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Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 105.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

This report may contain, and from time to time our management may make, certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent Bank of America Corporation and its subsidiaries (the Corporation) current expectations, plans or forecasts of the Corporation s future results, integration plans and cost savings, future loan modifications, effect of various legal proceedings discussed in Litigation and Regulatory Matters in Note 13 Commitments and Contingencies to the Consolidated Financial Statements, growth opportunities, business outlook, loan and deposit growth, mortgage production, credit losses, liquidity position and other similar matters. 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 all uncertainties and risks discussed in this report, including under Item 1A. Risk Factors, as well as those discussed in any of the Corporation s other subsequent SEC filings. 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.

In addition to the other risk factors discussed under Item 1A. Risk Factors in this report, possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the credit quality of our loan portfolios (the degree of the impact of which is dependent upon the duration and severity of these conditions); the level and volatility of the capital markets, interest rates, currency values and other market indices which affect among other things the value of our assets and liabilities and, in turn, our trading and investment portfolios; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions; the Corporation s credit ratings and the credit ratings of our securitizations, which are important to the Corporation s liquidity, borrowing costs and trading revenues; estimates of fair value of certain of the Corporation s assets and liabilities, which could change in value significantly from period to period; legislative and regulatory actions in the United States and internationally which may increase the Corporation s costs and adversely affect the Corporation s businesses and economic conditions as a whole; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments; various monetary and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations 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; the Corporation s ability to attract new employees and retain and motivate existing employees; mergers and

acquisitions and their integration into the Corporation, including our ability to realize the benefits and costs savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch acquisition; the Corporation s reputation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

The Corporation, headquartered in Charlotte, North Carolina operates in 32 states, the District of Columbia and more than 30 foreign countries as of December 31, 2008. The Corporation provides a diversified range of banking and nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking (GCSBB), Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM)*.

At December 31, 2008, the Corporation had $1.8 trillion in assets and approximately 243,000 full-time equivalent employees. Notes to the Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

2008 Economic Environment

2008 was a year in which the U.S. economy moved into an economic recession that deepened late in the fourth quarter, triggered in part by the intensifying financial crisis. Housing activity and prices declined throughout the year. Consumer spending softened in the first half of 2008, and then declined in the second half, weighed down by the spike in energy prices that reduced real purchasing power, weaker trends in employment, including underemployment, and personal income and the loss of household wealth resulting from declines in home prices and stock market valuations. Sales of automobiles, household durables and consumer discretionary items were hit the hardest.

In response to the weaker demand, businesses cut production and employment, and postponed capital spending plans. As a result of the financial crisis and the economic slowdown, federal government agencies including the U.S. Treasury Department (U.S. Treasury) and the Federal Reserve initiated several actions which changed the landscape of the U.S. financial services industry. For more information related to these actions, see the Regulatory Initiatives discussion to follow.

The alternative lending facilities provided by the U.S. Treasury, the FDIC and the Federal Reserve along with aggressive interest rate cuts, failed to stem the increasing disruptions in the financial markets. In particular, the tax rebates provided by the Economic Stimulus Act of 2008 gave only a temporary boost to consumer spending. U.S. export growth, which had been the strongest sector of the economy in recent years, weakened with softer global economic conditions. The financial crisis intensified in September 2008 following the collapse of several leading investment banks. Declines in employment intensified significantly in every month in 2008 and real GDP contracted sharply in the fourth quarter. In addition, mortgage, corporate and the related counterparty credit spreads widened and heightened concerns about the impact of monoline insurers (monolines), auction rate securities (ARS), structured investment vehicles (SIVs) and other financial instruments adversely impacted the financial markets.

The deteriorating economy continued to negatively impact the credit quality of our loan portfolios with more rapid deterioration occurring in the latter part of 2008. The stress consumers experienced from depreciating home prices, rising unemployment, underemployment and tighter credit conditions resulted in a higher level of bankruptcy filings during the year as well as higher levels of delinquencies and losses in our consumer and small business portfolios. Housing value declines, a slowdown in consumer spending and the turmoil in the global financial markets also impacted our commercial portfolios where we experienced higher levels of losses, particularly in the homebuilder sector of our commercial real estate portfolio. Commercial criticized utilized exposures have also increased due to broader-based economic pressures. For more information on credit quality, see the Credit Risk Management discussion beginning on page 55.

Market dislocations throughout 2008, including the severe volatility, illiquidity and credit dislocations that were experienced in the debt and equity markets in the fourth quarter of 2008, adversely impacted our CDOs and related subprime exposure as well as our other *Capital Markets and Advisory Services (CMAS)* exposures. Further, we have also incurred losses associated with investments in certain equity securities (e.g., Fannie Mae and Freddie Mac) and have incurred losses on the buyback of ARS from our clients as discussed in the Recent Events discussion beginning on page 16. For more information on CDOs, the related ongoing exposure and the impacts of the continuing market dislocations (e.g., leveraged finance and CMBS writedowns), see the *CMAS* discussion beginning on page 34.

The market dislocations have continued to impact certain SIVs and have recently begun to impact senior debt issued by financial services companies. During 2008, we provided additional support to certain cash funds managed within *GWIM* by utilizing existing capital commitments and purchasing certain investments from these funds. For more information on our cash funds support, see the *GWIM* discussion beginning on page 39.

Market conditions also impacted the ratings of certain monolines, which has adversely affected the pricing of certain municipal securities and the liquidity of the short-term public finance markets. We have direct and indirect exposure to monolines and, in certain situations, recognized losses related to some of these exposures during 2008. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 70.

The above conditions, together with deterioration in the overall economy, will continue to affect these and other global markets in which we do business and will adversely impact our results in 2009. The degree of the impact is dependent upon the duration and severity of such conditions.

Regulatory Initiatives

On February 27, 2009, the FDIC passed an interim rule that allows it to charge banks a special assessment of 20 basis points (bps) on insured deposits to replenish the deposit insurance fund. This special assessment will be collected in the third quarter of 2009. Additionally, beginning April 1, 2009, the FDIC will increase fees by approximately two bps on insured deposits.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was signed into law. Pursuant to the EESA, the U.S. Treasury created the Troubled Asset Relief Program (TARP) to, among other things, invest in financial institutions through capital infusions and purchase mortgages, mortgage-backed securities and certain other financial instruments from financial institutions, in an aggregate amount up to $700 billion, for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

Also pursuant to the EESA, on February 10, 2009 the U.S. Treasury announced the creation of the Financial Stability Plan. This plan outlined five key initiatives; a new Capital Assistance Program (CAP) to help ensure that banking institutions have sufficient capital; the creation of a new Public-Private Investment Fund on an initial scale of up to $500 billion to accelerate the removal of certain legacy assets from the balance

sheets of financial institutions; the expansion of the Term Asset-Backed Securities Loan Facility (TALF) as discussed below; the extension of the FDIC s Temporary Liquidity Guarantee Program (TLGP) to October 31, 2009; and a new framework of governance and oversight related to the use of funds of the Financial Stability Plan. As part of the CAP we will be subject to stress testing. The objective of stress testing is an assessment of losses that could occur under certain economic scenarios, including economic conditions more severe than we currently anticipate. We received the terms of the stress test on February 25, 2009 and are currently in the process of compiling the applicable information. The Federal supervising agencies will conclude their stress testing as soon as possible but no later than April 30, 2009.

On October 14, 2008, in connection with the TARP Capital Purchase Program, established as part of the EESA, the U.S. Treasury announced a plan to invest up to $250 billion in certain eligible financial institutions in the form of non-voting, senior preferred stock initially paying quarterly dividends at a five percent annual rate. This amount was subsequently increased to $350 billion. When the U.S. Treasury makes such preferred investments in any company, it also receives 10-year warrants to acquire common shares. In connection with the U.S. Treasury s announcement, we were identified as one of the nine financial institutions to participate in the first $125 billion of U.S. Treasury investments.

As a result in October 2008, we issued to the U.S. Treasury 600 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series N (Series N Preferred Stock) with a par value of $0.01 per share for $15.0 billion. Also, as part of the initial $125 billion investment and in connection with the Merrill Lynch & Co., Inc. (Merrill Lynch) acquisition, in January 2009 we issued to the U.S. Treasury 400 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series Q (Series Q Preferred Stock) with a par value of $0.01 per share for $10.0 billion. The Series N and Series Q Preferred Stock initially pay quarterly dividends at a five percent annual rate that increases to nine percent after five years and have a call feature after three years. In connection with these investments, we also issued to the U.S. Treasury 10-year warrants to purchase approximately 121.8 million shares of Bank of America Corporation common stock at an exercise price of $30.79 per share. In addition, as discussed in Recent Events, in January 2009 as part of the Merrill Lynch acquisition we issued to the U.S. Treasury an additional 800 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series R (Series R Preferred Stock) with a par value of $0.01 per share for $20.0 billion. The Series R Preferred Stock pays dividends at an eight percent annual rate and may only be redeemed after the Series N and Series Q Preferred Stock have been redeemed. In connection with this investment, the Corporation also issued to the U.S. Treasury 10-year warrants to purchase approximately 150.4 million shares of Bank of America Corporation common stock at an exercise price of $13.30 per share.

Under the TARP Capital Purchase Program, dividend payments on, and repurchases of our outstanding preferred and common stock are subject to certain restrictions. For more information on these restrictions, see *Note 14 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

On November 25, 2008 the U.S. Treasury, using its authority under the EESA, announced a plan to allocate $20 billion of TARP funds to the Federal Reserve Bank of New York as credit protection for the newly established TALF. The TALF is intended to assist the credit markets in accommodating the credit needs of consumers and small businesses by facilitating the issuance of asset-backed securities and improving the asset-backed securities markets. Under the TALF, the Federal Reserve Bank of New York will lend up to $200 billion on a nonrecourse basis to holders of newly issued AAA-rated asset-backed securities for a term of one

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year. The underlying credit exposures of eligible securities used for collateral must be newly or recently originated auto loans, student loans, credit card loans, small business loans guaranteed by the U.S. Small Business Administration, or commercial mortgage-backed securities. Originators of the credit exposures underlying the eligible asset-backed securities must have agreed to comply with, or already be subject to, the executive compensation requirements of the EESA. As announced in connection with the Financial Stability Plan, the TALF may be expanded to as much as $1.0 trillion and eligible asset classes may be expanded later to include other assets such as non-agency residential mortgage- backed securities and assets collateralized by corporate debt. The Corporation is currently evaluating the terms of this program.

The U.S. Department of Education implemented initiatives to ensure uninterrupted and timely access to federal student loans by taking steps to maintain stability in student lending through both the Federal Family Education Loan (FFEL) Program and the Direct Loan Program. As part of these efforts, the U.S. Department of Education announced in November 2008 that it would provide liquidity support to one or more conforming Asset-Backed Commercial Paper (ABCP) conduits. The conduits will purchase FFEL Program loans, providing longer-term stability to the marketplace. The U.S. Department of Education in turn will serve as a potential buyer of last resort or backstop to the conduits. As an additional measure, the U.S. Department of Education will purchase certain 2007-2008 academic year FFEL Program loans. This will be a short-term program designed to act as a mechanism to minimize disruptions in the interim until the conduits are operational, or until February 28, 2009, whichever occurs first. The Corporation is evaluating the terms of this initiative and participation in this program.

Due to liquidity issues in the short-term funding markets, the Federal Reserve implemented a temporary Term Auction Facility (TAF) program in which the Federal Reserve auctions term funds to depository institutions. The TAF is a credit facility that allows a depository institution to place a bid for an advance from its local Federal Reserve Bank at an interest rate that is determined as the result of an auction. By allowing the Federal Reserve to inject term funds through a broader range of counterparties and against a broader range of collateral than open market operations, this facility is aimed to help ensure that liquidity provisions can be disseminated efficiently even when the unsecured interbank markets are under stress. The TAF will typically auction term funds with 28-day or 84-day maturities and is available to all depository institutions that are judged to be in generally sound financial condition by their local Federal Reserve Bank. Additionally, all TAF credit must be fully collateralized. We are currently utilizing the TAF and have pledged residential, commercial mortgage and credit card loans as collateral.

In order to improve the ability of primary dealers to provide financing to participants in the securitization markets in exchange for any tri-party-eligible collateral the Federal Reserve created the Primary Dealer Credit Facility (PDCF). The PDCF provides discount window loans to primary dealers that will settle on the same business day and will mature on the following business day. The rate paid on the loan will be the same as the primary credit rate at the Federal Reserve Bank of New York. In addition, primary dealers will be subject to a frequency-based fee after they exceed 45 days of use. The frequency-based fee will be based on an escalating scale and communicated to the primary dealers in advance. The PDCF will remain available to primary dealers until October 30, 2009 or longer if conditions warrant. During 2008 we utilized this facility.

The Federal Reserve has also established the Term Securities Lending Facility (TSLF), a weekly loan facility, to promote liquidity in U.S. Treasury and other collateral markets and foster the functioning of financial markets. The program offers U.S. Treasury securities held by the System Open Market Account (SOMA) for loan over a one-month term against

other program-eligible general collateral. Loans will be awarded to primary dealers based on competitive bidding, subject to a minimum fee requirement. The Open Market Trading Desk of the Federal Reserve Bank of New York will auction general U.S. Treasury collateral (treasury bills, notes, bonds and inflation-indexed securities) held by SOMA for loan against all collateral currently eligible for tri-party repurchase agreements arranged by the Open Market Trading Desk and separately against collateral and investment grade corporate securities, municipal securities, mortgage-backed securities, and asset-backed securities. The Corporation has utilized this facility and has pledged agency mortgage-backed securities and private label mortgage-backed securities as collateral.

The FDIC has implemented the TLGP to strengthen confidence and encourage liquidity in the banking system. The TLGP is comprised of the Debt Guarantee Program (DGP) and the Transaction Account Guarantee Program (TAGP). Under the DGP, the FDIC will guarantee all newly issued senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits issued by participating entities beginning on October 14, 2008 and continuing through October 31, 2009. For eligible debt issued by that date, the FDIC will provide the guarantee coverage until the earlier of the maturity date of the debt or June 30, 2012. Under the TAGP, the FDIC will guarantee noninterest-bearing deposit accounts held at FDIC-insured depository institutions. The unlimited deposit coverage will be voluntary for eligible institutions and would be in addition to the $250,000 FDIC deposit insurance per account that was included as part of the EESA. The TAGP coverage became effective on October 14, 2008 and will continue for participating institutions until December 31, 2009.

Initially, the DGP and TAGP were provided at no cost for the first 30 days and allowed for eligible institutions to opt out of such programs. An entity that chose not to opt out of either or both programs became a participating entity and will be assessed fees for participation. Participants in the DGP will be charged an annualized fee between 50 and 100 bps, multiplied by the debt issued, and calculated for the maturity period of that debt, or through the term of the guarantee, whichever is earlier. Any eligible entity that has not chosen to opt out of the TAGP will be assessed, on a quarterly basis, an annualized 10 bps fee on balances in noninterest-bearing transaction accounts that exceed the existing deposit insurance limit of $250,000. In December 2008, Bank of America, N.A. issued $4.3 billion in long-term senior unsecured bank notes while the parent company issued $15.6 billion in long-term senior notes under the TLGP program. We have also issued short-term notes under this program. In addition, we have participated in the TAGP program. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 49.

In addition to the TLGP, in September 2008, the U.S. Treasury implemented the Temporary Guarantee Program for Money Market Funds. This is a voluntary and temporary program that is in effect through at least April 30, 2009. The program provides for a guarantee with respect to a fixed number of shares held by certain shareholders as of September 19, 2008, to receive $1.00 per share in the event that a participating fund no longer has a $1.00 per share net asset value and liquidates. With respect to such shares covered by the program, the guarantee payment would be equal to any shortfall between the amount received by a shareholder in a liquidation and $1.00 per share. The eligible money market mutual funds pay a fee to the U.S. Treasury to participate in the program. Several money market funds managed within *GWIM* currently participate in the program.

In September and October 2008, the Federal Reserve announced the creation of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF) as well as the Money Market Investor Funding Facility (MMIFF). These facilities were created to provide liquidity to the U.S. short-term

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debt markets in an effort to increase the availability of credit. Under the AMLF, nonrecourse loans are provided to U.S. financial institutions for the purchase of U.S. dollar-denominated high-quality asset-backed commercial paper from money market mutual funds under certain conditions. The program is intended to assist money market funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the asset-backed commercial paper market and money markets more generally. Financial institutions will bear no credit risk associated with commercial paper purchased under the AMLF. Under the CPFF, registered issuers will be allowed to sell commercial paper through a primary dealer to the CPFF subject to certain fees. Pricing will be based on whether the commercial paper is secured or unsecured. In addition, there are issuer-based limits on the amount of commercial paper the facility will hold. Upon implementation of the MMIFF, senior secured funding will be provided to a series of special purpose vehicles to finance the purchase of U.S. dollar-denominated certificates of deposit and commercial paper with a remaining maturity of 90 days or less issued by highly-rated financial institutions and from qualifying investors including U.S. money market mutual funds. We have participated in the AMLF and CPFF programs, and continue to evaluate participation in the MMIFF program.

In July 2008 the Housing and Economic Recovery Act of 2008 was signed into law. This Act has several provisions including the establishment of a voluntary program that permits the Federal Housing Administration (FHA) to refinance eligible mortgages for certain qualified borrowers. Some of this Act s other provisions include changes to the FHA program, increases in the limits on the principal balances of mortgage loans that the FHA and government-sponsored enterprises (GSEs) can purchase, creating a new regulator for the GSEs, and establishing a registration system for loan originators.

In December 2008, federal bank regulators in the U.S. adopted final rules under the Federal Trade Commission Act changing existing rules regarding Unfair and Deceptive Acts or Practices (UDAP). The final rules will change the way interest charges are handled in certain situations including increases in the rate during the first year after opening and increases in the rate charged on pre-existing credit card balances. In addition, the final rules will increase the amount of time customers have to make their credit card payments, change the use of payment allocations related to interest charges and limit certain fees. Further, federal bank regulators plan to adopt final rules to amend the Truth in Lending Act, requiring changes to the disclosures consumers receive in connection with credit card accounts and other revolving credit plans. Both of the above final rules addressing credit card accounts take effect on July 1, 2010. As a result of the new regulations, we will likely make significant changes to our credit card practices. Also in December 2008, the federal bank regulators withdrew the UDAP proposal related to overdraft services and fees on consumer deposit accounts. As an alternative, the Federal Reserve, under the Electronic Funds Transfer Act, proposed amendments that would require banks to offer consumer deposit customers the opportunity to opt out of overdraft services and fees. If the amendments are adopted as proposed, we would need to make significant changes in the manner in which we process transactions that affect consumer deposit accounts.

Recent Events

On January 16, 2009, due to larger than expected 2008 fourth quarter losses of Merrill Lynch and as part of its commitment to support the financial markets stability, the U.S. government agreed to assist the Corporation in the Merrill Lynch acquisition by agreeing to provide certain guarantees and capital.

The U.S. Treasury, the FDIC and the Federal Reserve have agreed in principle to provide protection against the possibility of unusually large

losses on an asset pool of approximately $118.0 billion of financial instruments comprised of $81.0 billion of derivative assets and $37.0 billion of other financial assets. The assets that would be protected under this agreement are expected generally to be domestic, pre-market disruption (i.e., originated prior to September 30, 2007) leveraged and commercial real estate loans, CDOs, financial guarantor counterparty exposure, certain trading counterparty exposure and certain investment securities. These protected assets would be expected to exclude certain foreign assets and assets originated or issued on or after March 14, 2008. The majority of the protected assets were added by the Corporation as a result of its acquisition of Merrill Lynch. This guarantee is expected to be in place for 10 years for residential assets and five years for non-residential assets unless the guarantee is terminated by the Corporation at an earlier date. It is expected that the Corporation will absorb the first $10.0 billion of losses related to the assets while any additional losses will be shared between the Corporation (10 percent) and U.S. government (90 percent). These assets would remain on our balance sheet and we would continue to manage these assets in the ordinary course of business as well as retain the associated income. The assets that would be covered by this guarantee are expected to carry a 20 percent risk weighting for regulatory capital purposes. As a fee for this arrangement, we expect to issue to the U.S. Treasury and FDIC a total of $4.0 billion of a new class of preferred stock and to issue warrants to acquire 30.1 million shares of Bank of America common stock.

In connection with this arrangement we would continue with our current mortgage loan modification programs discussed below. Any increase in the quarterly common stock dividend for the next three years would require the consent of the U.S. government.

If necessary, under this proposed agreement, the Federal Reserve will provide liquidity for the residual risk in the asset pool through a nonrecourse loan facility. As previously discussed, the Corporation would be responsible for the first $10.0 billion in losses on the asset pool. Once additional losses exceed this amount by $8.0 billion we would be able to draw on this facility. This loan facility would terminate and any related funded loans would mature on the termination dates of the U.S. government s guarantee. The Federal Reserve is expected to charge a fee of 20 bps per annum on undrawn amounts and a floating interest rate of the overnight index swap (OIS) rate plus 300 bps per annum on funded amounts. Interest and fee payments would be with recourse to the Corporation.

Further, the U.S. Treasury invested an additional $20.0 billion in the Corporation from the TARP. As a result, in January 2009, we issued to the U.S. Treasury 800 thousand shares of Series R Preferred Stock with a par value of $0.01 per share for $20.0 billion. The Series R Preferred Stock pays dividends at an eight percent annual rate. In connection with this investment, the Corporation also issued to the U.S. Treasury 10-year warrants to purchase approximately 150.4 million shares of Bank of America Corporation common stock at an exercise price of $13.30 per share.

Combined, these actions strengthen the Corporation and allow us to continue business levels that both support the U.S. economy and create future value for shareholders. We would have the right to terminate the guarantee at any time with the consent of the U.S. government, and we would negotiate in good faith to an appropriate fee or rebate in connection with any agreed upon termination. Additionally, under early termination we would prepay in full any related outstanding Federal Reserve loan.

In January 2009, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on March 27, 2009 to common shareholders of record on March 6, 2009, as compared to the quarterly cash dividend on common stock of $0.32 per share paid on December 26, 2008 to common shareholders of record on December 5, 2008. In October 2008, we reduced our regular quarterly cash dividend on common stock by 50 percent. In January 2009, we further reduced our regular quarterly dividend to $0.01 per share. In addition in January 2009, we declared aggregate dividends on preferred stock of $909 million, including $145 million related to preferred stock exchanged in connection with the Merrill Lynch acquisition, and in the fourth quarter of 2008 recorded aggregate dividends on preferred stock of $423 million. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 49.

In October 2008, prior to the U.S. Treasury s announcement of the TARP Capital Purchase Program previously discussed in Regulatory Initiatives, we issued 455 million shares of common stock at $22.00 per share resulting in proceeds of $9.9 billion, net of underwriting expenses.

During 2008 we initiated loan modification programs projected to offer modifications for up to 630,000 borrowers, representing $100 billion in mortgage financings. In April 2008, we announced that the combined company would modify or workout at least $40.0 billion in troubled mortgage loans in the next two years and estimated that these efforts will assist at least 265,000 customers. Under this program alone, by the end of 2008 Bank of America and Countrywide Financial Corporation (Countrywide) had achieved workout solutions for over 190,000 borrowers.

In October 2008 in agreement with several state attorneys general, the Corporation announced the Countrywide National Homeownership Retention Program. Under the program, we will systematically identify and seek to offer loan modifications for eligible Countrywide subprime and pay option adjustable rate mortgage (ARM) borrowers whose loans are in delinquency or scheduled for an interest rate or payment change. Only customers who financed their primary residence with subprime or pay option ARMs originated and serviced by Countrywide between January 1, 2004 and December 31, 2007 are eligible for this program. In some cases, these programs overlap as loans modified under the first program include subprime and pay option ARMs.

During 2008, to help borrowers avoid foreclosure, Bank of America and Countrywide had completed over 230,000 modifications.

In addition to being committed to the loan modification programs, we continued to focus on extending new credit by extending approximately $115 billion of credit during the fourth quarter including $49 billion in commercial non-real estate; $45 billion in mortgages; nearly $8 billion in domestic card and unsecured consumer loans; nearly $7 billion in commercial real estate; approximately $5 billion in home equity products; and approximately $2 billion in Dealer Financial Services consumer credit.

In September 2008, we announced an agreement in principle with the Massachusetts Securities Division under which we will offer to purchase at par ARS held by certain customers. Further in October 2008, we announced other agreements in principle with the SEC, the Office of the New York State Attorney General (NYAG), and the North American Securities Administrators Association. These agreements are substantially similar except that the agreement with the NYAG requires the payment of a penalty. These agreements will cover approximately $5.3 billion in ARS held by an estimated 5,600 of our customers. As of December 31, 2008, we repurchased $4.7 billion of ARS from our customers, more than 80 percent of our outstanding buyback commitment. In addition, during 2008 we recorded losses of $493 million in other income related to the buyback of ARS from our clients and also recorded a penalty of $50 million in other general operating expense.

Recent Accounting Developments

On September 15, 2008 the FASB released exposure drafts which would amend SFAS 140 and FIN 46R. As written, the proposed amendments would, among other things, eliminate the concept of a QSPE and change the standards for consolidation of VIEs. The changes would be effective

for both existing and newly-created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Corporation s Consolidated Balance Sheet (e.g., credit card securitization trusts). These consolidations may result in an increase in outstanding loans and on-balance sheet funding, higher provision and allowance for credit losses as well as changes in the timing of recognition and classification in our income statement. In addition, regulatory capital amounts and ratios may be negatively impacted based on the outcome of the FASB and regulatory agencies decisions. However, the impact on the Corporation cannot be determined until the FASB issues the final amendments to SFAS 140 and FIN 46R and the banking regulators provide guidance on how these amendments will impact regulatory capital. See *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements for a further discussion of recently proposed and issued accounting pronouncements.

Merger Overview

On January 1, 2009, we acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion, creating a premier financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. Under the terms of the merger agreement, Merrill Lynch common shareholders received 0.8595 of a share of Bank of America Corporation common stock in exchange for each share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock remains outstanding and is convertible into Bank of America common stock at an equivalent exchange ratio. The acquisition added Merrill Lynch s approximately 16,000 financial advisors, $1.2 trillion of client assets and its interest in BlackRock, Inc., a publicly traded investment management company. In addition, the acquisition adds strengths in debt and equity underwriting, sales and trading, and merger and acquisition advice, creating significant opportunities to deepen relationships with corporate and institutional clients around the globe. At January 1, 2009, Merrill Lynch increased our total assets by $651.6 billion and total liabilities by $627.9 billion.

On July 1, 2008, we acquired Countrywide through its merger with a subsidiary of the Corporation in exchange for stock with a value of $4.2 billion. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for each share of Countrywide common stock. The acquisition of Countrywide significantly improved our mortgage originating and servicing capabilities, making us a leading mortgage originator and servicer.

On October 1, 2007, we acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. With this acquisition, we significantly expanded our presence in metropolitan Chicago, Illinois and Michigan, by adding LaSalle s commercial banking clients, retail customers and banking centers.

On July 1, 2007, we acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. U.S. Trust Corporation focuses exclusively on managing wealth for high net-worth and ultra high net-worth individuals and families. The acquisition significantly increased the size and capabilities of our wealth management business and positioned us as one of the largest financial services companies managing private wealth in the U.S.

For more information related to these mergers, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

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Performance Overview

Net income was $4.0 billion, or $0.55 per diluted common share in 2008, as compared to $15.0 billion, or $3.30 per diluted common share in 2007.

Table 1 Business Segment Total Revenue and Net Income

	Total Revenue (1)		Net Income (Loss)	
(Dollars in millions)	**2008**	2007	**2008**	2007
Global Consumer and Small Business Banking (2)	**$ 58,344**	$ 47,855	**$ 4,234**	$ 9,362
Global Corporate and Investment Banking	**13,440**	13,651	**(14)**	510
Global Wealth and Investment Management	**7,785**	7,553	**1,416**	1,960
All Other (2)	**(5,593)**	(477)	**(1,628)**	3,150
Total FTE basis	**73,976**	68,582	**4,008**	14,982
FTE adjustment	**(1,194)**	(1,749)		
Total Consolidated	**$ 72,782**	$ 66,833	**$ 4,008**	$ 14,982

(1) Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 23.
(2) *GCSBB* is presented on a managed basis with a corresponding offset recorded in *All Other*.

The table above presents total revenue and net income for the business segments and *All Other* and the following discussion presents a summary of the related results. For more information on these results, see Business Segment Operations beginning on page 26.

- *GCSBB* s net income decreased as higher revenue was more than offset by increased provision for credit losses and noninterest expense. Total revenue increased from merger-related and organic average loan and deposit growth, as well as higher mortgage banking income and insurance premiums due to the acquisition of Countrywide. Higher provision for credit losses resulted from the impacts of continued weakness in the housing markets and the slowing economy. Noninterest expense increased primarily due to the addition of Countrywide and LaSalle. For more information on *GCSBB*, see page 27.
- *GCIB* reported a net loss due to significant writedowns and increased credit costs, partially offset by reduced performance-based incentive compensation. Revenue decreased as an increase in net interest income, primarily market-based, and higher service charges and investment banking income were more than offset by the market-based disruptions which impacted our *CMAS* business. The higher provision for credit losses was due to deterioration in the homebuilder, non-real estate commercial and dealer-related portfolio. For more information on *GCIB*, see page 32.
- *GWIM* s net income decreased as the increase in revenue was more than offset by higher provision for credit losses and higher noninterest expenses. Total revenue rose due to the full year impact of U.S. Trust Corporation and LaSalle and organic loan and deposit growth, partially offset by losses related to the support of certain cash funds and weaker equity markets. The increase in provision for credit losses was driven by deterioration in the housing markets and the slowing economy. Noninterest expense increased due to the full year additions of U.S. Trust Corporation and LaSalle. For more information on *GWIM*, see page 39.
- *All Other* reported a net loss due to losses in equity investment income, higher credit costs primarily related to our ALM residential mortgage portfolio, and an increase in merger and restructuring charges. In addition *All Other* s results were adversely impacted by the absence of earnings after the sale of certain businesses and foreign operations in 2007 including the $1.5 billion gain recorded on the sale of Marsico Capital Management, LLC (Marsico). These items were partially offset by an increase in gains on sales of debt securities. For more information on *All Other*, see page 42.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $10.4 billion to $46.6 billion for 2008 compared to 2007. The increase was driven by strong loan growth, as well as the acquisitions of Countrywide and LaSalle, and the contribution from market-based net interest income related to our *CMAS* business, which benefited from the steepening of the yield curve and product mix. The net interest yield on a FTE basis increased 38 bps to 2.98 percent for 2008 compared to 2007, due to the improvement in market-based yield, the beneficial impact of the current interest rate environment and loan growth. Partially offsetting these increases were the additions of lower yielding assets from the Countrywide and LaSalle acquisitions. For more information on net interest income on a FTE basis, see Tables I and II beginning on page 93.

Noninterest Income

Table 2 Noninterest Income

(Dollars in millions)	**2008**	2007
Card income	**$ 13,314**	$ 14,077
Service charges	**10,316**	8,908
Investment and brokerage services	**4,972**	5,147
Investment banking income	**2,263**	2,345
Equity investment income	**539**	4,064
Trading account profits (losses)	**(5,911)**	(4,889)
Mortgage banking income	**4,087**	902
Insurance premiums	**1,833**	761
Gains on sales of debt securities	**1,124**	180
Other income (loss)	**(5,115)**	897
Total noninterest income	**$ 27,422**	$ 32,392

Noninterest income decreased $5.0 billion to $27.4 billion in 2008 compared to 2007.

- Card income decreased $763 million primarily due to the negative impact of higher credit costs on securitized credit card loans and the related unfavorable change in value of the interest-only strip as well as decreases in interchange income and late fees. Partially offsetting these decreases was higher debit card income.
- Service charges grew $1.4 billion resulting from growth in new deposit accounts and the beneficial impact of the LaSalle acquisition.
- Investment and brokerage services decreased $175 million primarily due to the absence of fees related to Marsico which was sold in late 2007 and the impact of significantly lower valuations in the equity

markets, partially offset by the full year impact of the U.S. Trust Corporation and LaSalle acquisitions.

- Investment banking income decreased $82 million due to reduced advisory fees related to the slowing economy.
- Equity investment income decreased $3.5 billion due to a reduction in gains from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace when compared to 2007 and other-than-temporary impairments taken on certain AFS marketable equity securities.
- Trading account losses were $5.9 billion in 2008 driven by losses related to CDO exposure and the continuing impact of the market disruptions on various parts of the *CMAS* business. Contributing to these losses were severe volatility, illiquidity and credit dislocations in the debt and equity markets during the fourth quarter of 2008. For more information, see the *GCIB* discussion beginning on page 32.
- Mortgage banking income increased $3.2 billion in large part as a result of the Countrywide acquisition which contributed significantly to increases in servicing income of $1.7 billion and production income of $1.5 billion.
- Insurance premiums increased $1.1 billion primarily due to the acquisition of Countrywide.
- Gains on sales of debt securities increased $944 million driven by the sales of mortgage-backed securities and collateralized mortgage obligations.
- Other income decreased $6.0 billion due to *CMAS* related writedowns (e.g., CDO exposure, leveraged finance loans and CMBS) of $5.3 billion and $1.1 billion of losses associated with the support provided to certain cash funds managed within *GWIM*. In addition, 2008 was impacted by the absence of the $1.5 billion gain from the sale of Marsico recognized in 2007. Partially offsetting these items was the gain of $776 million related to the Visa IPO. For more information on the *CMAS* related writedowns, see page 34.

Provision for Credit Losses

The provision for credit losses increased $18.4 billion to $26.8 billion for 2008 compared to 2007 due to higher net charge-offs and additions to the reserve. The majority of the reserve additions were in consumer and small business portfolios, reflective of continued weakness in the housing markets and the slowing economy. Reserves were also increased on commercial portfolios for deterioration in the homebuilder and non-real estate commercial portfolios within *GCIB*. For further discussion, see Provision for Credit Losses on page 75.

Noninterest Expense

Table 3 Noninterest Expense

(Dollars in millions)	**2008**	2007
Personnel	**$ 18,371**	$ 18,753
Occupancy	**3,626**	3,038
Equipment	**1,655**	1,391
Marketing	**2,368**	2,356
Professional fees	**1,592**	1,174
Amortization of intangibles	**1,834**	1,676
Data processing	**2,546**	1,962
Telecommunications	**1,106**	1,013
Other general operating	**7,496**	5,751
Merger and restructuring charges	**935**	410
Total noninterest expense	**$ 41,529**	$ 37,524

Noninterest expense increased $4.0 billion to $41.5 billion for 2008 compared to 2007, primarily due to the acquisitions of Countrywide and LaSalle, which increased various expense categories, partially offset by a reduction in performance-based incentive compensation expense and the impact of certain benefits associated with the Visa IPO transactions.

Income Tax Expense

Income tax expense was $420 million for 2008 compared to $5.9 billion for 2007 resulting in effective tax rates of 9.5 percent and 28.4 percent. The effective tax rate decrease is due to permanent tax preference amounts (e.g., tax exempt income and tax credits) offsetting a higher percentage of our pre-tax income. For more information on income tax expense, see *Note 18 Income Taxes* to the Consolidated Financial Statements.

Impact of Countrywide Acquisition

Effective July 1, 2008, Countrywide s results of operations are included in the Corporation s consolidated results. For 2008, the Countrywide acquisition contributed approximately $1.3 billion to net interest income on a FTE basis, $3.4 billion to noninterest income and $4.2 billion to noninterest expense. In addition, we recorded $750 million in provision for credit losses associated with deterioration in the SOP 03-3 loan portfolio subsequent to acquisition of these loans, which were initially recorded at fair value. At July 1, 2008, after consideration of purchase accounting adjustments the Countrywide acquisition contributed $86.2 billion to total loans and leases, $17.4 billion to securities, $17.2 billion to MSRs and $63.0 billion to total deposits.

The majority of Countrywide s ongoing operations are recorded in *Mortgage, Home Equity and Insurance Services* (*MHEIS*). Countrywide s acquired first mortgage and discontinued real estate portfolios were recorded in *All Other* and are managed as part of our overall ALM activities. For more information on Countrywide s impact in *MHEIS*, see the *MHEIS* discussion beginning on page 30. For more information related to the Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

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Balance Sheet Analysis

Table 4 Selected Balance Sheet Data

	December 31		Average Balance	
(Dollars in millions)	**2008**	2007	**2008**	2007
Assets				
Federal funds sold and securities purchased under agreements to resell	**$ 82,478**	$ 129,552	**$ 128,053**	$ 155,828
Trading account assets	**159,522**	162,064	**193,631**	187,287
Debt securities	**277,589**	214,056	**250,551**	186,466
Loans and leases, net of allowance for loan and lease losses	**908,375**	864,756	**893,353**	766,329
All other assets	**389,979**	345,318	**378,391**	306,163
Total assets	**$ 1,817,943**	$ 1,715,746	**$ 1,843,979**	$ 1,602,073
Liabilities				
Deposits	**$ 882,997**	$ 805,177	**$ 831,144**	$ 717,182
Federal funds purchased and securities sold under agreements to repurchase	**206,598**	221,435	**272,981**	253,481
Trading account liabilities	**57,287**	77,342	**75,270**	82,721
Commercial paper and other short-term borrowings	**158,056**	191,089	**182,729**	171,333
Long-term debt	**268,292**	197,508	**231,235**	169,855
All other liabilities	**67,661**	76,392	**85,789**	70,839
Total liabilities	**1,640,891**	1,568,943	**1,679,148**	1,465,411
Shareholders equity	**177,052**	146,803	**164,831**	136,662
Total liabilities and shareholders equity	**$ 1,817,943**	$ 1,715,746	**$ 1,843,979**	$ 1,602,073

At December 31, 2008, total assets were $1.8 trillion, an increase of $102.2 billion, or six percent, from December 31, 2007. The increase in total assets was primarily attributable to the acquisition of Countrywide, which impacted various line items including loans and leases, debt securities, MSRs and other assets. In addition to Countrywide, debt securities also increased due to net purchases of securities and the securitization of residential mortgage loans into mortgage-backed securities which we retained. Derivative assets, which are included in all other assets in the table above, increased due to mark-to-market gains resulting from the reduced interest rate environment and the strengthening of the U.S. dollar versus certain foreign currencies. Partially offsetting these increases was a decrease in federal funds sold and securities purchased under agreements to resell primarily attributable to balance sheet efficiencies and the sale of our equity prime brokerage business.

Average total assets in 2008 increased $241.9 billion, or 15 percent, from 2007 primarily due to higher loans and leases and debt securities. The increase in average loans and leases was attributable to organic growth and the Countrywide and LaSalle acquisitions. The increase in debt securities was driven by the same factors as noted above and the LaSalle acquisition.

At December 31, 2008, total liabilities were $1.6 trillion, an increase of $71.9 billion from December 31, 2007. The increase in total liabilities was attributable to the acquisition of Countrywide which impacted various line items including deposits and long-term debt. In addition to Countrywide, deposits increased as we benefited from a consumer and business flight-to-safety resulting from market instability. Long-term debt increased due to the addition of Countrywide and participation in the TLGP. Partially offsetting these increases was a decrease in commercial paper and other short-term borrowings due in part to the sale of our equity prime brokerage business.

Average total liabilities for 2008 increased $213.7 billion, or 15 percent from 2007. The increase in average total liabilities was attributable to higher deposits and long-term debt to support growth in overall assets and the inclusion of liabilities associated with the Countrywide and LaSalle acquisitions.

Federal Funds Sold and Securities Purchased Under Agreements to Resell and Trading Account Assets

Federal funds sold and securities purchased under agreements to resell consist of excess reserves placed with other banks with a relatively short-term maturity and securities that have been purchased subject to an agreement to resell securities with substantially identical terms at a specified date for a specified price. Trading account assets consist primarily of fixed income securities (including government and corporate debt), equity and convertible instruments. Period end and average federal funds sold and securities purchased under agreements to resell, and trading account assets decreased $49.6 billion and $21.4 billion in 2008, attributable to balance sheet efficiencies and the sale of our equity prime brokerage business partially offset by an increase in the amount of our securities used to hedge our MSRs. For additional information, see Market Risk Management beginning on page 78.

Debt Securities

Debt securities include fixed income securities such as mortgage-backed securities, foreign debt, ABS, municipal debt, U.S. government agencies and corporate debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. The period end and average balances in the debt securities portfolio increased $63.5 billion and $64.1 billion from 2007 due to net purchases of securities and the securitization of residential mortgage loans into mortgage-backed securities which we retained. These increases were also impacted by the addition of Countrywide. In addition, average balances benefited from the full year impact of the LaSalle acquisition. For additional information on our AFS debt securities portfolio, see Market Risk Management Securities on page 83 and *Note 5 Securities* to the Consolidated Financial Statements.

Loans and Leases, Net of Allowance for Loan and Lease Losses

Period end and average loans and leases, net of allowance for loan and lease losses increased $43.6 billion to $908.4 billion and $127.0 billion to $893.4 billion in 2008 compared to 2007 due to consumer and commercial organic growth and the addition of Countrywide. The average consumer loan and lease portfolio increased $64.2 billion primarily due to organic growth and the addition of Countrywide. The average commercial loan and lease portfolio increased $70.5 billion primarily due to organic growth and the acquisition of LaSalle which occurred in the fourth quarter of 2007. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see Credit Risk Management beginning on page 55, *Note 6 Outstanding Loans and Leases* and *Note 7 Allowance for Credit Losses* to the Consolidated Financial Statements.

All Other Assets

Period end all other assets increased $44.7 billion at December 31, 2008, an increase of 13 percent from December 31, 2007, driven primarily by the acquisition of Countrywide, which impacted various line items, including MSRs and LHFS. In addition, the increase was driven by higher derivative assets due to mark-to-market gains resulting from the reduced interest rate environment and the strengthening of the U.S. dollar versus certain foreign currencies.

Deposits

Period end and average deposits increased $77.8 billion to $883.0 billion and $114.0 billion to $831.1 billion in 2008 compared to 2007. The average increase was due to a $95.3 billion increase in average domestic interest-bearing deposits and a $19.4 billion increase in average noninterest-bearing deposits. We categorize our deposits as core or market-based deposits. Core deposits are generally customer-based and represent a stable, low-cost funding source that usually reacts more slowly to interest rate changes than market-based deposits. Core deposits include savings, NOW and money market accounts, consumer CDs and IRAs, and noninterest-bearing deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Average core deposits increased $103.0 billion to $696.9 billion in 2008, a 17 percent increase from the prior year. The increase was attributable to growth in our average NOW and money market accounts, average consumer CDs and IRAs and noninterest-bearing deposits due to the addition of Countrywide and the benefit we received from a consumer and business flight-to-safety resulting from market instability. Average market-based deposit funding increased $11.0 billion to $134.3 billion in 2008 compared to 2007 due to an increase in negotiable CDs, public funds and other time deposits related to the funding of growth in core and market-based assets. The increase in average deposits was also impacted by the assumption of deposits, primarily money market, consumer CDs, and other domestic time deposits associated with the LaSalle merger.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase and Trading Account Liabilities

Federal funds purchased and securities sold under agreements to repurchase consist of deposits borrowed from other banks with a relatively short-term maturity and securities that have been sold subject to an agreement to repurchase securities with substantially identical terms at a specified date for a specified price. Trading account liabilities consist primarily of short positions in fixed income securities (including government and corporate debt), equity and convertible instruments. Period end federal funds purchased and securities sold under agreements to repurchase, and trading account liabilities decreased $34.9 billion primarily due to the rebalancing of hedges for market movements and lower customer demand, and by the sale of our equity prime brokerage business. Average federal funds purchased and securities sold under agreements to repurchase, and trading account liabilities increased $12.0 billion primarily due to the relative low cost and availability of short-term funding.

Commercial Paper and Other Short-term Borrowings

Commercial paper and other short-term borrowings provide a funding source to supplement deposits in our ALM strategy. Period end commercial paper and other short-term borrowings decreased $33.0 billion to $158.1 billion in 2008 compared to 2007 due in part to the sale of our equity prime brokerage business. Average commercial paper and other short-term borrowings increased $11.4 billion to $182.7 billion in 2008 due to an increase in short-term funding given the change in market conditions, partially offset by the sale of our equity prime brokerage business.

Long-term Debt

Period end and average long-term debt increased $70.8 billion to $268.3 billion and $61.4 billion to $231.2 billion in 2008 compared to 2007. The increases were attributable to issuances to support growth in overall assets and enhance our liquidity, and the inclusion of long-term debt associated with the Countrywide acquisition. Period end balances also benefited from our participation in the TLGP and average balances benefited from the LaSalle acquisition. For additional information on the TLGP, see Regulatory Initiatives on page 14. For additional information on long-term debt, see *Note 12 Short-term Borrowings and Long-term Debt* to the Consolidated Financial Statements.

Shareholders Equity

Period end shareholders equity increased $30.2 billion due to the issuance of preferred stock including $15.0 billion to the U.S. Treasury in connection with the TARP Capital Purchase Program, a common stock offering of $9.9 billion, $4.2 billion of common stock issued in connection with the Countrywide acquisition, and net income. These increases were partially offset by a decrease in accumulated OCI and higher preferred dividend payments. The decrease in accumulated OCI was due to unrealized losses incurred on our debt and marketable equity securities and the adverse impact of employee benefit plan adjustments driven by the difference between the assumed and actual rate of return on benefit plan assets during the year. For additional information on our employee benefit plans, see *Note 16 Employee Benefit Plans* to the Consolidated Financial Statements. Average shareholders equity increased $28.2 billion due to the same period end factors discussed above, except accumulated OCI benefited from the fair value adjustment related to our investment in China Construction Bank (CCB) which we began to fair value in the fourth quarter of 2007.

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Table 5 Five Year Summary of Selected Financial Data

(Dollars in millions, except per share information)	2008	2007	2006	2005	2004
Income statement					
Net interest income	$ 45,360	$ 34,441	$ 34,594	$ 30,737	$ 27,960
Noninterest income	27,422	32,392	38,182	26,438	22,729
Total revenue, net of interest expense	72,782	66,833	72,776	57,175	50,689
Provision for credit losses	26,825	8,385	5,010	4,014	2,769
Noninterest expense, before merger and restructuring charges	40,594	37,114	34,988	28,269	26,394
Merger and restructuring charges	935	410	805	412	618
Income before income taxes	4,428	20,924	31,973	24,480	20,908
Income tax expense	420	5,942	10,840	8,015	6,961
Net income	4,008	14,982	21,133	16,465	13,947
Average common shares issued and outstanding (in thousands)	4,592,085	4,423,579	4,526,637	4,008,688	3,758,507
Average diluted common shares issued and outstanding (in thousands)	4,612,491	4,480,254	4,595,896	4,068,140	3,823,943
Performance ratios					
Return on average assets	0.22%	0.94%	1.44%	1.30%	1.34%
Return on average common shareholders equity	1.80	11.08	16.27	16.51	16.47
Return on average tangible shareholders equity (1)	5.31	25.94	39.06	32.30	30.98
Total ending equity to total ending assets	9.74	8.56	9.27	7.86	9.03
Total average equity to total average assets	8.94	8.53	8.90	7.86	8.12
Dividend payout	n/m	72.26	45.66	46.61	46.31
Per common share data					
Earnings	$ 0.56	$ 3.35	$ 4.66	$ 4.10	$ 3.71
Diluted earnings	0.55	3.30	4.59	4.04	3.64
Dividends paid	2.24	2.40	2.12	1.90	1.70
Book value	27.77	32.09	29.70	25.32	24.70
Market price per share of common stock					
Closing	$ 14.08	$ 41.26	$ 53.39	$ 46.15	$ 46.99
High closing	45.03	54.05	54.90	47.08	47.44
Low closing	11.25	41.10	43.09	41.57	38.96
Market capitalization	$ 70,645	$ 183,107	$ 238,021	$ 184,586	$ 190,147
Average balance sheet					
Total loans and leases	$ 910,878	$ 776,154	$ 652,417	$ 537,218	$ 472,617
Total assets	1,843,979	1,602,073	1,466,681	1,269,892	1,044,631
Total deposits	831,144	717,182	672,995	632,432	551,559
Long-term debt	231,235	169,855	130,124	97,709	92,303
Common shareholders equity	141,638	133,555	129,773	99,590	84,584
Total shareholders equity	164,831	136,662	130,463	99,861	84,815
Asset quality (2)					
Allowance for credit losses (3)	$ 23,492	$ 12,106	$ 9,413	$ 8,440	$ 9,028
Nonperforming assets (4)	18,232	5,948	1,856	1,603	2,315
Allowance for loan and lease losses as a percentage of total loans and leases outstanding (5)	2.49%	1.33%	1.28%	1.40%	1.65%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases (5)	141	207	505	532	390
Net charge-offs	$ 16,231	$ 6,480	$ 4,539	$ 4,562	$ 3,113
Net charge-offs as a percentage of average loans and leases outstanding (5)	1.79%	0.84%	0.70%	0.85%	0.66%
Nonperforming loans and leases as a percentage of total loans and leases outstanding (5)	1.77	0.64	0.25	0.26	0.42

Nonperforming assets as a percentage of total loans, leases and foreclosed properties [4, 5]	**1.96**	0.68	0.26	0.28	0.44
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.42**	1.79	1.99	1.76	2.77
Capital ratios (period end)					
Risk-based capital:					
Tier 1	**9.15%**	6.87%	8.64%	8.25%	8.20%
Total	**13.00**	11.02	11.88	11.08	11.73
Tier 1 Leverage	**6.44**	5.04	6.36	5.91	5.89

(1) Tangible shareholders equity is a non-GAAP measure. For additional information on ROTE and a corresponding reconciliation of tangible shareholders equity to a GAAP financial measure, see Supplemental Financial Data beginning on page 23.

(2) We account for acquired impaired loans in accordance with SOP 03-3. For more information on the impact of SOP 03-3 on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 56.

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

(4) Balances and ratios do not include nonperforming LHFS and nonperforming AFS debt securities.

(5) Balances and ratios do not include loans measured at fair value in accordance with SFAS 159.

n/m = not meaningful

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Supplemental Financial Data

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

Operating Basis Presentation

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

Net Interest Income FTE Basis

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

Performance Measures

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

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

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

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Table 6 Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	**2008**	2007	2006	2005	2004
Operating basis					
Operating earnings	**$ 4,638**	$ 15,240	$ 21,640	$ 16,740	$ 14,358
Return on average assets	**0.25%**	0.95%	1.48%	1.32%	1.37%
Return on average common shareholders equity	**2.25**	11.27	16.66	16.79	16.96
Return on average tangible shareholders equity	**6.14**	26.38	40.00	32.84	31.89
Operating efficiency ratio (FTE basis)	**54.88**	54.12	47.28	48.73	51.35
Dividend payout ratio	**n/m**	71.02	44.59	45.84	44.98
Operating leverage (FTE basis)	**(1.51)**	(13.40)	3.80	5.74	n/a
FTE basis data					
Net interest income	**$ 46,554**	$ 36,190	$ 35,818	$ 31,569	$ 28,677
Total revenue, net of interest expense	**73,976**	68,582	74,000	58,007	51,406
Net interest yield	**2.98%**	2.60%	2.82%	2.84%	3.17%
Efficiency ratio	**56.14**	54.71	48.37	49.44	52.55
Reconciliation of net income to operating earnings					
Net income	**$ 4,008**	$ 14,982	$ 21,133	$ 16,465	$ 13,947
Merger and restructuring charges	**935**	410	805	412	618
Related income tax benefit	**(305)**	(152)	(298)	(137)	(207)
Operating earnings	**$ 4,638**	$ 15,240	$ 21,640	$ 16,740	$ 14,358
Reconciliation of average shareholders equity to average tangible shareholders equity					
Average shareholders equity	**$ 164,831**	$ 136,662	$ 130,463	$ 99,861	$ 84,815
Average goodwill	**(79,827)**	(69,333)	(66,040)	(45,331)	(36,612)
Average intangible assets	**(9,502)**	(9,566)	(10,324)	(3,548)	(3,184)
Average tangible shareholders equity	**$ 75,502**	$ 57,763	$ 54,099	$ 50,982	$ 45,019
Reconciliation of return on average assets to operating return on average assets					
Return on average assets	**0.22%**	0.94%	1.44%	1.30%	1.34%
Effect of merger and restructuring charges, net-of-tax	**0.03**	0.01	0.04	0.02	0.03
Operating return on average assets	**0.25%**	0.95%	1.48%	1.32%	1.37%
Reconciliation of return on average common shareholders equity to operating return on average common shareholders equity					
Return on average common shareholders equity	**1.80%**	11.08%	16.27%	16.51%	16.47%
Effect of merger and restructuring charges, net-of-tax	**0.45**	0.19	0.39	0.28	0.49
Operating return on average common shareholders equity	**2.25%**	11.27%	16.66%	16.79%	16.96%
Reconciliation of return on average tangible shareholders equity to operating return on average tangible shareholders equity					
Return on average tangible shareholders equity	**5.31%**	25.94%	39.06%	32.30%	30.98%
Effect of merger and restructuring charges, net-of-tax	**0.83**	0.44	0.94	0.54	0.91
Operating return on average tangible shareholders equity	**6.14%**	26.38%	40.00%	32.84%	31.89%
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)					
Efficiency ratio	**56.14%**	54.71%	48.37%	49.44%	52.55%
Effect of merger and restructuring charges	**(1.26)**	(0.59)	(1.09)	(0.71)	(1.20)
Operating efficiency ratio	**54.88%**	54.12%	47.28%	48.73%	51.35%
Reconciliation of dividend payout ratio to operating dividend payout ratio					
Dividend payout ratio	**n/m**	72.26%	45.66%	46.61%	46.31%
Effect of merger and restructuring charges, net-of-tax	**n/m**	(1.24)	(1.07)	(0.77)	(1.33)
Operating dividend payout ratio	**n/m**	71.02%	44.59%	45.84%	44.98%

Reconciliation of operating leverage to operating basis operating leverage (FTE basis)					
Operating leverage	**(2.81)%**	(12.16)%	2.77%	6.67%	n/a
Effect of merger and restructuring charges	**1.30**	(1.24)	1.03	(0.93)	n/a
Operating leverage	**(1.51)%**	(13.40)%	3.80%	5.74%	n/a

n/m = not meaningful

n/a = not applicable

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Core Net Interest Income Managed Basis

We manage core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *GCIB* business segment section beginning on page 32, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *CMAS*. We also adjust for loans that we originated and subsequently sold into certain securitizations. These securitizations include off-balance sheet loans and leases, primarily credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Core net interest income on a managed basis increased $8.1 billion to $49.5 billion for 2008 compared to 2007. The increase was driven by

strong loan growth, as well as the acquisitions of Countrywide and LaSalle. Core net interest income on a managed basis also benefited from the reduced interest rate environment however this benefit was partially offset by the spread dislocation between the Federal Funds rate and LIBOR.

On a managed basis, core average earning assets increased $213.1 billion to $1.3 trillion for 2008 compared to 2007 due to higher average managed loans and an increase in debt securities. The increase in managed loans was driven by higher consumer managed loans resulting from organic growth and the acquisition of Countrywide. In addition, average commercial loans increased primarily due to organic growth and the acquisition of LaSalle which occurred in the fourth quarter of 2007. The average balance in the debt securities portfolio increased from 2007 due to net purchases of securities, the securitization of residential mortgage loans into mortgage-backed securities which we retained and the LaSalle and Countrywide acquisitions.

Core net interest yield on a managed basis remained flat at 3.82 percent for 2008, as the beneficial impact of the current interest rate environment and loan growth was offset by the addition of lower yielding assets from the Countrywide and LaSalle acquisitions.

Table 7 Core Net Interest Income Managed Basis

(Dollars in millions)	**2008**	2007
Net interest income (1)		
As reported	**$ 46,554**	$ 36,190
Impact of market-based net interest income (2)	**(6,011)**	(2,718)
Core net interest income	**40,543**	33,472
Impact of securitizations (3)	**8,910**	7,841
Core net interest income managed basis	**$ 49,453**	$ 41,313
Average earning assets		
As reported	**$ 1,562,729**	$ 1,390,192
Impact of market-based earning assets (2)	**(368,751)**	(412,587)
Core average earning assets	**1,193,978**	977,605
Impact of securitizations (4)	**100,145**	103,371
Core average earning assets managed basis	**$ 1,294,123**	$ 1,080,976
Net interest yield contribution (1)		
As reported	**2.98%**	2.60%
Impact of market-based activities (2)	**0.42**	0.82
Core net interest yield on earning assets	**3.40**	3.42
Impact of securitizations	**0.42**	0.40
Core net interest yield on earning assets managed basis	**3.82%**	3.82%

(1) FTE basis

(2) Represents the impact of market-based amounts included in the *CMAS* business within *GCIB*. For 2008 and 2007, the impact of market-based net interest income excludes $113 million and $70 million of net interest income on loans for which the fair value option has been elected and is

not considered market-based income.

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

(4) Represents average securitized loans less accrued interest receivable and certain securitized bonds retained.

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Business Segment Operations

Segment Description

We report the results of our operations through three business segments: *GCSBB*, *GCIB* and *GWIM*, with the remaining operations recorded in *All Other*. Certain prior period amounts have been reclassified to conform to current period presentation. For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue, net income and period end total assets, see *Note 22 Business Segment Information* to the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 23. We begin by evaluating the operating results of the businesses which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

The management accounting reporting process derives segment and business results by utilizing allocation methodologies for revenue, expense and capital. The net income derived for the businesses 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.

Our ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. Our goal

is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. Some ALM activities are recorded in the businesses (e.g., *Deposits and Student Lending*) such as external product pricing decisions, including deposit pricing strategies, as well as the effects of our internal funds transfer pricing process. The net effects of other ALM activities are reported within the *Deposits and Student Lending* business for *GCSBB*, and for *GCIB* and *GWIM* segments under *ALM/Other*. In addition, certain residual impacts of the funds transfer pricing process are retained in *All Other*.

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit s stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 48. The Corporation benefits from the diversification of risk across these components, which is reflected as a reduction to allocated equity for each segment. For *GCSBB*, this benefit is reflected as a reduction to allocated equity proportionately across the three consumer businesses, *Deposits and Student Lending*, *Card Services*, and *MHEIS*. For the *GCIB* and *GWIM* segments, this benefit is recorded within *ALM/Other*. Average equity is allocated to the business segments and the businesses, and is impacted by the portion of goodwill that is specifically assigned to them.

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Global Consumer and Small Business Banking

	2008			
(Dollars in millions)	**Total [1]**	**Deposits and Student Lending**	**Card Services [1]**	**Mortgage, Home Equity and Insurance Services**
Net interest income [2]	**$ 33,851**	**$ 11,395**	**$ 19,184**	**$ 3,272**
Noninterest income:				
Card income	**10,057**	**2,397**	**7,655**	**5**
Service charges	**6,807**	**6,803**		**4**
Mortgage banking income	**4,422**			**4,422**
Insurance premiums	**1,968**		**552**	**1,416**
All other income	**1,239**	**54**	**1,042**	**143**
Total noninterest income	**24,493**	**9,254**	**9,249**	**5,990**
Total revenue, net of interest expense	**58,344**	**20,649**	**28,433**	**9,262**
Provision for credit losses [3]	**26,841**	**1,014**	**19,550**	**6,277**
Noninterest expense	**24,937**	**9,869**	**8,120**	**6,948**
Income (loss) before income taxes	**6,566**	**9,766**	**763**	**(3,963)**
Income tax expense (benefit) [2]	**2,332**	**3,556**	**242**	**(1,466)**
Net income (loss)	**$ 4,234**	**$ 6,210**	**$ 521**	**$ (2,497)**
Net interest yield [2]	**8.43%**	**3.23%**	**8.36%**	**2.52%**
Return on average equity [4]	**5.78**	**28.37**	**1.25**	**(25.79)**
Efficiency ratio [2]	**42.74**	**47.79**	**28.56**	**75.02**
Period end total assets [5]	**$ 511,401**	**$ 389,450**	**$ 249,676**	**$ 205,386**

	2007			
(Dollars in millions)	Total [1]	Deposits and Student Lending	Card Services [1]	Mortgage, Home Equity and Insurance Services
Net interest income [2]	$ 28,712	$ 10,549	$ 16,284	$ 1,879
Noninterest income:				
Card income	10,194	2,156	8,032	6
Service charges	6,007	6,003		4
Mortgage banking income	1,332			1,332
Insurance premiums	912		565	347
All other income	698	143	434	121
Total noninterest income	19,143	8,302	9,031	1,810
Total revenue, net of interest expense	47,855	18,851	25,315	3,689
Provision for credit losses [3]	12,920	601	11,305	1,014
Noninterest expense	20,349	9,411	8,358	2,580
Income before income taxes	14,586	8,839	5,652	95
Income tax expense [2]	5,224	3,126	2,062	36
Net income	$ 9,362	$ 5,713	$ 3,590	$ 59
Net interest yield [2]	8.03%	3.19%	7.80%	2.35%
Return on average equity [4]	14.81	26.49	9.13	2.50
Efficiency ratio [2]	42.52	49.93	33.02	69.93
Period end total assets [5]	$ 445,319	$ 380,934	$ 254,356	$ 100,992

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

(3) Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.
(4) Average allocated equity for *GCSBB* was $73.3 billion and $63.2 billion in 2008 and 2007.
(5) Total assets include asset allocations to match liabilities (i.e., deposits).

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	December 31		Average Balance	
(Dollars in millions)	**2008**	2007	**2008**	2007
Total loans and leases	**$ 365,198**	$ 325,759	**$ 350,264**	$ 294,030
Total earning assets [(1)]	**434,568**	381,520	**401,671**	357,639
Total assets [(1)]	**511,401**	445,319	**471,223**	409,999
Total deposits	**393,165**	346,908	**370,961**	330,661

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

The strategy for *GCSBB* is to attract, retain and deepen customer relationships. We execute this strategy through our ability to offer a wide range of products and services through a franchise that stretches coast to coast through 32 states and the District of Columbia. We also provide credit card products to customers in Canada, Ireland, Spain and the United Kingdom. In the U.S., we serve approximately 59 million consumer and small business relationships utilizing our network of 6,139 banking centers, 18,685 domestic branded ATMs, and telephone and Internet channels. *GCSBB* is made up of three businesses: *Deposits and Student Lending*, *Card Services* and *MHEIS*. *GCSBB*, specifically the *Card Services* business, is presented on a managed basis. For a reconciliation of managed *GCSBB* to held *GCSBB*, see *Note 22 Business Segment Information* to the Consolidated Financial Statements.

Net income decreased $5.1 billion, or 55 percent, to $4.2 billion compared to 2007 as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and an increase in noninterest expense.

Net interest income increased $5.1 billion, or 18 percent, to $33.9 billion due to higher margin on ALM activities and the impact of the Countrywide and LaSalle acquisitions. In addition, average loans and leases, and average deposits increased $56.2 billion and $40.3 billion, or 19 percent and 12 percent. Noninterest income increased $5.4 billion, or 28 percent, due to increased mortgage banking income and insurance premiums primarily as a result of the Countrywide acquisition, and higher service charges. In addition, noninterest income benefited from the $388 million gain from the Visa IPO transactions and $283 million gain on the sale of a card portfolio.

Provision for credit losses increased $13.9 billion to $26.8 billion compared to $12.9 billion in 2007, driven by increases of $8.2 billion and $5.3 billion in *Card Services* and *MHEIS*. For further discussion related to *Card Services* and *MHEIS*, see their respective discussions beginning on pages 29 and 30.

Noninterest expense increased $4.6 billion, or 23 percent, to $24.9 billion, primarily driven by the Countrywide and LaSalle acquisitions.

Deposits and Student Lending

Deposits and Student Lending includes the results of consumer deposits activities which include a comprehensive range of products to consumers and small businesses. In addition, *Deposits and Student Lending* includes our student lending and small business banking results, excluding business card, and the net effect of our ALM activities. Debit Card results are also included in *Deposits and Student Lending.*

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending 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. Deposits also generate fees such as account service fees, non-sufficient fund fees, overdraft charges and ATM fees, while debit cards generate merchant interchange fees based on purchase volume.

We added 2.2 million net new retail checking accounts in 2008. These additions resulted from continued improvement in sales and service results in the Banking Center Channel and Online, and the success of new Affinity relationships and products such as Keep the Change™. During 2008, our active online banking customer base grew to 28.9 million subscribers, an increase of 5.1 million net subscribers from 2007. In addition, our active bill pay users paid $309.7 billion worth of bills online during 2008.

We continue to migrate qualifying affluent customers and their related deposit balances to *GWIM*. In 2008 and 2007, a total of $20.5 billion and $11.4 billion of deposits were migrated from *Deposits and Student Lending* to *Premier Banking and Investments (PB&I)* within *GWIM*. The increase was mainly due to the initial migration of legacy LaSalle accounts and the acceleration of moving qualified clients into *PB&I* as part of our growth initiatives for our mass affluent and retirement customers. After migration, the associated net interest income, service charges and noninterest expense are recorded in *GWIM*.

Net income increased $497 million, or nine percent, to $6.2 billion compared to 2007 driven by higher noninterest income and net interest income partially offset by increases in noninterest expense and provision for credit losses.

Net interest income increased $846 million, or eight percent, driven by a higher contribution from our ALM activities and growth in average deposits partially offset by the impact of competitive deposit pricing. Average deposits grew $34.2 billion, or 11 percent, due to organic growth, including customers flight-to-safety, as well as the acquisitions of Countrywide and LaSalle. Organic growth was partially offset by the migration of customer relationships and related deposit balances to *GWIM*.

Noninterest income increased $952 million, or 11 percent, to $9.3 billion driven by higher service charges of $800 million, or 13 percent, primarily as a result of increased volume, new demand deposit account growth and the addition of LaSalle. Additionally, debit card revenue growth of $241 million, or 11 percent, was due to new account and card growth, increased usage and the addition of LaSalle.

Provision for credit losses increased $413 million, or 69 percent, to $1.0 billion principally driven by deterioration in the small business lending portfolio due to the impacts of a slowing economy and seasoning of the portfolio reflective of growth. In addition, the provision for credit losses increased due to losses on overdraft accounts.

Noninterest expense increased $458 million, or five percent, to $9.9 billion compared to 2007, primarily due to the acquisitions of LaSalle and Countrywide, combined with an increase in accounts and transaction volumes.

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Card Services

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

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

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. The financial market disruptions that began in 2007 continued to impact the economy and financial services sector. Late in the third quarter and into the fourth quarter of 2008, liquidity for asset-backed securities disappeared and spreads rose to historic highs, negatively impacting our credit card securitization programs. If these conditions persist, it could adversely affect our ability to access these markets at favorable terms. For more information, see the Liquidity Risk and Capital Management discussion on page 49.

Net income decreased $3.1 billion, or 85 percent, to $521 million compared to 2007 as growth in net interest income and noninterest income was more than offset by higher provision for credit losses of $8.2 billion.

Net interest income grew $2.9 billion, or 18 percent, to $19.2 billion driven by higher managed average loans and leases of $21.3 billion, or 10 percent, combined with the beneficial impact of the decrease in short-term interest rates on our funding costs.

Noninterest income increased $218 million, or two percent, to $9.2 billion as other income benefited from the $388 million gain related to *Card Services* allocation of the Visa IPO as well as a $283 million gain on the sale of a card portfolio. These increases were partially offset by the decrease in card income of $377 million, or five percent, due to the unfavorable change in the value of the interest-only strip and decreases in interchange income driven by reduced retail volume and late fees.

Provision for credit losses increased $8.2 billion, or 73 percent, to $19.6 billion compared to 2007 primarily driven by portfolio deterioration and higher bankruptcies from impacts of the slowing economy, a lower level of foreign securitizations and growth-related seasoning of the portfolio. For further discussion, see Provision for Credit Losses on page 75.

Noninterest expense decreased $238 million, or three percent, to $8.1 billion compared to 2007, as the impact of certain benefits associated with the Visa IPO transactions and lower marketing expense were partially offset by higher personnel and technology-related expenses from increased customer assistance and collections infrastructure.

Key Statistics

(Dollars in millions)	**2008**	2007
Card Services		
Average total loans and leases:		
Managed	**$ 229,347**	$ 208,094
Held	**124,946**	104,810
Period end total loans and leases:		
Managed	**226,081**	225,889
Held	**125,121**	122,922
Managed net losses [(1)]:		
Amount	**15,321**	10,088
Percent [(3)]	**6.68%**	4.85%

Credit Card [2]		
Average total loans and leases:		
Managed	**$ 184,246**	$ 171,376
Held	**79,845**	70,242
Period end total loans and leases:		
Managed	**182,234**	183,691
Held	**81,274**	80,724
Managed net losses [1]:		
Amount	**11,382**	8,214
Percent [3]	**6.18%**	4.79%

[1] Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.
[2] Includes U.S. consumer, foreign and U.S. government card. Does not include business card and unsecured lending.
[3] Ratios are calculated as managed net losses divided by average outstanding managed loans and leases during the year.

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

Managed *Card Services* net losses increased $5.2 billion to $15.3 billion, or 6.68 percent of average outstandings, compared to $10.1 billion, or 4.85 percent in 2007. This increase was driven by portfolio deterioration and higher bankruptcies reflecting the impacts of the slowing economy. Additionally, portfolio deterioration during the second half of 2008 and growth-related seasoning of the unsecured lending portfolio drove a portion of the increase.

Managed credit card net losses increased $3.2 billion to $11.4 billion, or 6.18 percent of average credit card outstandings, compared to $8.2 billion, or 4.79 percent in 2007. The increase was driven by portfolio deterioration and higher bankruptcies reflecting the impacts of a slowing economy.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 56.

Mortgage, Home Equity and Insurance Services

MHEIS generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *MHEIS* products are available to our customers through a retail network of personal bankers located in 6,139 banking centers, mortgage loan officers in nearly 1,000 locations and through a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent and wholesale loan acquisition channels. *MHEIS* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining MSRs and the Bank of America customer relationships, or are held on our balance sheet for ALM purposes. *MHEIS* is not impacted by the Corporation s mortgage production retention decisions as *MHEIS* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other.* In addition, *MHEIS* offers property, casualty, life, disability and credit insurance.

Effective July 1, 2008, Countrywide s results of operations are included in the Corporation s consolidated results. While the results of deposit operations are included in *Deposits and Student Lending* the majority of Countrywide s ongoing operations are recorded in *MHEIS.* Countrywide s acquired first mortgage and discontinued real estate portfolios were recorded in *All Other* and are managed as part of our overall ALM activities. For more information related to the Countrywide acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

MHEIS s net income decreased $2.6 billion to a net loss of $2.5 billion compared to 2007 as growth in noninterest income and net interest income was more than offset by higher provision for credit losses and an increase in noninterest expense.

Net interest income grew $1.4 billion, or 74 percent, driven primarily by an increase in average home equity loans and LHFS. The growth in average home equity loans of $32.3 billion, or 44 percent, and a $5.5 billion increase in LHFS were attributable to the Countrywide and LaSalle acquisitions as well as increases in our home equity portfolio as a result of slower prepayment speeds and organic growth.

Noninterest income increased $4.2 billion to $6.0 billion compared to 2007 driven by increases in mortgage banking income and insurance premiums. Mortgage banking income grew $3.1 billion due primarily to the acquisition of Countrywide combined with increases in the value of MSR economic hedge instruments partially offset by a decrease in value of MSRs. For more information, see the mortgage banking income discussion which follows. Insurance premiums increased $1.1 billion due to the acquisition of Countrywide.

Provision for credit losses increased $5.3 billion to $6.3 billion compared to 2007. This increase was driven primarily by higher losses inherent in the home equity portfolio, reflective of deterioration in the housing markets particularly in geographic areas that have experienced higher levels of declines in home prices. In addition, most home equity loans are secured by second lien positions significantly reducing and, in some cases, resulting in no collateral value after consideration of the first lien position. This drove more severe charge-offs as borrowers defaulted. For further discussion, see Provision for Credit Losses on page 75.

Noninterest expense increased $4.4 billion to $6.9 billion primarily driven by the Countrywide acquisition.

Mortgage Banking Income

We categorize *MHEIS s* mortgage banking income into production and servicing income. Production income is comprised of revenue from the fair value gains and losses recognized on our IRLCs and LHFS, and the related secondary market execution, and costs related to representations and warranties given in the sales transactions and other obligations incurred in the sales of mortgage loans. In addition, production income includes revenue for transfers of mortgage loans from *MHEIS* to the ALM portfolio related to the Corporation s mortgage production retention decisions which is eliminated in consolidation in *All Other.*

Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Our workout efforts are also part of our servicing activities, along with responding to customer inquiries and supervising foreclosures and property dispositions. Servicing income includes ancillary income derived in connection with these activities such as late fees and MSR valuation adjustments, net of economic hedge activities.

The following table summarizes the components of mortgage banking income:

Mortgage banking income

(Dollars in millions)	**2008**	2007
Production income	**$ 2,119**	$ 733
Servicing income:		
Servicing fees and ancillary income	**3,529**	903
Impact of customer payments	**(3,313)**	(766)
Fair value changes of MSRs, net of economic hedge results	**1,906**	462
Other servicing-related revenue	**181**	
Total net servicing income	**2,303**	599
Total mortgage banking income	**$ 4,422**	$ 1,332

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Production income increased $1.4 billion in 2008 compared to 2007. This increase was driven by the Countrywide acquisition which resulted in higher volumes, and an improvement in margins.

Net servicing income increased $1.7 billion in 2008 compared to 2007 due primarily to increases in the value of the MSR economic hedge instruments of $8.6 billion partially offset by changes in the fair value of MSRs of $6.7 billion. Generally, when mortgage interest rates decline, as occurred during the second half of 2008, there is an increase in the value of instruments used to economically hedge MSRs and a corresponding decrease in the value of MSRs. The decrease in the value of MSRs during the second half of 2008 was tempered by the expectation that weakness in the housing market would decrease the impact of market interest rates on expected future prepayments. For further discussion on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 86.

The following table presents select key indicators for *MHEIS*.

Mortgage, Home Equity and Insurance Services Key Statistics

(Dollars in millions, except as noted)	**2008**	2007
Loan production:		
First mortgage	**$ 128,945**	$ 93,304
Home equity	**31,998**	69,226
Period end		
Mortgage servicing portfolio (in billions) [(1)]	**2,057**	517
Mortgage loans serviced for investors (in billions)	**1,654**	259
Mortgage servicing rights:		
Balance	**12,733**	3,053
Capitalized mortgage servicing rights (% of loans serviced)	**77bps**	118bps

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

First mortgage and home equity production were $128.9 billion and $32.0 billion in 2008 compared to $93.3 billion and $69.2 billion in 2007. The increase of $35.6 billion in first mortgage production was due to the acquisition of Countrywide partially offset by decreased activity in the mortgage market. The decrease of $37.2 billion in home equity production was primarily due to more stringent underwriting guidelines for home equity lines of credit and loans, and lower consumer demand.

The servicing portfolio at December 31, 2008 was $2.1 trillion, $1.5 trillion higher than at December 31, 2007, driven by the acquisition of Countrywide. Included in this amount was $1.7 trillion of residential first mortgage, home equity lines of credit and home equity loans serviced for others.

At December 31, 2008, the consumer MSR balance was $12.7 billion, which represented 77 bps of the related unpaid principal balance as compared to $3.1 billion, or 118 bps of the related principal balance at December 31, 2007. The increase in the consumer MSR balance was driven by $17.2 billion of MSRs that we acquired from Countrywide which was partially offset by the impact of mortgage rates falling substantially during the fourth quarter of 2008. As a result of the decline in rates, the value of the MSRs decreased driven by a significant increase in expected prepayments which reduced the expected life of the consumer MSRs. This resulted in the 41 bps decrease in the capitalized MSRs as a percentage of loans serviced. MSR economic hedge results were more than sufficient to offset this decrease.

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Global Corporate and Investment Banking

(Dollars in millions)	Total	Business Lending	2008 Capital Markets and Advisory Services [1]	Treasury Services	ALM/ Other
Net interest income [2]	**$ 16,538**	**$ 6,221**	**$ 6,124**	**$ 3,610**	**$ 583**
Noninterest income:					
Service charges	**3,344**	**657**	**134**	**2,553**	
Investment and brokerage services	**850**		**810**	**40**	
Investment banking income	**2,708**		**2,708**		
Trading account profits (losses)	**(5,956)**	**(251)**	**(5,787)**	**74**	**8**
All other income (loss)	**(4,044)**	**1,196**	**(7,007)**	**1,507**	**260**
Total noninterest income (loss)	**(3,098)**	**1,602**	**(9,142)**	**4,174**	**268**
Total revenue, net of interest expense	**13,440**	**7,823**	**(3,018)**	**7,784**	**851**
Provision for credit losses	**3,080**	**3,082**	**5**	**47**	**(54)**
Noninterest expense	**10,381**	**2,066**	**4,722**	**3,459**	**134**
Income (loss) before income taxes	**(21)**	**2,675**	**(7,745)**	**4,278**	**771**
Income tax expense (benefit) [2]	**(7)**	**953**	**(2,797)**	**1,546**	**291**
Net income (loss)	**$ (14)**	**$ 1,722**	**$ (4,948)**	**$ 2,732**	**$ 480**
Net interest yield [2]	**2.36%**	**1.97%**	**n/m**	**2.17%**	**n/m**
Return on average equity [3]	**(0.02)**	**7.38**	**(24.32)%**	**33.21**	**n/m**
Efficiency ratio [2]	**77.24**	**26.40**	**n/m**	**44.43**	**n/m**
Period end total assets [4]	**$ 707,170**	**$ 336,561**	**$ 313,141**	**$ 223,895**	**n/m**

(Dollars in millions)	Total	Business Lending	2007 Capital Markets and Advisory Services [1]	Treasury Services	ALM/ Other
Net interest income [2]	$ 11,206	$ 4,926	$ 2,788	$ 3,792	$ (300)
Noninterest income:					
Service charges	2,770	516	134	2,121	(1)
Investment and brokerage services	913		869	42	2
Investment banking income	2,537		2,537		
Trading account profits (losses)	(4,921)	(180)	(4,811)	63	7
All other income (loss)	1,146	823	(968)	1,086	205
Total noninterest income (loss)	2,445	1,159	(2,239)	3,312	213
Total revenue, net of interest expense	13,651	6,085	549	7,104	(87)
Provision for credit losses	658	653		6	(1)
Noninterest expense	12,198	2,262	5,925	3,713	298
Income (loss) before income taxes	795	3,170	(5,376)	3,385	(384)
Income tax expense (benefit) [2]	285	1,170	(1,991)	1,249	(143)
Net income (loss)	$ 510	$ 2,000	$ (3,385)	$ 2,136	$ (241)
Net interest yield [2]	1.65%	1.96%	n/m	2.79%	n/m
Return on average equity [3]	1.12	12.36	(25.52)%	27.18	n/m
Efficiency ratio [2]	89.36	37.19	n/m	52.27	n/m

Period end total assets[4]	$ 778,158	$ 303,966	$ 413,811	$ 183,996	n/m

[1] Includes $113 million and $70 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income for 2008 and 2007. For more information, see the market-based revenue discussion beginning on page 34.

[2] FTE basis

[3] Average allocated equity for *GCIB* was $62.4 billion and $45.3 billion for 2008 and 2007. The increase was attributable to goodwill associated with the LaSalle acquisition, portfolio growth, and higher trading and operational risk.

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

n/m = not meaningful

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	December 31		Average Balance	
(Dollars in millions)	**2008**	2007	**2008**	2007
Total loans and leases	**$ 340,692**	$ 326,042	**$ 337,352**	$ 274,725
Total trading-related assets	**247,552**	308,316	**341,544**	362,195
Total market-based earning assets [1]	**244,914**	360,276	**368,751**	412,587
Total earning assets [2]	**589,431**	675,407	**699,708**	677,215
Total assets [2]	**707,170**	778,158	**816,832**	771,219
Total deposits	**251,798**	246,242	**239,097**	219,891

(1) Total market-based earning assets represents earning assets included in *CMAS* but excludes loans that are accounted for at fair value in accordance with SFAS 159.

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

GCIB provides a wide range of financial services to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products, transaction and advisory services. *GCIB* s products and services are delivered from three primary businesses: *Business Lending, CMAS,* and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of ALM activities and other *GCIB* activities. Our clients are supported through offices in 22 countries that are divided into four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East, and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 73.

On January 1, 2009, we acquired Merrill Lynch in exchange for common and preferred stock with a value of $29.1 billion, creating a premier financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. In addition, the acquisition adds strengths in debt and equity underwriting, sales and trading, and global merger and acquisition advice, creating significant opportunities to deepen relationships with corporate and institutional clients around the globe. For more information related to the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

During 2008, we reached an agreement with the Massachusetts Securities Division under which we offered to purchase at par ARS held by our retail customers, including individual investors, businesses, and charitable organizations. Further in October 2008, we announced other agreements in principle with the SEC, the Office of the NYAG, and the North American Securities Administrators Association. These agreements are substantially similar except that the agreement with the NYAG requires the payment of a penalty. These agreements will cover approximately $5.3 billion in ARS held by an estimated 5,600 of our customers. We purchased approximately $4.7 billion of securities, $2.7 billion of which were purchased by *GWIM* and $2.0 billion of which were purchased by *GCIB*. During the year, we recognized mark-to-market losses of $181 million and $312 million in *GWIM* and *GCIB* on these securities and a penalty of $50 million which was equally allocated to *GWIM* and *GCIB*. As of December 31, 2008, our remaining commitment to purchase ARS was $675 million of which $537 million related to *GWIM* and $138 million related to *GCIB*.

Net income decreased $524 million to a net loss of $14 million and total revenue decreased $211 million, or two percent, to $13.4 billion in 2008 compared to 2007. These decreases were driven by losses resulting from our CDO and other trading exposures. Additionally, we experienced an increase in provision for credit losses which was partially offset by higher net interest income and a decrease in noninterest expense.

Net interest income increased $5.3 billion, or 48 percent, driven primarily by higher market-based net interest income which benefited from the steepening of the yield curve and product mix. Additionally, net interest income benefited from growth in average loans and leases of $62.6

billion, or 23 percent, combined with a higher margin on ALM activities. These benefits were partially offset by the impact of competitive deposit pricing and a shift in the deposit product mix as more customers moved their deposits to higher yielding products. The growth in average loans and deposits was due to the LaSalle merger as well as organic growth.

Noninterest income decreased $5.5 billion to a loss of $3.1 billion in 2008 compared to 2007, driven by declines in trading account profits (losses) of $1.0 billion and other income of $5.2 billion. For more information on the aforementioned decreases, see the *CMAS* discussion. Additionally, noninterest income benefited from the favorable impact of the Visa IPO transactions and an increase in service charge income.

The provision for credit losses increased $2.4 billion to $3.1 billion in 2008 compared to 2007 reflecting higher credit costs in *Business Lending*. For further information, see the *Business Lending* discussion.

Noninterest expense decreased $1.8 billion, or 15 percent, mainly due to a reduction in performance-based incentive compensation in *CMAS* and the impact of certain benefits associated with the Visa IPO transactions, partially offset by the addition of LaSalle.

Business Lending

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

Net income decreased $278 million, or 14 percent, to $1.7 billion in 2008 compared to 2007 as increases in net interest income and noninterest income combined with a decrease in noninterest expense were more than offset by increases in provision for credit losses.

Net interest income increased $1.3 billion, or 26 percent, driven by average loan growth of 25 percent to $311.0 billion. The increase in average loans and leases was attributable to the LaSalle acquisition and organic growth primarily in commercial domestic and real estate loans.

The increase in noninterest income of $443 million, or 38 percent, was mainly driven by improved economic hedging results of our exposures to certain commercial clients and an increase in service charges.

The provision for credit losses increased $2.4 billion to $3.1 billion in 2008 compared to 2007, reflecting reserve increases and higher charge-offs primarily due to the continued weakness in the housing markets on the homebuilder portfolio. Also contributing to this increase were higher commercial domestic and foreign net charge-offs which increased from

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very low prior year levels and higher net charge-offs and reserve increases in the retail dealer-related loan portfolios due to deterioration and seasoning of the portfolio reflective of growth.

Noninterest expense decreased $196 million, or nine percent, primarily due to decreased incentive compensation partially offset by the LaSalle merger.

Capital Markets and Advisory Services

CMAS provides financial products, advisory services and financing globally to our institutional investor clients in support of their investing and trading activities. We also work with our commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities, merger-related advisory services and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, mortgage-backed securities and ABS. Underwriting debt and equity, securities research and certain market-based activities are executed through *Banc of America Securities, LLC* which is our primary dealer.

CMAS recognized a net loss of $4.9 billion in 2008 compared to a net loss of $3.4 billion in 2007. Market-based revenue was a net loss of $3.1 billion as compared to net revenue of $479 million. These decreases were driven by losses related to CDO exposure and the continuing impact of the market disruptions on various parts of our business including the severe volatility, illiquidity and credit dislocations that were experienced in the debt and equity markets in the fourth quarter of 2008. Partially offsetting these declines were favorable results in our liquid products and equity underwriting businesses. In addition, noninterest expense declined $1.2 billion primarily due to lower performance-based incentive compensation. For more information relating to our market-based revenue, see the discussion below.

Market-based Revenue

CMAS evaluates its results using market-based revenue that is comprised of net interest income and noninterest income. The following table presents further detail regarding market-based revenue. Sales and trading revenue is segregated into fixed income from liquid products (primarily interest rate and commodity derivatives and foreign exchange contracts), credit products (primarily investment and noninvestment grade corporate debt obligations, credit derivatives and public finance), structured products (primarily CMBS, residential mortgage-backed securities, structured credit trading and CDOs), and equity income from equity-linked derivatives and cash equity activity.

(Dollars in millions)	**2008**	2007
Investment banking income		
Advisory fees	**$ 287**	$ 443
Debt underwriting	**1,797**	1,775
Equity underwriting	**624**	319
Total investment banking income	**2,708**	2,537
Sales and trading revenue		
Fixed income:		
Liquid products	**3,608**	2,155
Credit products	**(2,273)**	(212)
Structured products	**(7,987)**	(5,326)
Total fixed income	**(6,652)**	(3,383)
Equity income	**813**	1,325
Total sales and trading revenue	**(5,839)**	(2,058)
Total Capital Markets and Advisory Services market-based revenue [(1)]	**$ (3,131)**	$ 479

(1) Excludes $113 million and $70 million for 2008 and 2007 of net interest income on loans for which the fair value option has been elected and is not considered market-based income.

Investment banking income increased $171 million to $2.7 billion as compared to 2007 driven by increased equity underwriting fees partially offset by lower advisory fees. Advisory fees were adversely impacted by reduced activity due to the slowing economy. Equity underwriting income was driven by fees earned on the Corporation s stock issuances during 2008 for which *CMAS* was compensated on a management accounting basis with a corresponding offset in *All Other*.

Sales and trading revenue declined $3.8 billion to a loss of $5.8 billion in 2008 compared to 2007. While structured products and credit products reported losses for 2008, liquid products increased and equities compared reasonably well with 2007 despite the continuing disruptive market conditions.

- Liquid products sales and trading revenue increased $1.5 billion in 2008 compared to 2007 as *CMAS* took advantage of trending volatility in interest rate and foreign exchange markets which also drove favorable client flows.
- Credit products sales and trading revenue declined $2.1 billion to a loss of $2.3 billion in 2008 compared to 2007. During 2008, we incurred losses of $1.1 billion, net of $286 million of fees, on leveraged loans and the forward leveraged finance commitments as investor confidence faded and liquidity became largely non-existent. The few institutions that were in a position to acquire additional loans, required discount equivalent yields in excess of one-month LIBOR plus 1,000 bps in some instances, thus applying downward pressure to pricing mechanisms, especially during the fourth quarter of 2008. Losses incurred on our leveraged exposure were not concentrated in any one type (senior secured or subordinated/senior unsecured) and were generally due to wider new issuance credit spreads as compared to the negotiated spreads. Credit products also incurred losses on ARS of $898 million which included $312 million representing *CMAS s* portion of losses on the buyback from our customers. A significant portion of these losses (i.e., $750 million) were concentrated in student loan ARS. For further discussion on our ARS exposure, see Industry Concentrations beginning on page 69 and for a discussion on *GWIM s* portion of ARS losses on the buyback from our customers see page 70.

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At December 31, 2008, we had no forward leveraged finance commitments and the carrying value of our leveraged funded positions held for distribution was $2.8 billion. At December 31, 2007, the carrying value of the Corporation s forward leveraged finance commitments and leveraged funded positions held for distribution were $11.9 billion and $5.9 billion. The elimination of our forward leveraged finance commitments was due to the funding of previously outstanding commitments, approximately 66 percent of which were distributed through syndication, and client-terminated commitments. Pre-market disruption exposure originated prior to September 30, 2007 had a carrying value of $1.5 billion at December 31, 2008 as compared to $5.9 billion at December 31, 2007. At December 31, 2008, 66 percent of the leveraged funded positions held for distribution were senior secured with an approximate carrying value of $1.9 billion of which $1.4 billion were originated prior to September 30, 2007.

- Structured products sales and trading revenue was a loss of $8.0 billion, which represented a decline in revenue of $2.7 billion compared to the prior year. The decrease was driven by $4.8 billion of losses resulting from our CDO exposure, which includes our super senior, warehouse, and sales and trading positions, and our hedging activities including counterparty credit risk valuations. See the detailed CDO exposure discussion to follow. Also, structured products was adversely impacted by $944 million of losses (net of hedges) on CMBS funded debt and the forward finance commitments for 2008, and $545 million in losses associated with equity investments we made in acquisition-related financing transactions. In addition, 2008 included losses related to other structured products including $738 million of losses for counterparty credit risk valuations related to our structured credit trading business. Other structured products, including residential mortgage-backed securities as well as other residual structured credit positions were negatively impacted by spread widening and extreme dislocations in basis correlations in both domestic and foreign markets that occurred in the fourth quarter of 2008. The results of 2007 were adversely impacted by the market disruptions that began during the third quarter of 2007.

At December 31, 2008 and 2007, we held $6.9 billion and $13.6 billion of funded CMBS debt of which $6.0 billion and $8.9 billion were primarily floating-rate acquisition-related financings to major, well-known operating companies. In addition, at December 31, 2008 and 2007, we had forward finance commitments of $700 million and $2.2 billion. The decrease in funded CMBS debt was driven by securitizations and loan sales, while the decrease in forward finance commitments was driven by the funding of outstanding commitments and the business decision not to enter into any new floating-rate acquisition-related financings. Forward finance commitments at December 31, 2008 were comprised primarily of fixed-rate conduit product financings. The $944 million of losses recorded during 2008 associated with our CMBS exposure were concentrated in the more difficult to hedge floating-rate debt.

- Equity products sales and trading revenue decreased $512 million to $813 million in 2008 compared to 2007 primarily due to lower trading results in the institutional derivatives businesses and the sale of our equity prime brokerage business that occurred in the third quarter of 2008.

Collateralized Debt Obligation Exposure at December 31, 2008

CDO vehicles hold diversified pools of fixed income securities. CDO vehicles issue multiple tranches of debt securities, including commercial paper, mezzanine and equity securities.

Our CDO exposure can be divided into funded and unfunded super senior liquidity commitment exposure, other super senior exposure (i.e., cash positions and derivative contracts), warehouse, and sales and trading positions. For more information on our CDO liquidity commitments, refer to Collateralized Debt Obligation Vehicles as part of Off- and On-Balance Sheet Arrangements beginning on page 43. Super senior exposure represents the most senior class of commercial paper or notes that are issued by the CDO vehicles. These financial instruments benefit from the subordination of all other securities issued by the CDO vehicles.

During 2008, we recorded CDO-related losses of $4.8 billion compared to $5.6 billion in 2007 including losses on super senior exposure of $3.6 billion and $4.0 billion. Also included in CDO-related losses in 2008 were $707 million of losses on purchased securities from liquidated CDO vehicles. These securities were purchased from the vehicles at auction and the losses were recorded subsequent to their purchase. CDO-related losses reduced trading account profits (losses) by $1.6 billion and other income by $3.2 billion. Also included during 2008 were net gains of $893 million related to our hedging activity, $315 million of losses related to subprime sales and trading and CDO warehouse positions, and $1.1 billion of losses to cover counterparty risk on our CDO and subprime-related exposure. The losses recorded in other income noted above were other-than-temporary impairment charges related to CDOs and purchased securities classified as AFS debt securities at December 31, 2008. Also we had unrealized losses on uninsured other super senior cash positions and purchased securities from liquidated CDOs of $422 million (pre-tax) in accumulated OCI at December 31, 2008.

The CDO and related markets continued to deteriorate during 2008, experiencing significant illiquidity impacting the availability and reliability of transparent pricing. At December 31, 2008, we valued these CDO structures consistent with how we valued them at December 31, 2007. We assumed the CDO structures would terminate and looked through the structures to the underlying net asset values of the securities. We were able to obtain security values using either external pricing services or offsetting trades for approximately 94 percent of the CDO exposure for which we used the average of all prices obtained by security. The majority of the remaining positions where no pricing quotes were available were valued using matrix pricing by aligning the value to securities that had similar vintage of underlying assets and ratings, using the lowest rating between the rating services. The remaining securities were valued as interest-only strips, based on estimated average life, exposure type and vintage of the underlying assets. We assigned a zero value to the CDO positions for which an event of default has been triggered and liquidation notice has been issued. The value of cash held by the trustee for all CDO structures was also incorporated into the resulting net asset value. In addition, we were able to obtain security values using the same methodology as the CDO exposure for approximately 65 percent of the purchased securities from liquidated CDOs. Similarly, the majority of the remaining positions where no pricing quotes were available were valued using matrix pricing and projected cash flows.

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As presented in the following table, during 2008, our super senior net exposure, excluding purchased securities from liquidated CDOs, decreased $8.4 billion to $3.3 billion at December 31, 2008, driven by paydowns, liquidations and writedowns. Including purchased securities, our super senior net exposure decreased $6.3 billion to $5.3 billion at December 31, 2008. In addition, during the year we reclassified $5.6 billion of super senior liquidity commitments to other super senior exposure. This amount represents the net exposure, after insurance and write-

downs, at the time of reclassification of five CDO vehicles and a CDO conduit to which we had an aggregate gross liquidity exposure of $11.5 billion at December 31, 2007. As described further within the Collateralized Debt Obligation Vehicles section beginning on page 45, we no longer have liquidity exposure to these vehicles. Instead, we now hold cash positions, including super senior securities issued by the CDOs.

The following table presents a rollforward of our super senior CDO exposure for the year ended December 31, 2008.

Super Senior Collateralized Debt Obligation Exposure Rollforward

(Dollars in millions)	December 31, 2007 Net Exposure	Reclassifications [1]	2008 Net Writedowns / Adjustments [2]	Paydowns / Liquidations / Other	December 31, 2008 Net Exposure
Super senior liquidity commitments					
High grade	$ 5,166	$ (3,917)	$ (486)	$ (287)	**$ 476**
Mezzanine	358	(337)	(21)		
CDO-squared	2,227	(1,318)	(548)	(361)	
Total super senior liquidity commitments	7,751	(5,572)	(1,055)	(648)	**476**
Other super senior exposure					
High grade	2,125	3,917	(1,328)	(2,207)	**2,507**
Mezzanine	795	337	(606)	(229)	**297**
CDO-squared	959	1,318	(1,023)	(1,254)	
Total other super senior	3,879	5,572	(2,957)	(3,690)	**2,804**
Total super senior	$ 11,630	$	$ (4,012)	$ (4,338)	**$ 3,280**
Purchased securities from liquidated CDOs			(707)	2,737	**2,030**
Total	$ 11,630	$	$ (4,719)	$ (1,601)	**$ 5,310**

(1) Represents CDO exposure that was reclassified from super senior liquidity commitments to other super senior exposure as the Corporation is no longer providing liquidity.

(2) Net of insurance and includes $422 million (pre-tax) of unrealized losses recorded in accumulated OCI.

The following table presents our super senior CDO exposure at December 31, 2008 and 2007.

Super Senior Collateralized Debt Obligation Exposure

Total CDO Exposure at December 31, 2008

(Dollars in millions)	Subprime Exposure [1] Gross	Insured [3]	Net of Insured Amount	Cumulative Write-downs [4,5]	Net Exposure	Non-Subprime Exposure [2] Gross	Insured [3]	Net of Insured Amount	Cumulative Write-downs [4,5]	Net Exposure	Total CDO Net Exposure December 31 2008	December 31 2007
Super senior liquidity commitments												
High grade	$	$	$	$	$	$ 542	$	$ 542	$ (66)	$ 476	$ 476	$ 5,166
Mezzanine												358
CDO-squared												2,227
Total super senior liquidity commitments						542		542	(66)	476	476	7,751
Other super senior exposure												
High grade	4,330	(2,519)	1,811	(1,127)	684	3,445	(728)	2,717	(894)	1,823	2,507	2,125
Mezzanine	535		535	(238)	297						297	795
CDO-squared						340	(340)					959
Total other super senior	4,865	(2,519)	2,346	(1,365)	981	3,785	(1,068)	2,717	(894)	1,823	2,804	3,879
Total super senior	$ 4,865	$ (2,519)	$ 2,346	$ (1,365)	$ 981	$ 4,327	$ (1,068)	$ 3,259	$ (960)	$ 2,299	$ 3,280	$ 11,630
Purchased securities from liquidated CDOs	2,737		2,737	(707)	2,030						2,030	
Total	$ 7,602	$ (2,519)	$ 5,083	$ (2,072)	$ 3,011	$ 4,327	$ (1,068)	$ 3,259	$ (960)	$ 2,299	$ 5,310	$ 11,630

(1) Classified as subprime when subprime consumer real estate loans make up at least 35 percent of the ultimate underlying collateral s original net exposure value.

(2) Includes highly-rated collateralized loan obligations and commercial mortgage-backed securities super senior exposure.

(3) Insured exposures are presented prior to $2.1 billion of cumulative writedowns.

(4) Net of insurance excluding losses taken on liquidated CDOs.

(5) Cumulative write-downs on subprime and non-subprime exposures include unrealized losses of $111 million and $311 million (pre-tax) and are recorded in accumulated OCI.

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At December 31, 2008, we held $2.5 billion of purchased insurance on our subprime super senior CDO exposure of which 71 percent was provided by monolines in the form of CDS, total-return-swaps (TRS) or financial guarantees. In the case of default, we look to the underlying securities and then to recovery on purchased insurance. At December 31, 2008, these contracts were valued at $1.9 billion by referencing the fair value of the CDO which is valued in the same manner as the unhedged portion. We have adjusted these values downward by a total of $1.1 billion to date to reflect the counterparty credit risk to the issuers of the insurance. In addition, we held collateral in the form of cash and marketable securities of $401 million related to our purchased insurance. The underlying insured CDOs are collateralized with approximately 38 percent of subprime assets of which approximately 53 percent are of higher quality vintages from 2005 and prior.

In addition, at December 31, 2008 we held $1.1 billion of purchased insurance on our non-subprime super senior CDO exposure all of which was provided by monolines in the form of CDS, TRS or financial guarantees. At December 31, 2008, these contracts were valued at $146 million by referencing the fair value of the CDO which is valued in the same manner as the unhedged portion. We have adjusted these values downward by a total of $40 million to date to reflect counterparty credit risk to the issuers of the insurance. For more information on our credit exposure to monolines, see Industry Concentrations beginning on page 70.

At December 31, 2008, the carrying value of the super senior exposure in the form of cash positions, liquidity commitments, and derivative contracts consisted of net subprime super senior exposure of $981 million and net non-subprime super senior exposure of $2.3 billion. In addition, we had $2.0 billion of exposure in purchased securities from liquidated CDOs. For more information on our super senior liquidity exposure, see the CDO discussion beginning on page 45.

The table below presents the carrying values of our subprime net exposures including subprime collateral content and percentages of recent vintages.

At December 31, 2008, the Corporation did not have any subprime super senior liquidity commitments. Net other subprime super senior

exposure was $981 million at December 31, 2008. Other subprime super senior exposure consists primarily of cash securities and CDS on CDO positions. The collateral supporting the high grade exposure consisted of about 45 percent subprime content, of which approximately 12 percent was made up of 2006 and 2007 vintages while the remaining amount was comprised of higher quality vintages from 2005 and prior. The collateral supporting the mezzanine exposure consisted of approximately 35 percent subprime content, of which approximately 66 percent is comprised of later vintages. We recorded losses associated with these exposures of $3.0 billion in 2008.

In addition, at December 31, 2008, we had $2.0 billion of exposure in purchased securities from liquidated CDOs. These purchased securities were carried at approximately 34 percent of their original net exposure amount and approximately 27 percent of the underlying assets are subprime.

We also had net non-subprime super senior exposure of $2.3 billion which primarily included CMBS super senior exposures and highly rated CLO exposures. The net non-subprime super senior exposure is comprised of $476 million of high grade super senior liquidity commitment exposure and $1.8 billion of high grade other super senior exposure. We recorded losses of $592 million associated with these exposures in 2008. These losses were primarily driven by spread widening and impairments of principal from the CMBS exposure in these super senior CDOs. These non-subprime super senior exposures experienced additional impairments of principal as credit conditions deteriorated in the corporate debt and commercial mortgage markets during the second half of 2008.

In addition to the super senior exposure including purchased securities at December 31, 2008, we also had exposure with a market value of $563 million in our CDO sales and trading portfolio, of which approximately $233 million was classified as subprime. This subprime exposure is carried at approximately 22 percent of par value and includes $137 million of secondary trading positions and $96 million of positions in legacy warehouses.

Subprime Super Senior Collateralized Debt Obligation Carrying Values [(1)]

December 31, 2008

(Dollars in millions)	Subprime Net Exposure	Carrying Value as a Percent of Original Net Exposure	Subprime Content of Collateral [2]	Vintage of Subprime Collateral: Percent in 2006/2007 Vintages	Percent in 2005/Prior Vintages
Other super senior exposure					
High grade	$ 684	38%	45%	12%	88%
Mezzanine	297	56	35	66	34
Total other super senior	**$ 981**	42			
Purchased securities from liquidated CDOs	**2,030**	34	27	26	74
Total	**$ 3,011**	36			

[1] Classified as subprime when subprime consumer real estate loans make up at least 35 percent of the ultimate underlying collateral s original net exposure value.

[2] Based on current net exposure value.

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Treasury Services

Treasury Services provides integrated working capital management and treasury solutions to clients worldwide through our network of proprietary offices and special clearing arrangements. Our clients include multinationals, middle-market companies, correspondent banks, commercial real estate firms and governments. Our products and services include treasury management, trade finance, foreign exchange, short-term credit facilities and short-term investing options. Net interest income is derived from interest-bearing and noninterest-bearing deposits, sweep investments, and other liability management products. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending activity and our ALM activities. The revenue is attributed to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Noninterest income is generated from payment and receipt products, merchant services, wholesale card products, and trade services and is comprised largely of service charges which are net of market-based earnings credit rates applied against noninterest-bearing deposits.

Net income increased $596 million, or 28 percent, in 2008 compared to 2007 as an increase in noninterest income combined with a decrease in noninterest expense was partially offset by lower net interest income. Net interest income decreased $182 million, or five percent, due to spread compression in spite of strong average deposit growth of $28.1 billion, or 18 percent, due to organic growth as well as the LaSalle acquisition. Deposit growth was accentuated by our clients flight-to-safety,

notably seen in activity of our large corporate and hedge fund clients, and contributed to overall total deposits growth during the latter part of 2008. Noninterest income grew $862 million, or 26 percent, driven by increased service charges of $432 million which was due to organic growth, changes in our pricing structure, and the LaSalle acquisition. In addition, noninterest income benefited from the $388 million gain related to *Treasury Services* allocation of the Visa IPO gain. Noninterest expense decreased $254 million, or seven percent, due to the impact of certain benefits associated with the Visa IPO transactions partially offset by the acquisition of LaSalle.

ALM/Other

ALM/Other includes an allocation of a portion of the Corporation s net interest income from ALM activities as well as residual amounts related to discontinued business activities.

Net income increased $721 million to $480 million in 2008 compared to 2007 mainly due to an increase in net interest income of $883 million, resulting from a higher contribution from the Corporation s ALM activities, which was due in part to investing the Corporation s deposits at profitable spreads. In addition, we sold our equity prime brokerage business to BNP Paribas which resulted in a gain of $224 million which was recorded in all other income. This increase was partially offset by the absence of a gain from the sale of our commercial insurance business that was sold in the fourth quarter of 2007. Noninterest expense decreased mainly due to the absence of this commercial insurance business.

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Global Wealth and Investment Management

			2008		
(Dollars in millions)	**Total**	**U.S. Trust [1]**	**Columbia Management**	**Premier Banking and Investments**	**ALM/ Other**
Net interest income [2]	**$ 4,775**	**$ 1,237**	**$ 13**	**$ 2,141**	**$ 1,384**
Noninterest income:					
Investment and brokerage services	**4,059**	**1,397**	**1,496**	**1,002**	**164**
All other income (loss)	**(1,049)**	**16**	**(1,118)**	**58**	**(5)**
Total noninterest income	**3,010**	**1,413**	**378**	**1,060**	**159**
Total revenue, net of interest expense	**7,785**	**2,650**	**391**	**3,201**	**1,543**
Provision for credit losses	**664**	**103**		**561**	
Noninterest expense	**4,904**	**1,817**	**1,120**	**1,713**	**254**
Income (loss) before income taxes	**2,217**	**730**	**(729)**	**927**	**1,289**
Income tax expense (benefit) [2]	**801**	**270**	**(270)**	**343**	**458**
Net income (loss)	**$ 1,416**	**$ 460**	**$ (459)**	**$ 584**	**$ 831**
Net interest yield [2]	**2.97%**	**2.40%**	**n/m**	**1.75%**	**n/m**
Return on average equity [3]	**12.11**	**9.87**	**(63.35)%**	**30.41**	**n/m**
Efficiency ratio [2]	**62.99**	**68.54**	**n/m**	**53.51**	**n/m**
Period end total assets [4]	**$ 187,994**	**$ 57,166**	**$ 2,923**	**$ 136,079**	**n/m**

			2007		
(Dollars in millions)	Total	U.S. Trust [1]	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income [2]	$ 3,917	$ 1,033	$ 7	$ 2,654	$ 223
Noninterest income:					
Investment and brokerage services	3,781	1,230	1,435	950	166
All other income (loss)	(145)	57	(366)	145	19
Total noninterest income	3,636	1,287	1,069	1,095	185
Total revenue, net of interest expense	7,553	2,320	1,076	3,749	408
Provision for credit losses	14	(14)		27	1
Noninterest expense	4,480	1,589	1,042	1,711	138
Income before income taxes	3,059	745	34	2,011	269
Income tax expense [2]	1,099	275	13	744	67
Net income	$ 1,960	$ 470	$ 21	$ 1,267	$ 202
Net interest yield [2]	3.11%	2.68%	n/m	2.70%	n/m
Return on average equity [3]	19.83	17.36	3.91%	72.16	n/m
Efficiency ratio [2]	59.31	68.49	96.85	45.64	n/m
Period end total assets [4]	$ 155,683	$ 51,043	$ 1,943	$ 113,365	n/m

[1] In July 2007, the operations of the acquired U.S. Trust Corporation were combined with the former *Private Bank* creating *U.S. Trust, Bank of America Private Wealth Management*. The results of the combined business were reported for periods beginning on July 1, 2007. Prior to July 1, 2007, the results solely reflect that of the former *Private Bank*.
[2] FTE basis
[3] Average allocated equity for *GWIM* was $11.7 billion and $9.9 billion in 2008 and 2007.
[4] Total assets include asset allocations to match liabilities (i.e., deposits).
n/m = not meaningful

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	December 31		Average Balance	
(Dollars in millions)	**2008**	2007	**2008**	2007
Total loans and leases	**$ 89,400**	$ 84,600	**$ 87,591**	$ 73,473
Total earning assets [1]	**178,240**	145,056	**160,699**	126,014
Total assets [1]	**187,994**	155,683	**169,986**	134,032
Total deposits	**175,107**	144,865	**159,525**	124,871

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

GWIM provides a wide offering of customized banking, investment and brokerage services tailored to meet the changing wealth management needs of our individual and institutional customer base. Our clients have access to a range of services offered through three primary businesses: *U.S. Trust, Bank of America Private Wealth Management (U.S. Trust)*; *Columbia Management (Columbia)*; and *PB&I*. In addition, *ALM/Other* primarily includes the results of ALM activities.

On January 1, 2009, we acquired Merrill Lynch in exchange for common and preferred stock with a value of $29.1 billion. The acquisition added Merrill Lynch s approximately 16,000 financial advisors and its economic ownership of approximately 50 percent (primarily preferred stock) in BlackRock, Inc., a publicly traded investment management company. For more information related to the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

In December 2007, we completed the sale of Marsico. Prior year Marsico business results have been transferred from *GWIM* to *All Other* to better facilitate year-over-year comparisons.

Net income decreased $544 million, or 28 percent, to $1.4 billion in 2008 as increases in net interest income and investment and brokerage services income were more than offset by losses associated with the support provided to certain cash funds managed within *Columbia*, increases in provision for credit losses and noninterest expense as well as losses related to the buyback of ARS.

Net interest income increased $858 million, or 22 percent, to $4.8 billion due to higher margin on ALM activities, the acquisitions of U.S. Trust Corporation and LaSalle, and growth in average deposit and loan balances partially offset by spread compression driven by deposit mix and competitive deposit pricing. *GWIM* average deposit growth benefited from the migration of customer relationships and related balances from *GCSBB*, organic growth and the U.S. Trust Corporation and LaSalle acquisitions. A more detailed discussion regarding migrated customer relationships and related balances is provided in the *PB&I* discussion on page 41.

Noninterest income decreased $626 million, or 17 percent, to $3.0 billion driven by an additional $1.1 billion in losses during 2008 related to the support provided to certain cash funds managed within *Columbia* and losses of $181 million related to the buyback of ARS. These losses were partially offset by an increase of $278 million in investment and brokerage services resulting from the U.S. Trust Corporation acquisition partially offset by the impact of significantly lower valuations in the equity markets.

Provision for credit losses increased $650 million to $664 million as a result of higher credit costs primarily in *PB&I* due to the deterioration in the housing markets and the impacts of a slower economy.

Noninterest expense increased $424 million, or nine percent, to $4.9 billion due to the addition of U.S. Trust Corporation and LaSalle, and higher initiative spending partially offset by lower discretionary incentive compensation.

Client Assets

The following table presents client assets which consist of AUM, client brokerage assets and assets in custody.

Client Assets

	December 31	
(Dollars in millions)	**2008**	2007
Assets under management	**$ 523,159**	$ 643,531
Client brokerage assets	**172,106**	222,661
Assets in custody	**133,726**	167,575
Less: Client brokerage assets and assets in custody included in assets under management	**(78,487)**	(87,071)
Total net client assets	**$ 750,504**	$ 946,696

AUM decreased $120.4 billion, or 19 percent, to $523.2 billion as of December 31, 2008 compared to 2007. Client brokerage assets decreased by $50.6 billion, or 23 percent, and assets in custody decreased $33.8 billion, or 20 percent. These decreases were driven by significant market declines.

U.S. Trust, Bank of America Private Wealth Management

In July 2007, the acquisition of U.S. Trust Corporation was completed for $3.3 billion in cash combining it with the *Private Bank* to form *U.S. Trust*. The results of the combined business were reported for periods beginning on July 1, 2007. Prior to July 1, 2007, the results solely reflect that of the former *Private Bank*. *U.S. Trust* provides comprehensive wealth management solutions to wealthy and ultra-wealthy clients with investable assets of more than $3 million. In addition, *U.S. Trust* provides resources and customized solutions to meet clients wealth structuring, investment management, trust and banking needs as well as specialty asset management services (oil and gas, real estate, farm and ranch, timberland, private businesses and tax advisory). Clients also benefit from access to resources available through the Corporation including capital markets products, large and complex financing solutions, and its extensive banking platform.

Net income decreased $10 million, or two percent, to $460 million compared to 2007, as higher net interest income and noninterest income were more than offset by higher noninterest expenses and provision for credit losses. Net interest income increased $204 million, or 20 percent, due to the U.S. Trust Corporation and LaSalle acquisitions as well as organic growth in average deposits and average loans and leases. This growth was partially offset by spread compression, driven by deposit mix and competitive deposit pricing. Noninterest income increased $126 million, or 10 percent, driven by higher investment and brokerage services income due to the acquisitions which was partially offset by the impact of significantly lower valuations in the equity markets. In addition, noninterest income was impacted by $50 million in losses related to the buyback of ARS previously discussed. Provision for credit losses increased $117 million to $103 million compared to the same period in

2007 primarily due to higher credit costs in our home equity and residential mortgage portfolios reflective of deterioration in the housing markets and the impacts of a slowing economy. The absence of a prior year reserve reduction of $54 million also contributed to the increase in provision. Noninterest expense increased $228 million, or 14 percent due primarily to the acquisitions of U.S. Trust Corporation and LaSalle.

Columbia Management

Columbia is an asset management business serving the needs of both institutional clients and individual customers. *Columbia* provides asset management products and services, including mutual funds and separate accounts. *Columbia* mutual fund offerings provide a broad array of investment strategies and products including equity, fixed income (taxable and nontaxable) and money market (taxable and nontaxable) funds. *Columbia* distributes its products and services to institutional clients and individuals directly through *U.S. Trust, PB&I, GCIB* and nonproprietary channels including other brokerage firms.

In December 2007, we completed the sale of Marsico. Prior year Marsico business results have been transferred from *Columbia* to *All Other* to better facilitate year-over-year comparisons.

Net income decreased $480 million to a loss of $459 million due to $1.1 billion in losses related to support provided to certain cash funds as discussed below, compared to losses of $382 million in 2007. These items were partially offset by an increase of $61 million in investment and brokerage services income. The increase in investment and brokerage services income was driven by the U.S. Trust Corporation acquisition partially offset by the impact of significantly lower valuations in the equity markets. In addition, noninterest expense increased $78 million driven by the U.S. Trust Corporation acquisition.

Cash Funds Support

Beginning in the second half of 2007, we provided support to certain cash funds managed within *Columbia*. The funds for which we provided support typically invested in high quality, short-term securities with a portfolio weighted average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and the senior debt securities were downgraded by the rating agencies and experienced a decline in fair value. We entered into capital commitments under which the Corporation provided cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. The capital commitments expire no later than the third quarter of 2010. At December 31, 2008 and 2007 we had gross (i.e., funded and unfunded) capital commitments to the funds of $1.0 billion and $565 million. During 2008 and 2007, we incurred losses of $695 million and $382 million related to these capital commitments. At December 31, 2008 and 2007, the remaining loss exposure on capital commitments was $300 million and $183 million.

Additionally, during 2008 we purchased $1.7 billion of investments and recorded losses of $366 million related to these securities and $52 million of other-than-temporary impairment losses recorded subsequent to purchase. During 2007, we purchased $585 million of certain investments from the funds and subsequently recorded other-than-temporary impairment losses in *All Other* of $394 million. At December 31, 2008 and 2007, we held AFS debt securities with a fair value of $698 million and $163 million of which $279 million and $163 million were classified as nonperforming AFS securities. At December 31, 2008, $272 million of unrealized losses on these investments were recorded in accumulated OCI. The decline in value of these securities was driven by the lack of market liquidity and the overall deterioration of the financial markets. These unrealized losses are recorded in accumulated OCI as we expect to

recover the full principal amount of such investments. No such losses were recorded in accumulated OCI at December 31, 2007. For additional information on the valuation of our AFS securities, see *Note 5 Securities* to the Consolidated Financial Statements.

We may from time to time, but are under no obligation to, provide additional support to funds managed within *Columbia*. Future support, if any, may take the form of additional capital commitments to the funds or the purchase of assets from the funds.

We do not consolidate the cash funds managed within *Columbia* because the subordinated support provided by the Corporation will not absorb a majority of the variability created by the assets of the funds. In reaching this conclusion, we considered both interest rate and credit risk. The cash funds had total AUM of $185.9 billion and $189.5 billion at December 31, 2008 and 2007.

During 2008, federal government agencies initiated several actions in response to the current financial crisis and economic slowdown to provide liquidity in these markets. As of December 31, 2008 several money market funds managed within *Columbia* participate in certain programs, including the U.S. Treasury s Temporary Guarantee Program for Money Market Funds and the AMLF. For more information on these programs, see Regulatory Initiatives on page 14.

Premier Banking and Investments

PB&I includes *Banc of America Investments*, our full-service retail brokerage business and our *Premier Banking* channel. *PB&I* brings personalized banking and investment expertise through priority service with client-dedicated teams. *PB&I* provides a high-touch client experience through a network of approximately 5,500 client facing associates to our affluent customers with a personal wealth profile of at least $100,000 of investable assets.

PB&I includes the impact of migrating qualifying affluent customers, including their related deposit balances, from *GCSBB* to our *PB&I* model. After migration, the associated net interest income, service charges and noninterest expense is recorded in *PB&I*. The change reported in the financial results of *PB&I* includes both the impact of migration, as well as the impact of incremental organic growth from providing a broader array of financial products and services to *PB&I* customers. For 2008 and 2007, a total of $20.5 billion and $11.4 billion of deposits were migrated from *GCSBB* to *PB&I*. The increase was driven by the initial migration of legacy LaSalle accounts and the migration of qualified clients into *PB&I* as part of our growth initiatives for our mass affluent and retirement customers.

Net income decreased $683 million, or 54 percent, to $584 million compared to the same period in 2007 driven by an increase in provision for credit losses, lower net interest income and $131 million in losses related to the buyback of ARS. Net interest income declined $513 million, or 19 percent, as spread compression, driven by deposit mix and competitive deposit pricing, more than offset higher average deposit balances. Provision for credit losses increased $534 million primarily driven by higher credit costs in the home equity portfolio reflective of deterioration in the housing markets and the impacts of a slowing economy.

ALM/Other

ALM/Other primarily includes the results of ALM activities.

Net income increased $629 million to $831 million compared to 2007. These increases were driven by higher net interest income of $1.2 billion primarily due to the increased contribution from ALM activities, which was due in part to investing the Corporation s deposits at profitable spreads. In addition, noninterest expense increased $116 million, or 84 percent, to $254 million compared to 2007 primarily driven by higher expenses related to growth initiatives for our mass affluent and retirement customers.

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All Other

(Dollars in millions)	2008 Reported Basis (1)	2008 Securitization Offset (2)	2008 As Adjusted	2007 Reported Basis (1)	2007 Securitization Offset (2)	2007 As Adjusted
Net interest income (3)	**$ (8,610)**	**$ 8,701**	**$ 91**	$ (7,645)	$ 8,027	$ 382
Noninterest income:						
Card income	**2,164**	**(2,250)**	**(86)**	2,817	(3,356)	(539)
Equity investment income	**265**		**265**	3,745		3,745
Gains on sales of debt securities	**1,133**		**1,133**	180		180
All other income (loss)	**(545)**	**219**	**(326)**	426	288	714
Total noninterest income	**3,017**	**(2,031)**	**986**	7,168	(3,068)	4,100
Total revenue, net of interest expense	**(5,593)**	**6,670**	**1,077**	(477)	4,959	4,482
Provision for credit losses	**(3,760)**	**6,670**	**2,910**	(5,207)	4,959	(248)
Merger and restructuring charges (4)	**935**		**935**	410		410
All other noninterest expense	**372**		**372**	87		87
Income (loss) before income taxes	**(3,140)**		**(3,140)**	4,233		4,233
Income tax expense (benefit) (3)	**(1,512)**		**(1,512)**	1,083		1,083
Net income (loss)	**$ (1,628)**	**$**	**$ (1,628)**	$ 3,150	$	$ 3,150

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

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

(3) FTE basis

(4) For more information on merger and restructuring charges, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

GCSBB is reported on a managed basis which includes a securitization impact adjustment which has the effect of assuming that loans that have been securitized were not sold and presenting these loans in a manner similar to the way loans that have not been sold are presented. *All Other s* results include a corresponding securitization offset which removes the impact of these securitized loans in order to present the consolidated results on a GAAP basis (i.e., held basis). See the *GCSBB* section beginning on page 27 for information on the *GCSBB* managed results. The following *All Other* discussion focuses on the results on an as adjusted basis excluding the securitization offset. For additional information, see *Note 22 Business Segment Information* to the Consolidated Financial Statements.

In addition to the securitization offset discussed above, *All Other* includes our *Equity Investments* businesses and *Other*.

Equity Investments includes Principal Investing, Corporate Investments and Strategic Investments. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. These investments are made either directly in a company or held through a fund and are accounted for at fair value. In addition, Principal Investing has unfunded equity commitments related to some of these investments. For more information on these commitments, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements.

Corporate Investments primarily includes investments in publicly-traded debt and equity securities and funds which are accounted for as AFS marketable equity securities. Strategic Investments includes investments of $19.7 billion in CCB, $2.5 billion in Banco Itaú, $2.1 billion in Grupo Financiero Santander, S.A. (Santander) and other investments. In 2008, under the terms of our purchase option we increased our ownership in CCB by purchasing 25.6 billion common shares for approximately $9.2 billion. These recently purchased shares are accounted for at cost in other assets and are non-transferable until August 2011. In addition, in January 2009, we sold 5.6 billion common shares of our initial investment in CCB for $2.8 billion, reducing our ownership to 16.7 percent and resulting in a pre-tax gain of approximately $1.9 billion. The remaining initial investment of 13.5 billion common shares is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. These shares became transferable in October 2008. The restricted shares of Banco Itaú are carried at fair value with an offset, net-of-tax, to accumulated OCI and are accounted for as AFS marketable equity securities. Prior to the second quarter of 2008, these shares were accounted for at cost. Our investment in Santander is accounted for under the equity method of accounting. Income associated with *Equity Investments* is recorded in equity investment income.

Other includes the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, intersegment eliminations, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *Other* also includes certain amounts associated with ALM activities, including the residual impact of funds transfer pricing allocation methodologies, amounts associated with the change in the value of derivatives used as economic hedges of interest rate and foreign exchange rate fluctuations that do not qualify for SFAS 133 hedge accounting treatment, foreign exchange rate fluctuations related to SFAS 52 revaluation of foreign denominated debt issuances, certain gains (losses) on sales of whole mortgage loans, and gains (losses) on sales of debt securities. *Other* also includes adjustments to noninterest income and income tax expense to remove the FTE impact of items (primarily low-income housing tax credits) that have been grossed up within noninterest income to a FTE amount in the business segments.

Net income decreased $4.8 billion to a net loss of $1.6 billion due to a decrease in total revenue combined with increases in provision for credit losses and merger and restructuring charges.

Net interest income decreased $291 million resulting largely from the reclassification to card income related to our funds transfer pricing for *Card Services* securitizations. This reclassification is performed to present our consolidated results on a held basis.

Noninterest income declined $3.1 billion to $986 million driven by decreases in equity investment income of $3.5 billion and all other income (loss) of $1.0 billion partially offset by increases in gains on sales of debt securities of $953 million and card income of $453 million.

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The following table presents the components of *All Other s* equity investment income and a reconciliation to the total consolidated equity investment income for 2008 and 2007.

Components of Equity Investment Income

(Dollars in millions)	2008	2007
Principal Investing	**$ (84)**	$ 2,217
Corporate Investments	**(520)**	445
Strategic and other investments	**869**	1,083
Total equity investment income included in All Other	**265**	3,745
Total equity investment income included in the business segments	**274**	319
Total consolidated equity investment income	**$ 539**	$ 4,064

Equity investment income decreased $3.5 billion primarily due to losses from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace. In addition, we incurred other-than-temporary impairment losses on AFS marketable equity securities of $661 million which included writedowns on Fannie Mae and Freddie Mac preferred securities and a number of other equity securities where we did not believe that the declines in value would be recoverable.

All other income (loss) decreased due to the absence of the $1.5 billion gain on the sale of our Marsico business during 2007 partially offset by losses in 2007 of $394 million on securities after they were purchased at fair value from certain cash funds managed within *GWIM*. In 2008, losses on securities purchased from cash funds were recorded within *GWIM*. In addition, *All Other s* results were adversely impacted by the absence of earnings due to the sale of certain businesses and foreign operations in 2007. These decreases were partially offset by increases in card income driven by the funds transfer pricing allocations discussed in net interest income. Further, losses were partially offset by increases in gains on sales of mortgage-backed securities and collateralized mortgage obligations.

Provision for credit losses increased $3.2 billion to $2.9 billion primarily due to higher credit costs related to our ALM residential mortgage portfolio reflective of deterioration in the housing markets and the impacts of a slowing economy. Additionally, deterioration in our Countrywide discontinued real estate portfolio subsequent to the July 1, 2008 acquisition

as well as the absence of 2007 reserve reductions also contributed to the increase in provision.

Merger and restructuring charges increased $525 million to $935 million due to the integration costs associated with the Countrywide and LaSalle acquisitions. For additional information on merger and restructuring charges, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

Off- and On-Balance Sheet Arrangements

In the ordinary course of business, we support our customers financing needs by facilitating their access to the commercial paper market. In addition, we utilize certain financing arrangements to meet our balance sheet management, funding and liquidity needs. For additional information on our liquidity risk, see Liquidity Risk and Capital Management beginning on page 49. These activities utilize SPEs, typically in the form of corporations, limited liability companies, or trusts, which raise funds by issuing short-term commercial paper or similar instruments to third party investors. These SPEs typically hold various types of financial assets whose cash flows are the primary source of repayment for the liabilities of the SPEs. Investors have recourse to the assets in the SPE and often benefit from other credit enhancements, such as overcollateralization in the form of excess assets in the SPE, liquidity facilities, and other arrangements. As a result, the SPEs can typically obtain a favorable credit rating from the rating agencies, resulting in lower financing costs for our customers.

We have liquidity agreements, SBLCs or other arrangements with the SPEs, as described below, under which we are obligated to provide funding in the event of a market disruption or other specified event or otherwise provide credit support to the entities (hereinafter referred to as liquidity exposure). We manage our credit risk and any market risk on these arrangements by subjecting them to our normal underwriting and risk management processes. Our credit ratings and changes thereto will affect the borrowing cost and liquidity of these SPEs. In addition, significant changes in counterparty asset valuation and credit standing may also affect the ability of the SPEs to issue commercial paper. The contractual or notional amount of these commitments as presented in Table 8, represents our maximum possible funding obligation and is not, in management s view, representative of expected losses or funding requirements.

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Table 8 Special Purpose Entities Liquidity Exposure

		December 31, 2008		
		VIEs	QSPEs	
(Dollars in millions)	Consolidated [1]	Unconsolidated	Unconsolidated	Total
Commercial paper conduits				
Multi-seller conduits	**$ 11,304**	**$ 41,635**	**$**	**$ 52,939**
Asset acquisition conduits	**1,121**	**2,622**		**3,743**
Other corporate conduits			**1,578**	**1,578**
Home equity securitizations [2]			**13,064**	**13,064**
Municipal bond trusts	**396**	**3,872**	**2,921**	**7,189**
Customer-sponsored conduits		**980**		**980**
Credit card securitizations			**946**	**946**
Collateralized debt obligation vehicles [3]		**542**		**542**
Total liquidity exposure	**$ 12,821**	**$ 49,651**	**$ 18,509**	**$ 80,981**

		December 31, 2007		
		VIEs	QSPEs	
(Dollars in millions)	Consolidated [1]	Unconsolidated	Unconsolidated	Total
Commercial paper conduits				
Multi-seller conduits	$ 16,984	$ 47,335	$	$ 64,319
Asset acquisition conduits	1,623	6,399		8,022
Other corporate conduits			4,263	4,263
Municipal bond trusts	7,359	3,120	2,988	13,467
Customer-sponsored conduits		1,724		1,724
Collateralized debt obligation vehicles [3]	3,240	9,026		12,266
Total liquidity exposure	$ 29,206	$ 67,604	$ 7,251	$ 104,061

(1) We consolidate VIEs when we are the primary beneficiary and absorb the majority of the expected losses or expected residual returns of the VIEs or both.

(2) Home equity securitizations were added in connection with the Countrywide acquisition.

(3) For additional information on our CDO exposures at December 31, 2008 and 2007 and related writedowns, see the CDO discussion beginning on page 35.

The table above presents our liquidity exposure to these consolidated and unconsolidated SPEs, which include VIEs and QSPEs. VIEs are SPEs which lack sufficient equity at risk or whose equity investors do not have a controlling financial interest. QSPEs are SPEs whose activities are strictly limited to holding and servicing financial assets. Liquidity commitments to Corporation-sponsored VIEs and other VIEs in which the Corporation holds a variable interest are disclosed in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

At December 31, 2008 the Corporation s total liquidity exposure to SPEs was $81.0 billion, a decrease of $23.1 billion from December 31, 2007. The decrease was attributable to lower liquidity exposure in all categories, primarily CDOs and multi-seller conduits, partially offset by the addition of Countrywide s home equity securitizations.

Multi-Seller Conduits

We administer four multi-seller conduits, three of which are unconsolidated, which provide a low-cost funding alternative to our customers by facilitating their access to the commercial paper market. These conduits are discussed in more detail in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Due to the market disruptions, the conduits experienced difficulties in issuing commercial paper during certain periods of 2008. At December 31, 2008, we held $2 million of commercial paper issued by the conduits, including $1 million issued by the unconsolidated conduits in trading account assets. We did not hold any commercial paper issued by the conduits at December 31, 2007.

Asset Acquisition Conduits

We administer three commercial paper conduits which acquire assets on behalf of the Corporation or our customers and obtain funding through the issuance of commercial paper and subordinated securities to third par-

ties. Repayment of the commercial paper and certificates is assured by total return swap contracts between us and the conduits. With respect to two of the conduits, which are unconsolidated, we are reimbursed through total return swap contracts with our customers. These conduits are discussed in more detail in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Due to the market disruptions, the conduits experienced difficulties in issuing commercial paper during certain periods of 2008. The Corporation held $1 million and $27 million of commercial paper and certificates issued by the conduits in trading account assets at December 31, 2008 and 2007.

Other Corporate Conduits

We administer several other corporate conduits that hold primarily high-grade, long-term municipal, corporate, and mortgage-backed securities. These conduits obtain funding by issuing commercial paper to third party investors. We have entered into derivative contracts which provide interest rate, currency and a pre-specified amount of credit protection to the entities in exchange for the commercial paper rate. These conduits are discussed in more detail in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Due to the market disruptions, these conduits experienced difficulties in issuing commercial paper during certain periods of 2008 and at December 31, 2008, we held $145 million of the commercial paper in trading account assets. We did not hold any commercial paper issued by the conduits at December 31, 2007.

Home Equity Securitizations

We evaluate all of our home equity securitizations for their potential to experience a rapid amortization event by estimating the amount and timing of future losses on the underlying loans and the excess spread available to cover such losses and by evaluating any estimated shortfalls in relation to contractually defined triggers. As of December 31, 2008, $13.1 billion of outstanding principal balances of our home equity securitization transactions were in rapid amortization. Another $2.8 billion of outstanding principal balances in our home equity securitization transactions are expected to enter rapid amortization.

The Corporation is responsible for funding additional borrower draws on home equity lines of credit underlying our securitization transactions. When transactions enter rapid amortization, principal collections on underlying loans are used to pay investor interests. This has the effect of extending the time period for which the Corporation s advances are outstanding and we may not receive reimbursement for all of the funds advanced to borrowers, as senior bondholders and monoline insurers have priority for repayment. While the available credit line for home equity securitization transactions in or expected to be in rapid amortization was approximately $1.0 billion at December 31, 2008, a maximum funding obligation attributable to rapid amortization cannot be calculated as the borrower has the ability to pay down and redraw balances. The amount in Table 8 equals the principal balance of the outstanding trust certificates that are subject to rapid amortization or $13.1 billion at December 31, 2008. This amount is significantly higher than the amount we expect to fund. The charges we will ultimately record as a result of the rapid amortization events are dependent on the performance of the loans, the amount of subsequent draws, and the timing of related cash flows. At December 31, 2008, the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was $345 million. For additional information on home equity securitizations, see *Note 8 Securitizations* to the Consolidated Financial Statements.

Municipal Bond Trusts

We administer municipal bond trusts that hold highly rated, long-term, fixed-rate municipal bonds. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly basis to third party investors. We serve as remarketing agent and liquidity provider for the trusts. These trusts are discussed in more detail in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

At December 31, 2008 and 2007, we held $688 million and $125 million of floating rate certificates issued by unconsolidated municipal bond trusts in trading account assets. This increase is attributable to illiquidity in the marketplace that occurred during the second half of 2008.

Customer-Sponsored Conduits

We provide liquidity facilities to conduits that are sponsored by our customers and which provide them with direct access to the commercial paper market. We are typically one of several liquidity providers for a customer s conduit. We do not provide SBLCs or other forms of credit enhancement to these conduits. Assets of these conduits consist primarily of auto loans, student loans and credit card receivables. The liquidity commitments benefit from structural protections which vary depending upon the program, but given these protections, the exposures are viewed to be of investment grade quality.

These commitments are included in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements. As we typically provide less than 20 percent of the total liquidity commitments to these conduits and do not provide other forms of support, we have concluded that we do not hold a significant variable interest in the conduits and they are not included in our discussion of VIEs in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

Credit Card Securitizations

During the second half of 2008, we entered into a liquidity support agreement related to our commercial paper program that obtains financing by issuing tranches of commercial paper backed by credit card receivables to third party investors from a trust sponsored by the Corporation. If certain criteria are met, such as not being able to reissue the commercial paper due to market illiquidity, the commercial paper maturity dates can be extended to 390 days from the original issuance date. This extension would cause the outstanding commercial paper to convert to an interest bearing note and subsequent credit card receivable collections would be applied to the outstanding note balance. If any of the investor notes are still outstanding at the end of the extended maturity period, our liquidity commitment obligates us to purchase maturity notes in order to retire the investor notes. As a maturity note holder, we would be entitled to the remaining cash flows from the collateralizing credit card receivables. At December 31, 2008 there were no maturity notes outstanding and we held $5.0 billion of investment grade securities in AFS debt securities issued by the trust due to illiquidity in the marketplace. For more information on how our credit card securitizations impact our liquidity, see the Liquidity Risk and Capital Management discussion on page 49.

Collateralized Debt Obligation Vehicles

CDO vehicles hold diversified pools of fixed income securities which they fund by issuing multiple tranches of debt securities, including commercial paper, and equity securities. We provided liquidity support in the form of written put options to several CDOs totaling $542 million and $10.0 billion at December 31, 2008 and 2007. In addition, we provided other liquidity support to a CDO conduit of $2.3 billion at December 31, 2007. These

CDOs are discussed in more detail in *Note 9 Variable Interest Entities* to the Consolidated Financial Statements.

The decrease in liquidity support was primarily due to the termination of $7.0 billion of put options for three CDOs and the termination of a $2.3 billion liquidity commitment to the CDO conduit, all of which were liquidated during 2008. Additionally, our liquidity support was reduced by $2.2 billion as put options related to two CDOs were consolidated on our balance sheet following a change in contractual arrangements and for which we now hold all of the remaining outstanding commercial paper. At December 31, 2008, we have effectively eliminated our liquidity support for these CDOs.

At December 31, 2008, we held commercial paper of $323 million on the balance sheet that was issued by one unconsolidated CDO. At December 31, 2007, we held commercial paper of $6.6 billion that was issued by unconsolidated CDOs and the CDO conduit.

For more information on our super senior CDO exposure and related writedowns, see our CDO exposure discussion beginning on page 35. As noted in the Super Senior Collateralized Debt Obligation Exposure, on page 36, we had net liquidity exposure of $476 million at December 31, 2008, which is net of cumulative writedowns of $66 million. At December 31, 2007, we had net liquidity exposure of $7.8 billion. This amount reflects gross exposure of $12.3 billion less insurance of $1.8 billion and cumulative writedowns of $2.7 billion.

Obligations and Commitments

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations in Table 9 are vendor contracts of $6.2 billion, commitments to purchase securities of $7.9 billion and commitments to purchase loans of $14.3 billion. The most significant of our vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Nonqualified Pension Plans and Postretirement Health and Life Plans (the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans assets and any participant contributions, if applicable. During 2008 and 2007, we contributed $1.6 billion and $243 million to the Plans, and we expect to make at least $229 million of contributions during 2009. The following table does not include UTBs of $3.5 billion associated with FIN 48 and tax-related interest and penalties of $677 million.

Debt, lease, equity and other obligations are more fully discussed in *Note 12 Short-term Borrowings and Long-term Debt* and *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements. The Plans and UTBs are more fully discussed in *Note 16 Employee Benefit Plans* and *Note 18 Income Taxes* to the Consolidated Financial Statements.

Table 9 presents total long-term debt and other obligations at December 31, 2008.

Many of our lending relationships contain funded and unfunded elements. The funded portion is reflected on our balance sheet. For lending relationships carried at historical cost, the unfunded component of these commitments is not recorded on our balance sheet until a draw is made under the credit facility; however, a reserve is established for probable losses. For lending commitments for which we have elected to account for under SFAS 159, the fair value of the commitment is recorded in accrued expenses and other liabilities.

For more information on these commitments and guarantees, including equity commitments, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements. For more information on the adoption of SFAS 159, see *Note 19 Fair Value Disclosures* to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see the table in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements.

Other Commitments

We provided support to cash funds managed within *GWIM* by purchasing certain assets at fair value and by committing to provide a limited amount of capital to the funds. For more information, see *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements.

Fair Values of Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in SFAS 157. The Level 3 financial assets and liabilities include private equity investments, consumer MSRs, ABS, highly structured, complex or long-dated derivative contracts and certain CDOs, for which there is not an active market for identical assets from which to determine fair value or where sufficient, current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available. In these cases, the fair values of these Level 3 financial assets and liabilities are determined using pricing models, discounted cash flow methodologies, a net asset value approach for certain structured securities, or similar techniques, for which the determination of fair value requires significant management judgment or estimation.

Valuations of products using models or other techniques are sensitive to assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of our valuation date. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. An illiquid market is one in which little or no observable activity has occurred or one that lacks willing buyers or willing sellers. Fair value adjustments include adjustments for counterparties credit risk as well as our own credit risk and liquidity as appropriate, to determine a fair value measurement. Judgment is then applied in formulating those inputs. Our valuation risk, however, is mitigated through valuation adjustments for particular inputs, performance of stress testing of those inputs to understand the impact that varying assumptions may have on the valuation and other review processes performed to ensure appropriate valuation.

For example, at December 31, 2008, classified within Level 3 are $2.4 billion of AFS debt securities, $887 million of trading account assets and $934 million of net derivative assets associated with our CDO exposure. Substantially all of these AFS debt securities were acquired as a result of our liquidity obligations to certain CDOs. For more information regarding our CDO exposure, the types of assets underlying these exposures (e.g., percentage of subprime assets and vintages) and related valuation techniques see our CDO exposure discussion on page 35.

Consumer MSRs are also included in Level 3 assets as valuing these MSRs requires significant management judgment and estimation. The Corporation uses an option-adjusted spread (OAS) valuation approach to determine the fair value of MSRs which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple inter-

Table 9 Long-term Debt and Other Obligations

	December 31, 2008				
(Dollars in millions)	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years	Total
Long-term debt and capital leases	$ 42,882	$ 76,433	$ 49,471	$ 99,506	$ 268,292
Purchase obligations [1]	19,326	7,743	1,198	144	28,411
Operating lease obligations	2,316	3,829	2,701	8,320	17,166
Other long-term liabilities	395	779	516	532	2,222
Total long-term debt and other obligations	**$ 64,919**	**$ 88,784**	**$ 53,886**	**$ 108,502**	**$ 316,091**

(1) Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations.

est rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted average lives of the MSRs and the OAS levels. For more information on Level 3 MSRs and their sensitivity to prepayment rates and OAS levels, see *Note 21 Mortgage Servicing Rights* to the Consolidated Financial Statements.

For additional information on our Level 1, 2 and 3 fair value measurements, including the valuation techniques utilized to determine their fair values, see *Note 1 Summary of Significant Accounting Principles* and *Note 19 Fair Value Disclosures* to the Consolidated Financial Statements and Complex Accounting Estimates on page 87.

Valuation-related issues confronted by credit market participants, including the Corporation, in the current market include uncertainty resulting from a significant decline in market activity for certain credit products; significant increase in dependence on model-related assumptions, and/or unobservable model inputs; doubts about the quality of the market information used as inputs, often because it is not clear whether observable transactions are distressed sales; and significant downgrades of structured products by ratings agencies. For example, valuations of certain CDO securities and related written put options declined significantly in response to market concerns. Additionally, liquidity issues in the ARS sector impacted the value of such securities. It is possible that the economic value of these securities could be different as the cash flows from the underlying assets may ultimately be higher or lower than the assumptions used in current valuation models. With the exception of the changes discussed below, there have been no significant changes to the valuation methodologies used to value Level 3 assets and liabilities during the period.

The table below presents a reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis during 2008, including realized and unrealized gains (losses) included in earnings and OCI. Level 3 assets, before the impact of counterparty netting related to our derivative positions, were $59.4 billion as of December 31, 2008 and represented approximately 10 percent of assets measured at fair value (or three percent of total assets). Level 3 liabilities, before the impact of counterparty netting related to our derivative positions, were $8.0 billion as of December 31, 2008 and represented approximately nine percent of the liabilities measured at fair value (or less than one percent of total liabilities). See Note 19 *Fair Value Disclosures* to the Consolidated Financial Statements for a table that presents the fair value of Level 1, 2 and 3 assets and liabilities at December 31, 2008.

Countrywide Acquisition

The Countrywide acquisition on July 1, 2008 added consumer MSRs of $17.2 billion, trading account assets of $1.4 billion, LHFS of $1.4 billion, accrued expenses and other liabilities of $1.2 billion related to certain secured financings and AFS debt securities of $528 million to our Level 3 assets and liabilities. Activity subsequent to July 1, 2008 has been included in the reconciling items in the table below.

Included in Earnings and Other Comprehensive Income

During 2008, we recognized losses of $12.1 billion on Level 3 assets and liabilities which were primarily related to losses on consumer MSRs, trading account assets and AFS debt securities partially offset by gains on net derivatives. The losses on consumer MSRs were due to declines in mortgage rates which resulted in a significant increase in expected prepayments causing large decreases in the value of our consumer MSRs. These consumer MSR losses were more than offset by economic hedge gains of which approximately $750 million were classified as Level 3. The losses in our trading account assets were due to widening credit spreads on our trading account positions and losses related to CDOs and ARS. The losses on AFS debt securities were primarily driven by other-than-temporary impairment on CDO-related exposures and losses on certain investments we purchased from our *GWIM* cash funds. The gains in net derivatives were driven by positive valuation adjustments on our IRLCs, MSR hedge gains, and gains recognized on hedges of our Level 3 trading account assets. We also recorded unrealized losses of $1.7 billion (pre-tax) through OCI during 2008, due to widening credit spreads on mortgage-backed securities collateralized by first liens on residential real estate, as well as temporary impairments recognized on commercial paper and term notes. These decreases were partially offset by the unrealized gains on privately placed mortgage-backed securities that were transferred into Level 3 during 2008.

Level 3 financial instruments, such as our consumer MSRs may be economically hedged with derivatives not classified as Level 3; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The net losses recorded in earnings and OCI did not have a significant impact on our liquidity or capital resources.

Table 10 Level 3 Fair Value Measurements

	Year Ended December 31, 2008							
(Dollars in millions)	Net Derivatives[1]	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases[2]	Mortgage Servicing Rights	Loans Held-for-Sale[2]	Other Assets[3]	Accrued Expenses and Other Liabilities[2]
Balance, January 1, 2008	**$ (1,203)**	**$ 4,027**	**$ 5,507**	**$ 4,590**	**$ 3,053**	**$ 1,334**	**$ 3,987**	**$ (660)**
Countrywide acquisition	(185)	1,407						