BANK OF AMERICA CORP /DE/
Form 10-K
February 25, 2011

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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, 2010

or

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

For the transition period from to
Commission file number:
1-6523

Exact name of registrant as specified in its charter:
Bank of America Corporation

State or other jurisdiction of incorporation or organization:
Delaware
IRS Employer Identification No.:
56-0906609
Address of principal executive offices:
Bank of America Corporate Center
100 North 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:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange
Depositary Shares, each Representing a 1/1,000th interest in a share of 6.204% Non-Cumulative Preferred Stock, Series D	New York Stock Exchange
Depositary Shares, each Representing a 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series E	New York Stock Exchange
Depositary Shares, each Representing a 1/1,000th Interest in a Share of 8.20% Non-Cumulative Preferred Stock, Series H	New York Stock Exchange
Depositary Shares, each Representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
Depositary Shares, each Representing a 1/1,000th interest in a share of 7.25% Non-Cumulative Preferred Stock, Series J	New York Stock Exchange
7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
Depositary Shares, each 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
6.75% Trust Preferred Securities of Countrywide Capital IV (and the guarantees related thereto)	New York Stock Exchange
7.00% Capital Securities of Countrywide Capital V (and the guarantees related thereto)	New York Stock Exchange
Capital Securities of BAC Capital Trust I (and the guarantee related thereto)	New York Stock Exchange

Capital Securities of BAC Capital Trust II (and the guarantee related thereto)	New York Stock Exchange
Capital Securities of BAC Capital Trust III (and the guarantee related thereto)	New York Stock Exchange
57/8% Capital Securities of BAC Capital Trust IV (and the guarantee related thereto)	New York Stock Exchange
6% Capital Securities of BAC Capital Trust V (and the guarantee related thereto)	New York Stock Exchange
6% Capital Securities of BAC Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
61/4% Capital Securities of BAC Capital Trust X (and the guarantee related thereto)	New York Stock Exchange
67/8% Capital Securities of BAC Capital Trust XII (and the guarantee related thereto)	New York Stock Exchange

Title of each class	Name of each exchange on which registered
Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIII (and the guarantee related thereto)	New York Stock Exchange
5.63% Fixed to Floating Rate Preferred Hybrid Income Term Securities of BAC Capital Trust XIV (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital A 8.278% Capital Securities, Series A (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital B Floating Rate Capital Securities, Series B (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital D 8.125% Trust Preferred Securities, Series D (and the guarantee related thereto)	New York Stock Exchange
MBNA Capital E 6.10% Trust Originated Preferred Securities, Series E (and the guarantee related thereto)	New York Stock Exchange
Preferred Securities of Fleet Capital Trust VIII (and the guarantee related thereto)	New York Stock Exchange
Preferred Securities of Fleet Capital Trust IX (and the guarantee related thereto)	New York Stock Exchange
1.50% Basket CYCLES™, due July 29, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
1.25% Basket CYCLES™, due September 27, 2011, Linked to a Basket of Four Indices	NYSE Amex
1.50% Index CYCLES™, due December 28, 2011, Linked to a Basket of Health Care Stocks	NYSE Amex
61/2% Subordinated InterNotes℠, due 2032	New York Stock Exchange
51/2% Subordinated InterNotes℠, due 2033	New York Stock Exchange
57/8% 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 Amex
1.75% Index CYCLES™, due April 28, 2011, Linked to the S&P 500® Index	NYSE Amex
Return Linked Notes, due June 27, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	NYSE Amex
Return Linked Notes, due August 25, 2011, Linked to the Dow Jones EURO STOXX 50® Index	NYSE Amex
Minimum Return Index EAGLES®, due October 3, 2011, Linked to the S&P 500® Index	NYSE Amex
Minimum Return Index EAGLES®, due October 28, 2011, Linked to the AMEX Biotechnology Index	NYSE Amex
Return Linked Notes, due October 27, 2011, Linked to a Basket of Three Indices	NYSE Amex
Minimum Return Index EAGLES®, due November 23, 2011, Linked to a Basket of Five Indices	NYSE Amex
Minimum Return Index EAGLES®, due December 27, 2011, Linked to the Dow Jones Industrial Average℠	NYSE Amex
	NYSE Amex

0.25% Senior Notes Optionally Exchangeable Into a Basket of Three Common Stocks, due February 2012	
Return Linked Notes, due December 29, 2011 Linked to a Basket of Three Indices	NYSE Amex
Market-Linked Step Up Notes Linked to the S&P 500® Index, due December 23, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due November 26, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due December 2, 2014	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due November 28, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due October 28, 2011	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the Russell 2000® Index, due October 28, 2011	NYSE Arca, Inc.
Notes Linked to the S&P 500® Index, due October 4, 2011	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due September 27, 2013	NYSE Arca, Inc.
Leveraged Index Return Notes®, Linked to the S&P 500® Index, due July 27, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due July 26, 2013	NYSE Arca, Inc.
Leveraged Index Return Notes®, Linked to the S&P 500® Index, due June 29, 2012	NYSE Arca, Inc.
Leveraged Index Return Notes®, Linked to the S&P 500® Index, due June 1, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the Dow Jones Industrial Average℠, due May 31, 2013	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due April 25, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due March 28, 2014	NYSE Arca, Inc.
Market Index Target-Term Securities®, Linked to the S&P 500® Index, due February 28, 2014	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due January 27, 2012	NYSE Arca, Inc.
Accelerated Return Notes®, Linked to the S&P 500® Index, due March 25, 2011	
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due January 30, 2015	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities® Linked to the S&P 500® Index, due January 30, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due February 27, 2015	NYSE Arca, Inc.
Capped Leveraged Return Notes® Linked to the S&P 500® Index, due February 24, 2012	NYSE Arca, Inc.
Market-Linked Step Up Notes Linked to the S&P 500® Index, due February 25, 2013	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average℠, due March 27, 2015	NYSE Arca, Inc.

Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due March 30, 2012	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities® Linked to the S&P 500® Index, due March 30, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average^{sm}, due April 24, 2015	NYSE Arca, Inc.
Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due April 27, 2012	NYSE Arca, Inc.
Strategic Accelerated Redemption Securities® Linked to the S&P 500® Index, due April 27, 2012	NYSE Arca, Inc.
Accelerated Return Notes® Linked to the S&P 500® Index due July 29, 2011	NYSE Arca, Inc.
Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due May 25, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average^{sm}, due May 29, 2015	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the Dow Jones Industrial Average^{sm}, due June 26, 2015	NYSE Arca, Inc.
Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due June 29, 2012	NYSE Arca, Inc.
Accelerated Return Notes® Linked to the S&P 500® Index due September 30, 2011	NYSE Arca, Inc.
Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due July 27, 2012	NYSE Arca, Inc.
Market Index Target-Term Securities® Linked to the S&P 500® Index, due July 31, 2015.	NYSE Arca, Inc.
Capped Leveraged Index Return Notes® Linked to the S&P 500® Index, due August 31, 2012	NYSE Arca, Inc.

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No

Indicate by check mark 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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No ü

The aggregate market value of the registrant s common stock (Common Stock) held on June 30, 2010 by non-affiliates was approximately $144,131,140,753 (based on the June 30, 2010 closing price of Common Stock of $14.37 per share as reported on the New York Stock Exchange). As of February 15, 2011, there were 10,121,154,770 shares of Common Stock outstanding.

Documents Incorporated by reference: Portions of the definitive proxy statement relating to the registrant s annual meeting of stockholders to be held on May 11, 2011 are incorporated by reference in this Form 10-K in response to items 10, 11, 12, 13 and 14 of Part III.

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Bank of America Corporation and Subsidiaries

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Part I
Bank of America Corporation and Subsidiaries

Item 1. Business

General

Bank of America Corporation (together, with its consolidated subsidiaries, Bank of America, the Corporation, our company, we or us) is a Delaware corporation, a bank holding company and a financial holding company under the Gramm-Leach-Bliley Act. When used in this report, the Corporation may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation s subsidiaries or affiliates. Our principal executive offices are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, North Carolina 28255.

Bank of America is one of the world s largest financial institutions, serving individual consumers, small- and middle-market businesses, large corporations and governments with a full range of banking, investing, asset management and other financial and risk management products and services. Through our banking subsidiaries (the Banks) and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Commercial Banking, Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2010, we realigned the *Global Corporate and Investment Banking* portion of the former *Global Banking* business segment with the former *Global Market*s business segment to form *GBAM* and to reflect *Global Commercial Banking* as a standalone segment.

We are a global franchise, serving customers and clients around the world with operations in all 50 U.S. states, the District of Columbia and more than 40 non-U.S. countries. As of December 31, 2010, our U.S. retail banking footprint includes approximately 80 percent of the U.S. population, and we serve approximately 57 million consumer and small business relationships with approximately 5,900 retail banking offices, approximately 18,000 ATMs, nationwide call centers, and the leading online and mobile banking platforms. We have banking centers in 13 of the 15 fastest growing states and have leadership positions in market share for deposits in seven of those states. We offer industry-leading support to approximately four million small business owners. We have the No. 1 market share in U.S. retail deposits and are the No. 1 issuer of debit cards in the United States. We have the No. 2 market share in credit card products in the United States and we are the No. 1 credit card lender in Europe. We have approximately 5,300 mortgage loan officers

and are the No. 1 mortgage servicer and No. 2 mortgage originator in the United States.

In addition, as of December 31, 2010, our commercial and corporate clients include 98 percent of the U.S. Fortune 1,000 and 85 percent of the Global Fortune 500 and we serve more than 11,000 issuer clients and 3,500 institutional investors. We are the No. 1 treasury services provider in the United States and a leading provider globally. We are a leading provider globally in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world. We have one of the largest wealth management businesses in the world with nearly 17,000 financial and wealth advisors and 3,000 other client-facing professionals and more than $2.2 trillion in net client balances, and we are a leading wealth manager for high-net-worth and ultra-high-net-worth clients. Additional information relating to our businesses and our subsidiaries is included in the information set forth in pages 38 through 51 of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and *Note 26 Business Segment Information* to the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data (Consolidated

Financial Statements).

Bank of America s website is www.bankofamerica.com. Our Annual Reports 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 charter of each committee of our Board of Directors (the Board) (accessible by clicking on the committee names under the Committee Composition link), 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, Hearst Tower, 214 North Tryon Street, NC1-027-20-05, Charlotte, North Carolina 28202.

Competition

We 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 in addition to those competitors discussed more specifically below. 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.

More specifically, our *Deposits* business segment competes with banks, thrifts, credit unions, finance companies and other nonbank organizations offering financial services. Our *Global Commercial Banking* business segment competes with local, regional and international banks and nonbank financial organizations. Our *GBAM* and *GWIM* business segments 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, trust banks, multi-family offices, advice boutiques and other organizations offering similar services and other investment alternatives available to investors. Our *Home Loans & Insurance* business segment competes with banks, thrifts, mortgage brokers, Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the government sponsored enterprises (GSEs)), and other nonbank organizations offering mortgage banking, mortgage and insurance related services. Our *Global Card Services* business segment competes in the United States and internationally with banks, consumer finance companies and retail stores with private label credit and debit cards.

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 other entities that became bank holding companies and financial holding companies as a result of the recent financial crisis are also 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. As a result, this consolidation within the financial services industry has significantly increased the capital base and geographic reach of some of our competitors and also hastened the globalization of the securities markets. 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 United States.

Our ability to expand certain of our banking operations in additional U.S. 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, 2010, there were approximately 288,000 full-time equivalent employees with Bank of America. Of these employees, approximately 80,700 were employed within *Deposits*, approximately 15,000 were employed within *Global Card Services*, approximately 58,200 were employed within *Home Loans & Insurance*, approximately 7,100 were employed within *Global Commercial Banking*, approximately 34,300 were employed within *GBAM* and approximately 40,300 were employed within *GWIM*. The remainder were employed elsewhere within our company including various staff and support functions.

None of our domestic employees is 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 material definitive agreement has been reached.

On January 1, 2009, we completed the acquisition of Merrill Lynch. Additional information on our acquisitions is included in *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, among other things, elements of an extensive regulatory framework applicable to bank holding companies, financial holding companies and banks, including specific information about Bank of America. U.S. federal regulation of banks, bank holding companies and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund (DIF) rather than for the protection of stockholders and creditors. For additional information about recent regulatory programs, initiatives and legislation that impact us, see Regulatory Matters in the MD&A beginning on page 56.

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General

As a registered financial holding company and bank holding company, Bank of America Corporation is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (Federal Reserve Board). 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 and other federal and state regulatory agencies.

A U.S. 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 related 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, which are only permitted to engage in activities that are closely related to the business of banking. Unless otherwise limited by the Federal Reserve Board, 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. If the Federal Reserve Board finds that any of the Banks is not well-capitalized or well-managed, we would be required to enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements, which may contain additional limitations or conditions relating to our activities.

U.S. bank holding companies (including bank holding companies that also are financial holding companies) are also 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 federal requirement that the bank holding company, after and as a result of 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. At December 31, 2010, we controlled approximately 12 percent of the total amount of deposits of insured depository institutions in the United States.

In addition to banking laws, regulations and regulatory agencies, we are subject to various other laws and regulations, as well as supervision and examination by other regulatory agencies, all of which directly or indirectly affect our operations and management and our ability to make distributions to stockholders. For example, our U.S. broker dealer subsidiaries are subject to regulation by and supervision of the Securities and Exchange Commission (SEC), the New York Stock Exchange and the Financial Industry Regulatory Authority (FINRA); our commodities businesses in the United States are subject to regulation by and supervision of the Commodities Futures Trading Commission (CFTC); and our insurance activities are subject to licensing and regulation by state insurance regulatory agencies.

Our non-U.S. businesses are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. Our financial services operations in the United Kingdom (U.K.) are subject to regulation by and supervision of the Financial Services Authority (FSA). In July of 2010, the U.K. proposed abolishing the FSA and replacing it with the Financial Policy Committee within the Bank of England (FPC) and two new Regulators, the Prudential Regulatory Authority (PRA) and the Consumer Protection and Markets Authority (CPMA). Our U.K. regulated entities will be subject to the supervision of the FPC within the Bank of England for prudential matters and the CPMA for conduct of business matters. The new financial regulatory structure is intended to be in place by the end of 2012. We continue to monitor the development and potential impact of this regulatory restructuring.

Changes in Legislation and Regulations

Proposals to change the laws and regulations governing the banking and financial services industries are frequently introduced in Congress, in state legislatures and before the various bank regulatory or financial regulatory agencies as well as by lawmakers and regulators in jurisdictions outside the United States where we operate. Congress and the federal government have continued to evaluate and develop legislation, programs and initiatives designed to, among other things, stabilize the financial and housing markets, stimulate the economy, including the federal government s foreclosure prevention program, and prevent future financial crises by further regulating the financial services industry. As a result of the recent financial crisis and the ongoing challenging economic environment, we anticipate additional legislative and regulatory proposals and initiatives as well as continued legislative and regulatory scrutiny of the financial services industry. However, at this time we cannot determine the final form of any proposed programs or initiatives or related legislation, the likelihood and timing of any other future proposals or legislation, and the impact they might have on us.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act) was signed into law. The Financial Reform Act provides for sweeping financial regulatory reform and will alter the way in which we conduct certain businesses.

The Financial Reform Act contains a broad range of significant provisions that could affect our businesses, including, without limitation, the following:

- mandating that the Federal Reserve Board limit debit card interchange fees;
- banning banking organizations from engaging in proprietary trading and restricting their sponsorship of, or investing in, hedge funds and private equity funds, subject to limited exceptions;
- increasing regulation of the derivative markets through measures that broaden the derivative instruments subject to regulation and requiring clearing and exchange trading as well as imposing additional capital and margin requirements for derivative market participants;
- changing the assessment base used in calculating FDIC deposit insurance fees from assessable deposits to total assets less tangible capital;
- providing for heightened capital, liquidity, and prudential regulation and supervision over systemically important financial institutions;
- providing for new resolution authority to establish a process to unwind large systemically important financial institutions and requiring the development and implementation of recovery and resolution plans;
- creating a new regulatory body to set requirements around the terms and conditions of consumer financial products and expanding the role of state regulators in enforcing consumer protection requirements over banks.
- disqualifying trust preferred securities and certain other hybrid capital securities from Tier 1 capital;
- including a variety of corporate governance and executive compensation provisions and requirements; and
- requiring securitizers to retain a portion of the risk that would otherwise be transferred into certain securitization transactions.

The Financial Reform Act has had, and will continue to have, a significant and negative impact on our earnings through fee reductions, higher costs and new restrictions, by reducing available capital. The Financial Reform Act also has had and may continue to have a material adverse impact on the value of certain assets and liabilities held on our balance sheet. As previously announced on July 16, 2010, as a result of the Financial Reform Act and its related rules and subject to final rulemaking over the next year, we believe that our debit card revenue will be adversely impacted beginning in the third quarter of 2011. In 2010, our estimate of revenue loss due to the Financial

Reform Act was approximately $2.0 billion annually. As a result, we recorded a non-tax deductible goodwill impairment charge for *Global Card Services* of $10.4 billion in 2010. The goodwill impairment analysis includes limited mitigation actions within *Global Card Services* to recapture the lost revenue. We have identified other potential mitigation actions, but they are in the early stages of development and some of them may impact other segments. For additional information, refer to Complex Accounting Estimates Goodwill and Intangible Assets

Global Card Services Impairment, in the MD&A beginning on page 110 and *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements.

We anticipate that the final regulations associated with the Financial Reform Act will include limitations on certain activities, including limitations on the use of a bank s own capital for proprietary trading and sponsorship or investment in hedge funds and private equity funds (Volcker Rule). Regulations implementing the Volcker Rule are required to be in place by October 21, 2011, and the Volcker Rule becomes effective 12 months after such rules are final or on July 21, 2012, whichever is earlier. The Volcker Rule then gives banking entities two years from the effective date (with opportunities for additional extensions) to bring activities and investments into conformance. In anticipation of the adoption of the final regulations, we have begun winding down our proprietary trading line of business. The ultimate impact of the Volcker Rule or the winding down of this business, and the time it will take to comply or complete, continues to remain uncertain. The final regulations issued may impose additional operational and compliance costs on us.

Additionally, the Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives, imposing new capital and margin requirements for certain market participants and imposing position limits on certain over-the-counter derivatives. The Financial Reform Act grants the U.S. Commodity Futures Trading Commission (CFTC) and the SEC substantial new authority and requires numerous rulemakings by these agencies. Generally, the CFTC and SEC have until July 16, 2011 to promulgate the rulemakings necessary to implement these regulations. The ultimate impact of these derivatives regulations, and the time it will take to comply, continues to remain uncertain. The final regulations will impose additional operational and compliance costs on us and may require us to restructure certain businesses and negatively impact our revenues and results of operations.

Although the ratings agencies have indicated that our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government, all three major ratings agencies have indicated they will reevaluate, and could reduce the uplift they include in our ratings for government support for reasons arising from financial services regulatory reform proposals or legislation. In the event of certain credit ratings downgrades, our access to credit markets, liquidity and our related funding costs would be materially adversely affected. For additional information about our credit ratings, see Capital Management and Liquidity Risk in the MD&A beginning on pages 63 and 67, respectively.

Most provisions of the Financial Reform Act require various federal banking and securities regulators to issue regulations to clarify and implement its provisions or to conduct studies on significant issues. These proposed regulations and studies are generally subject to a public notice and comment period. The timing of issuance of final regulations, their effective dates and their potential impacts to our businesses will be determined over the coming months and years. As a result, the ultimate impact of the Financial Reform Act s final rules on our businesses and results of operations will depend on regulatory interpretation and rulemaking, as well as the success of any of our actions to mitigate the negative earnings impact of certain provisions.

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 prescribed levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board s risk-based guidelines define a three-tier capital framework. Tier 1 capital includes common shareholders equity, common equivalent securities (CES), trust preferred securities and noncontrolling interests in limited amounts and qualifying preferred stock, less goodwill and other adjustments. The Financial Reform Act includes a provision under which our previously issued and outstanding trust preferred securities in the aggregate amount of $19.9 billion (approximately 137 basis points (bps) of Tier 1 capital) at December 31, 2010, will no longer qualify as Tier 1 capital effective January 1, 2013. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatorily 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 (i) is unsecured, (ii) is fully paid, (iii) has an original maturity of at least two years, (iv) is not redeemable before maturity without prior approval by the Federal Reserve Board and (v) 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 qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets, which is calculated by assigning assets and off-balance sheet exposures 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. A well-capitalized institution must generally maintain capital ratios 200 bps higher than the minimum guidelines. Our Tier 1 and total risk-based capital ratios under these guidelines at December 31, 2010 were 11.24 percent and 15.77 percent. At December 31, 2010, we had no subordinated debt that qualified as Tier 3 capital. While not an explicit requirement of law or regulation, bank regulatory agencies have stated that they expect shares of common stock to be the primary component of a financial holding company s Tier 1 capital and that financial holding companies should maintain a Tier 1 common capital ratio of at least four percent. The Tier 1 common capital ratio is determined by dividing Tier 1 common capital by risk-weighted assets. We calculate Tier 1 common capital as Tier 1 capital, which includes CES, less preferred stock, trust preferred securities, hybrid securities and noncontrolling interest. As of December 31, 2010, our Tier 1 common capital ratio was 8.60 percent.

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 four percent and not be subject to a Federal Reserve Board directive to maintain higher capital levels. Well-Capitalized national banks must maintain a Tier 1 leverage ratio of at least five percent and not be subject to a Federal Reserve Board directive to maintain higher capital levels. Our leverage ratio at December 31, 2010 was 7.21 percent, which exceeded our leverage ratio requirement. For additional information about our calculation of regulatory capital and capital composition, see Capital Management Regulatory Capital in the MD&A beginning on page 63, and *Note 18 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

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 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, 2010.

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

In June 2004, the Basel Committee on Banking Supervision (the Basel Committee) published the Basel II Accord with the intent of more closely aligning regulatory capital requirements with underlying risks, similar to economic capital. While economic capital is measured to cover unexpected losses, the Corporation also manages regulatory capital to adhere to regulatory standards of capital adequacy. The Basel Committee, which consists of central banks and bank supervisors from 13 countries including the United States, does not possess any formal supervisory or legal authority over institutions in its member countries. Instead, the Basel Committee formulates supervisory guidelines that it recommends to its member countries with the expectation that these guidelines will be implemented in a manner best suited to each country s own national system.

The Basel II Final Rule (Basel II) was published in December 2007 and established requirements for U.S. implementation of the Basel II Rules and provided detailed requirements for a new regulatory capital framework. This regulatory capital framework includes requirements related to credit and operational risk (Pillar 1), supervisory requirements (Pillar 2) and disclosure requirements (Pillar 3). The Corporation began Basel II parallel implementation on April 1, 2010.

Designated U.S. financial institutions are required to complete a minimum parallel qualification period under Basel II of four consecutive successful quarters before receiving regulatory approval to report regulatory capital using the Basel II methodology and exiting the parallel period. During the parallel period, the resulting capital calculations under both the current risk-based capital rules (Basel I) and Basel II will be reported to the financial institutions regulatory supervisors. Once the parallel period is successfully completed and we have received approval to exit parallel, we will transition to Basel II as the methodology for calculating regulatory capital. Basel II provides for a three-year transitional floor subsequent to exiting parallel, after which Basel I may be discontinued. The Collins Amendment within the Financial Reform Act and the U.S. banking regulators subsequent Notice of Proposed Rulemaking published by the Federal Reserve Board on December 14, 2010 propose however that the current three-year transitional floors under Basel II be replaced with a permanent risk based capital floor as defined under Basel I.

On December 16, 2010, U.S. regulators issued a Notice of Proposed Rulemaking on the Risk-Based Capital Guidelines for Market Risk (Market Risk Rules), reflecting partial adoption of the Basel Committee s July 2009 consultative document on the topic. We anticipate U.S. regulators will adopt the Market Risk Rules in mid-2011. This change is expected to significantly increase the capital requirements for our trading assets and liabilities, including derivatives exposures which meet the definition established by the regulatory agencies. We continue to evaluate the capital impact of the proposed rules and currently anticipate being fully compliant with any final rules by the projected implementation date of year-end 2011.

On December 16, 2010, the Basel Committee issued Basel III: A global regulatory framework for more resilient banks and banking systems (Basel III), proposing a January 2013 implementation date for Basel III. If implemented by U.S. regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of trust preferred securities from Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, mortgage servicing rights (MSRs), investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of other comprehensive income in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. The phase-in period for the capital deductions is proposed to occur in 20 percent increments from 2014 through 2018 with full implementation by December 31, 2018. The increase in capital requirements for counterparty credit risk is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. regulators are expected to begin the final rulemaking processes for Basel III in early 2011 and have indicated a goal to adopt final rules by year-end 2011 or early 2012. For additional information on our MSRs, refer to *Note 25 Mortgage Servicing Rights* to the Consolidated Financial Statements. For additional information on deferred tax assets, refer to *Note 21 Income Taxes* to the Consolidated Financial Statements.

If Basel III is implemented in the U.S. consistent with Basel Committee rules, beginning in January 2013, we would be required to maintain minimum capital ratio requirements of 6.0 percent for Tier 1 capital and 8.0 percent for Total capital. The proposed minimum requirement for common equity Tier 1 capital is 3.5 percent in 2013 and would increase to 4.5 percent in 2015. Basel III also includes three capital buffers which would be phased in over time and impact all three capital ratios. These buffers include a capital conservation buffer that would start at 0.63 percent in 2016 and increase to 2.5 percent in 2019. Thus, the minimum capital ratio requirements including the capital conservation buffer in 2019 would be 7.0 percent for common equity Tier 1 capital, 8.5 percent for Tier 1 capital and 10.5 percent

for Total capital. If ratios fall below the minimum requirement plus the capital conservation buffer, such as 10.5 percent for Total capital, an institution would be required to restrict dividends, share repurchases and discretionary bonuses. Additionally, Basel III also includes a countercyclical buffer of up to 2.5 percent that regulators could require in periods of excess credit growth. The countercyclical buffer is to be comprised of loss-absorbing capital, such as common equity, and is meant to retain additional capital during periods of strong credit expansion, providing incremental protection in the event of a material market downturn. The ratios presented above do not include the third buffer requirement for systemically important financial institutions, which the Basel Committee continues to assess and has not yet quantified. The countercyclical and systemic buffers are scheduled to be phased in from 2013 through 2019. U.S. regulators are expected to begin the rulemaking processes for Basel III in early 2011 and have indicated a goal to adopt final rules by end of 2011 or early 2012.

These regulatory changes also require approval by the regulatory agencies of analytical models used as part of our capital measurement and assessment, especially in the case of more complex models. If these more complex models are not approved, it could require financial institutions to hold additional capital, which in some cases could be significant.

We expect to maintain a Tier 1 common capital ratio in excess of 8 percent as the regulatory rule changes are implemented without needing to raise new equity capital. We have made the implementation and mitigation of these regulatory changes a strategic priority. We also note there remains significant uncertainty on the final impacts as the U.S. has issued only final rules for Basel II and a Notice of Proposed Rulemaking for the Market Risk Rules at this time. Impacts may change as the U.S. finalizes rules for Basel III and the regulatory agencies interpret the final rules during the implementation process.

In addition to the capital proposals, in December 2010 the Basel Committee proposed two measures of liquidity risk. The Liquidity Coverage Ratio identifies the amount of unencumbered, high quality liquid assets a financial institution holds that can be used to offset the net cash outflows the institution would encounter under an acute 30-day stress scenario. The Net Stable Funding Ratio measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations, over a one-year period. These two minimum liquidity standards are also considered part of Basel III. The Basel Committee expects the Liquidity Coverage Ratio to be implemented in January 2015 and the Net Stable Funding Ratio to be implemented in January 2018, following observation periods beginning in 2012. We continue to monitor the development and potential impact of these capital proposals.

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. For additional information regarding the restrictions on our ability to receive dividends or other distributions from the Banks, see Item 1A. Risk Factors.

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In addition, the ability of Bank of America Corporation 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 Corporation, 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.

For additional information regarding the requirements relating to the payment of dividends, including the minimum capital requirements, see *Note 15 Shareholders Equity* and *Note 18 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Source of Strength

According to the Financial Reform Act and 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 FDICIA, 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 such a subsidiary in danger of default the affiliate banks of such a subsidiary may be assessed for the FDIC s loss, subject to certain exceptions.

Deposit Insurance

Deposits placed at the U.S. Banks are insured by the FDIC, subject to limits and conditions of applicable law and the FDIC s regulations. Pursuant to the Financial Reform Act, FDIC insurance coverage limits were permanently increased to $250,000 per customer. The Financial Reform Act also provides for unlimited FDIC insurance coverage for non-interest bearing demand deposit accounts for a two-year period beginning on December 31, 2010 and ending on January 1, 2013. The FDIC administers the DIF, and all insured depository institutions are required to pay assessments to the FDIC that fund the DIF. The Financial Reform Act changed the methodology for calculating deposit insurance assessments from the amount of an insured depository institution s domestic deposits to its total assets minus tangible capital. On February 7, 2011 the FDIC issued a new regulation implementing revisions to the assessment system mandated by the Financial Reform Act. The new regulation will be effective April 1, 2011 and will be reflected in the June 30, 2011 FDIC fund balance and the invoices for assessments due September 30, 2011. As a result of the new regulations, we expect to incur higher annual deposit insurance assessments. We have identified potential mitigation actions, but they are in the early stages of development and we are not able to directly control the basis or the amount of premiums that we are required to pay for FDIC insurance or for other fees or assessment obligations imposed on financial institutions. Any future increases in required deposit insurance premiums or other bank industry fees could have a significant adverse impact on our financial condition and results of operations.

The FDIC is required to maintain at least a designated minimum ratio of the DIF to insured deposits in the United States. The Financial Reform Act requires the FDIC to assess insured depository institutions to achieve a DIF ratio of at least 1.35 percent by September 30, 2020. The FDIC has recently adopted new regulations that establish a long-term target DIF ratio of greater than two percent. As a result of the ongoing instability in the economy and the failure of other U.S. depository institutions, the DIF ratio is currently below the required targets and the FDIC has adopted a restoration plan that will result in

substantially higher deposit insurance assessments for all depository institutions over the coming years. Deposit insurance assessment rates are subject to change by the FDIC and will be impacted by the overall economy and the stability of the banking industry as a whole.

Transactions with Affiliates

The U.S. Banks are subject to restrictions under federal law that limit certain types of transactions between the Banks and their non-bank affiliates. In general, the U.S. Banks are subject to quantitative and qualitative limits on extensions of credit, purchases of assets and certain other transactions involving Bank of America and its non-bank affiliates.

Transactions between the U.S. Banks and their non-bank affiliates are required to be on arm s length terms.

Privacy and Information Security

We are subject to many U.S., state and international laws and regulations governing requirements for maintaining policies and procedures to protect the non-public confidential information of our customers. The Gramm-Leach-Bliley Act requires the Banks to periodically disclose Bank of America s privacy policies and practices relating to sharing such information and enables retail customers to opt out of our ability to market to affiliates and non-affiliates under certain circumstances.

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 Assets Debt Securities and Market Risk Management 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 Overview Assets Loans and Leases and Credit Risk Management in the MD&A, Table IV 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 Overview Liabilities Deposits and Liquidity Risk Funding and Liquidity Risk Management in the MD&A and *Note 11 Deposits* to the Consolidated Financial Statements); Short-term Borrowings (under the caption Balance Sheet Overview Liabilities Commercial Paper and Other Short-term Borrowings and Liquidity Risk Funding and Liquidity Risk Management in the MD&A, and *Note 12 Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings* and *Note 13 Long-term Debt* to the Consolidated Financial Statements); Trading Account Assets and Liabilities (under the caption Balance Sheet Overview Assets Trading Accounts Assets 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 in the MD&A); Compliance Risk Management (under the caption Compliance Risk Management in the MD&A) and Operational Risk Management (under the caption Operational Risk Management in the MD&A); and Performance by Geographic Area (under *Note 28 Performance by Geographical Area* to the Consolidated Financial Statements).

Item 1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own businesses. The following discussion addresses some of the key risks that could affect our businesses, operations, and financial condition. Other factors that could affect our financial condition and operations are discussed in Forward-looking Statements in the MD&A. However, other factors besides those discussed below or elsewhere in this report could also adversely affect our businesses, operations, and financial condition. Therefore, the risk factors below should not be considered a complete list of potential risks that we may face.

Our businesses and results of operations have been, and may continue to be, materially and adversely affected by the U.S. and international financial markets and economic conditions generally.

Our businesses and results of operations are materially affected by the financial markets and general economic conditions in the United States and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-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 capital and credit, investor sentiment and confidence in the financial markets, and the strength of the U.S. economy and the non-U.S. economies in which we operate. The deterioration of any of these conditions can adversely affect our consumer and commercial businesses and securities portfolios, our level of charge-offs and provision for credit losses, our capital levels and liquidity and our results of operations.

U.S. financial markets have improved from the severe financial crisis that dominated the domestic economy in the second half of 2008 and early 2009, but mortgage markets remain fragile. The financial crisis that gripped the European Union beginning in spring 2010 directly affected U.S. financial market behavior and the financial services industry. Any intensification of Europe s financial crisis or the inability to address the sources of future financial turmoil in Europe may adversely affect the U.S. and international financial markets and the financial services industry. Such adverse effect may involve declines in liquidity, loss of investor confidence in the financial services industry, disruptions in credit markets, declines in the values of many asset classes, reductions in home prices and increased unemployment.

Although the U.S. economy has continued to recover throughout 2010 and growth of real Gross Domestic Product strengthened in the second half of 2010, the elevated levels of unemployment and household debt, along with continued stress in the consumer and commercial real estate markets, pose challenges for domestic economic performance and the banking environment. Consumer spending, exports and business investment in equipment and software rose during 2010, and showed accelerated momentum in the second half of 2010, but labor markets and housing markets remain weak and pose risks. The sustained high unemployment rate and the lengthy duration of unemployment have directly impaired consumer finances and pose risks to the financial services sector. The housing market remains weak and the elevated levels of distressed and delinquent mortgages add a significant degree of risk to the mortgage market, in addition to risks inherent to the business of banking. The risks related to the distressed mortgage market may be accentuated by attempts to forestall foreclosure proceedings, as well as state and federal investigations into foreclosure practices throughout the financial services industry. These factors may adversely affect credit quality, bank lending and the general financial services sector.

These conditions, as well as any further challenges stemming from the continuing global economic recovery and recent financial reform initiatives, such as the Financial Reform Act, could have a material adverse effect on our businesses and results of operations in the future.

For additional information about economic conditions and challenges discussed above, see Executive Summary 2010 Economic and Business Environment in the MD&A beginning on page 25.

Liquidity Risk

Liquidity Risk is the Potential Inability to Meet Our Contractual and Contingent Financial Obligations, on- or Off-Balance Sheet, as they Become Due.

Adverse changes to our credit ratings from the major credit ratings agencies could have a material adverse effect on our liquidity, cash flows, competitive position, financial condition and results of operations by significantly limiting our access to the funding or capital markets, increasing our borrowing costs, or triggering additional collateral or funding requirements under certain bilateral provisions of our trading and collateralized financing contracts.

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions including OTC derivatives. Credit ratings and outlooks are opinions on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the ratings agencies and thus may change from time to time based on a number of factors, including our own financial strength and operations as well as factors not under our control, such as rating-agency-specific criteria or frameworks for our industry or certain security types, which are subject to revision from time to time, and conditions affecting the financial services industry generally.

There can be no assurance that we will maintain our current ratings. A reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations would likely have a material adverse effect on our liquidity, access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In connection with certain over-the-counter (OTC) derivatives contracts and other trading agreements, counterparties may require us to provide additional collateral or to terminate these contracts and agreements and collateral financing arrangements in the event of a credit ratings downgrade. Termination of these contracts and agreements could cause us to sustain losses and impair our liquidity by requiring us to make significant cash payments or securities movements. If Bank of America Corporation s or Bank of America, N.A. s commercial paper or short-term credit ratings (which currently have the following ratings: P-1 by Moody s, A-1 by S&P and F1+ by Fitch) were downgraded by one or more levels, the potential loss of short-term funding sources such as commercial paper or repurchase agreement financing and the effect on our incremental cost of funds would be material.

The ratings agencies have indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. All three major ratings agencies, however, have indicated they will reevaluate and could reduce the uplift they include in our ratings for government support for reasons arising from financial services regulatory reform proposals or legislation. In February 2010, S&P affirmed our current credit ratings but revised the outlook to negative from stable based on its belief that it is less certain whether the U.S. government would be willing to provide extraordinary support. On July 27, 2010, Moody s affirmed our current ratings but revised the outlook to negative from stable due to its expectation for lower levels of government support over time as a result of the passage of the Financial Reform Act. Also, on October 22, 2010, Fitch placed our credit ratings on Rating Watch Negative from stable outlook due to proposed rulemaking that could negatively impact its assessment of future systemic government support. Any expectation that government support may be diminished or withheld in the future would likely have a negative impact on the company s credit ratings. The timing of the agencies assessment of potential government support, as well as its impact on our ratings, is currently uncertain.

For additional information about the company s credit ratings, see Liquidity Risk Credit Ratings in the MD&A beginning on page 70.

Our liquidity, cash flows, financial condition and results of operations, and competitive position may be significantly adversely affected if we are unable to access capital markets, continue to raise deposits, sell assets on favorable terms, or if there is an increase in our borrowing costs.

Liquidity is essential to our businesses. We fund our assets primarily with globally sourced deposits in our bank entities, as well as secured and unsecured liabilities transacted in the capital markets. We rely on certain unsecured and secured funding sources, such as the commercial paper and repo markets, which are typically short-term and credit-sensitive in nature. We also engage in asset securitization transactions to fund consumer lending activities. Our liquidity could be significantly adversely affected by an inability to access the capital markets; illiquidity or volatility in the capital markets; unforeseen outflows of cash, including customer deposits, funding for commitments and contingencies; inability to sell assets on favorable terms; or negative perceptions about our short- or long-term business prospects, including changes in our credit ratings. Several of these factors may arise due to circumstances beyond our control, such as a general market disruption, negative views about the financial services industry generally, changes in the regulatory environment, actions by credit ratings agencies or an operational problem that affects third parties or us. For example, during the recent financial crisis our ability to raise funding was at times adversely affected in the U.S. and international markets.

Our cost of obtaining funding is directly related to prevailing market interest rates and to our credit spreads. Credit spreads are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads can significantly increase the cost of our funding. Changes in our credit spreads are market-driven, and may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads occur continuously and may be unpredictable and highly volatile.

For additional information about our liquidity position and other liquidity matters, including credit ratings and outlooks and the policies and procedures we use to manage our liquidity risks, see Capital Management and Liquidity Risk in the MD&A beginning on pages 63 and 67, respectively.

Bank of America Corporation is a holding company and as such we are dependent upon our subsidiaries for liquidity, including our ability to pay dividends to stockholders.

Bank of America Corporation is a separate and distinct legal entity from our banking and nonbanking subsidiaries. We evaluate and manage liquidity on a legal entity basis. Legal entity liquidity is an important consideration as there are legal and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, including Bank of America Corporation. For instance, Bank of America Corporation depends on dividends, distributions and other payments from our banking and nonbanking subsidiaries to fund dividend payments on our common stock and preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries, including our bank and broker-dealer subsidiaries, are subject to laws that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to Bank of America Corporation. In addition, our bank and broker-dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital requirements, as well as restrictions on their ability to use funds deposited with them in bank or brokerage accounts to fund their businesses. Additional restrictions on

related-party transactions, increased capital requirements and additional limitations on the use of funds on deposit in bank or brokerage accounts, as well as lower earnings, can reduce the amount of funds available to meet the obligations of Bank of America Corporation and even require Bank of America Corporation to provide additional funding to such subsidiaries. Regulatory action of that kind could impede access to funds we need to make payments on our obligations or dividend payments. In addition, our 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. For a further discussion regarding our ability to pay dividends, see *Note 15 Shareholders Equity* and *Note 18 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Mortgage and Housing Market-Related Risk

We have been, and expect to continue to be, required to repurchase loans and/or reimburse the GSEs and monoline bond insurance companies (monolines) for losses due to claims related to representations and warranties made in connection with mortgage-backed securities and other loans, and have received similar claims, and may receive additional claims, from whole loan purchasers and private-label securitization investors. The resolution of these claims could have a material adverse effect on our cash flows, financial condition, and results of operations.

We have securitized and continue to securitize first-lien mortgage loans generally in the form of mortgage-backed securities (MBS) guaranteed by the GSEs or, in the case of Federal Housing Administration insured and U.S. Department of Veterans Affairs guaranteed mortgage loans, by the Government National Mortgage Association. We and our legacy companies and certain subsidiaries have also sold pools of first-lien mortgages and home equity loans as private-label securitizations or in the form of whole loans. In certain cases, all or a portion of the private-label MBS were insured by monolines or other non-GSE counterparties. In connection with these securitizations and other transactions, we or our subsidiaries or legacy companies made various representations and warranties. Breaches of these representations and warranties may result in a requirement that we repurchase mortgage loans, or indemnify or provide other remedies to counterparties.

On December 31, 2010, we reached agreements with Freddie Mac (FHLMC) and Fannie Mae (FNMA), collectively the GSEs, where the Corporation paid $2.8 billion to resolve repurchase claims involving first-lien residential mortgage loans sold directly to the GSEs by entities related to legacy Countrywide (Countrywide). The agreement with FHLMC extinguishes all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FHLMC through 2008, subject to certain exceptions we do not believe will be material. The agreement with FNMA substantially resolves the existing pipeline of repurchase and make-whole claims outstanding as of September 20, 2010 arising out of alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FNMA. These agreements with the GSEs do not cover outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breaches of selling representations and warranties to legacy Bank of America first-lien residential mortgage loans sold directly to the GSEs, loans sold to the GSEs other than described above, loan servicing obligations, other contractual obligations or loans contained in private-label securitizations. In addition, we have other unresolved representation and warranty claims from the GSEs and certain monolines, and other non-GSE counterparties, and certain monolines have instituted litigation against us with respect to representations and warranties claims.

We have experienced increasing repurchase and similar requests from non-GSE counterparties, including monolines, private-label MBS securitization investors and whole loan purchasers. We expect additional activity in this

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area going forward and the volume of repurchase requests from monolines, whole loan purchasers and investors in private-label MBS could increase in the future. It is reasonably possible that future losses may occur and our estimate is that the upper range of loss related to non-GSE sales could be $7.0 billion to $10.0 billion over existing accruals. This estimate does not represent a probable loss, is based on currently available information, significant judgment, and a number of assumptions that are subject to change. A significant portion of this estimate relates to loans originated through legacy Countrywide, and the repurchase liability is generally limited to the original seller of the loan. Future provisions and possible loss or range of loss may be impacted if actual results are different from our assumptions regarding economic conditions, home prices and other matters and may vary by counterparty. We expect that the resolution of the repurchase claims process with the non-GSE counterparties will likely be a protracted process, and we will vigorously contest any request for repurchase if we conclude that a valid basis for the repurchase claim does not exist.

The resolution of claims related to alleged breaches of these representations and warranties and repurchase claims could have a material adverse effect on our financial condition, cash flows and results of operations, and could exceed existing estimates and accruals. In addition, any accruals or estimates we have made are based on assumptions which are subject to change.

For additional information about our representations and warranties exposure and past activities, see Recent Events Representations and Warrants Liability, in the MD&A on page 33, Recent Events Private-label Residential Mortgage-backed Securities Matters, in the MD&A on page 35, Off-Balance Sheet Arrangements and Contractual Obligations Representations and Warranties, in the MD&A beginning on page 52, and *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements and Representations.

Continued, or increasing, declines in the domestic and international housing markets, including home prices, may adversely affect the company s consumer and commercial portfolios and have a significant adverse effect on our financial condition and results of operations.

Economic deterioration throughout 2009 and weakness in the economic recovery in 2010 was accompanied by continued stress in the U.S. and international housing markets, including declines in home prices. These declines in the housing market, with falling home prices and increasing foreclosures, have negatively impacted the demand for many of our products and the credit performance of our consumer and commercial portfolios. Additionally, our mortgage loan production volume is generally influenced by the rate of growth in residential mortgage debt outstanding and the size of the residential mortgage market, which has declined due to reduced activity in the housing market. Continued high unemployment rates in the U.S. have added another element to the financial challenges facing U.S. consumers and further compounded these stresses in the U.S. housing market as employment conditions may be compelling some consumers to delay new home purchases or miss payments on existing mortgages.

Conditions in the housing market have also resulted in significant write-downs of asset values in several asset classes, notably mortgage-backed securities and exposure to monolines. These conditions may negatively affect the value of real estate which could negatively affect our exposure to representations and warranties. While there were continued indications throughout the past year that the U.S. economy is stabilizing, the performance of our overall consumer and commercial portfolios may not significantly improve in the near future. A protracted continuation or worsening of these difficult housing market conditions would likely exacerbate the adverse effects outlined above and have a significant adverse effect on our financial condition and results of operations.

We temporarily suspended our foreclosure sales nationally in the fourth quarter of 2010 to conduct an assessment of our foreclosure processes. Subsequently, numerous state and federal investigations of foreclosure processes across our industry have been initiated. Those investigations and any irregularities that might be found in our foreclosure processes, along with any remedial steps taken in response to governmental investigations or to our own internal assessment, could have a material adverse effect on our financial condition and results of operations.

On October 1, 2010, we voluntarily stopped taking residential mortgage foreclosure proceedings to judgment in states where foreclosure requires a court order following a legal proceeding (judicial states). On October 8, 2010, we stopped foreclosure sales in all states in order to complete an assessment of the related business processes. These actions generally did not affect the initiation and processing of foreclosures prior to judgment or sale of vacant real estate owned properties. We took these precautionary steps in order to ensure our processes for handling foreclosures include the appropriate controls and quality assurance. Our review has involved an assessment of the foreclosure process, including a review of completed foreclosure affidavits in pending proceedings.

As a result of that review, we identified and implemented process and control enhancements, and we intend to monitor ongoing quality results of each process. After these enhancements were put in place, we resumed foreclosure sales in most states where foreclosures are handled without judicial supervision (non-judicial states) during the fourth quarter of 2010, and expect sales to resume in the remaining non-judicial states in the first quarter of 2011. We also commenced a rolling process of preparing, as necessary, affidavits of indebtedness in pending foreclosure proceedings in order to resume the process of taking these foreclosure proceedings to judgment in judicial states, beginning with properties believed to be vacant, and with properties for which the mortgage was originated on a non-owner-occupied basis. The process of preparing affidavits in pending proceedings is expected to continue in the first quarter of 2011, and could result in prolonged adversary proceedings that delay certain foreclosure sales.

Law enforcement authorities in all 50 states and the U.S. Department of Justice and other federal agencies, including certain bank supervisory authorities, continue to investigate alleged irregularities in the foreclosure practices of residential mortgage servicers. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices. The Corporation is cooperating with these investigations and is dedicating significant resources to address these issues. The current environment of heightened regulatory scrutiny has the potential to subject the Corporation to inquiries or investigations that could significantly adversely affect its reputation. Such investigations by state and federal authorities, as well as any other governmental or regulatory scrutiny of our foreclosure processes, could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), or other enforcement actions, and result in significant legal costs in responding to governmental investigations and additional litigation.

While we cannot predict the ultimate impact of the temporary delay in foreclosure sales, or any issues that may arise as a result of alleged irregularities with respect to previously completed foreclosure activities, we may be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current foreclosure activities. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. Our costs increased in the fourth quarter of 2010 and we expect that additional costs incurred in connection with our foreclosure process assessment will continue into 2011 due to the additional resources necessary to perform the foreclosure process assessment, to revise affidavit filings and to implement other operational changes. This will likely result in higher noninterest expense, including higher servicing costs and legal expenses, in *Home Loans & Insurance*. It is also possible that the temporary suspension of foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines, while foreclosures are delayed. In addition, required process changes could increase our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may increase temporarily, which may result in an increase in non-performing loans and servicing advances and may impact the collectability of such advances and the value of our MSRs, MBS and real estate owned properties. An increase in the time to complete foreclosure sales also may inflate the amount of highly delinquent loans in the Corporation s mortgage statistics, result in increasing levels of consumer nonperforming loans, and could have a dampening effect on net interest margin as non-performing assets rise. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, and our continued process enhancements and any issues that may arise out of alleged irregularities in our foreclosure process could increase the costs associated with our mortgage operations.

Loan sales have not been materially impacted by the temporary delay in foreclosure sales or the review of our foreclosure process. However, delays in foreclosure sales could negatively affect the valuation of our real estate owned properties and MBS that are serviced by us. With respect to GSE MBS, while there would be no credit impairment to security holders due to the guarantee provided by the agencies, the valuation of certain MBS could be negatively affected under certain scenarios due to changes in the timing of cash flows. The impact on GSE MBS depends on, among other factors, how long the underlying loans are affected by foreclosure delays and would vary among securities. With respect to non-GSE MBS, under certain scenarios the timing and amount of cash flows could be negatively affected. The ultimate impact on non-GSE MBS depends on the same factors that impact GSE MBS, as well as the level of credit enhancement, including subordination. In addition, as a result of our foreclosure process assessment and related control enhancements that we have implemented, there may continue to be delays in foreclosure sales, including a continued backlog of foreclosure proceedings, and evictions from real estate owned properties.

Failure to satisfy our obligations as servicer in the residential mortgage securitization process, including obligations related to residential mortgage foreclosure actions, along with other losses we could incur in our capacity as servicer, could have a material adverse effect on our financial condition and results of operations.

Bank of America and its legacy companies have securitized, and continue to securitize, a significant portion of the residential mortgage loans that they have originated or acquired. The Corporation services a large portion of the loans it or its subsidiaries have securitized and also services loans on behalf of third-party securitization vehicles. In addition to identifying specific servicing criteria, pooling and servicing arrangements entered into in connection with a securitization or whole loan sale typically impose standards of care on the servicer, with respect to its activities, that may include the obligation to adhere to the accepted servicing practices of prudent mortgage lenders and/or to exercise the degree of care and skill that the servicer employs when servicing loans for its own account. Many non-GSE residential mortgage-backed securitizations and whole loan servicing agreements also require the servicer to indemnify the trustee or other investor for or against failures by the servicer to perform its servicing obligations or acts or omissions that involve willful malfeasance, bad faith, or gross negligence in the performance of, or reckless disregard of, the servicer s duties.

Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically has the right to demand

that the servicer repurchase loans that breach the seller s representations and warranties made in connection with the initial sale of the loans, even if the servicer was not the seller. The GSEs also reserve the contractual right to demand indemnification or loan repurchase for certain servicing breaches. In addition, our agreements with the GSEs and their first mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary.

With regard to alleged irregularities in foreclosure process-related activities referred to above, a servicer may incur costs or losses if the servicer elects or is required to re-execute or re-file documents or take other action in its capacity as a servicer in connection with pending or completed foreclosures. The servicer also may incur costs or losses if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, the servicer may have liability to a title insurer of the property sold in foreclosure. These costs and liabilities may not be reimbursable to the servicer. A servicer may also incur costs or losses associated with private-label securitizations or other loan investors relating to delays or alleged deficiencies in processing documents necessary to comply with state law governing foreclosures.

The servicer may be subject to deductions by insurers for mortgage insurance or guarantee benefits relating to delays or alleged deficiencies. Additionally, if the servicer commits a material breach of its servicing obligations that is not cured within specified timeframes, including those related to default servicing and foreclosure, it could be terminated as servicer under servicing agreements under certain circumstances. Any of these actions may harm the servicer s reputation, increase its servicing costs or otherwise adversely affect its financial condition and results of operations.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgages loans. There has been significant public commentary regarding the common industry practice of recording mortgages in the name of Mortgage Electronic Registration Systems, Inc. (MERS), as nominee on behalf of the note holder, and whether securitization trusts own the loans purported to be conveyed to them and have valid liens securing those loans. We currently use the MERS system for a substantial portion of the residential mortgage loans that we originate, including loans that have been sold to investors or securitization trusts. Additionally, certain legal challenges have been made to the process for transferring mortgage loans to securitization trusts, asserting that having a mortgagee of record that is different than the holder of the mortgage note could break the chain of title and cloud the ownership of the loan. In order to foreclose on a mortgage loan, in certain cases it may be necessary or prudent for an assignment of the mortgage to be made to the holder of the note, which in the case of a mortgage held in the name of MERS as nominee would need to be completed by MERS. As such, our practice is to obtain assignments of mortgages from MERS prior to instituting foreclosure. If certain required documents are missing or defective, or if the use of MERS is found not to be effective, we could be obligated to cure certain defects or in some circumstances be subject to additional costs and expenses, which could have a material adverse effect on our cash flows, financial condition and results of operations.

We may also face negative reputational costs from these servicing risks, which could reduce our future business opportunities in this area or cause that business to be on less favorable terms to us.

For additional information concerning our servicing risks, see Recent Events Certain Servicing-related Issues, in the MD&A beginning on page 34.

Credit Risk

Credit Risk is the Risk of Loss Arising from a Borrower, Obligor or Counterparty Default when a Borrower, Obligor or Counterparty does not Meet its Obligations.

Increased credit risk, due to economic or market disruptions, insufficient credit loss reserves or concentration of credit risk, may necessitate increased provisions for credit losses and could have an adverse effect on our financial condition and results of operations.

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 agreements. 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 consumer and commercial portfolios has a significant impact on our earnings. Although credit quality generally continued to show improvement throughout 2010, net charge-offs, nonperforming loans, leases and foreclosed properties remained elevated. Global and national economic conditions continue to weigh on our credit portfolios. Economic or market disruptions are likely to increase our credit exposure to customers, obligors or other counterparties due to the increased risk that they may default on their obligations to us. These potential increases in delinquencies and default rates could adversely affect our consumer credit card, home equity, consumer real estate and purchased credit-impaired portfolios, through increased charge-offs and provisions for credit losses. In addition, this increased credit risk could also adversely affect our commercial loan portfolios where we have experienced continued losses, particularly in our commercial real estate portfolios, reflecting broad-based stress across industries, property types and borrowers.

We estimate and establish an allowance for credit risks and credit losses inherent in our lending activities (including unfunded lending commitments), excluding those measured at fair value, through a charge to earnings. The amount of allowance is determined based on our evaluation of the potential credit losses included within our loan portfolio. The process for determining the amount of the allowance, which is critical to our operating results and financial condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how our borrowers will react to those conditions. Our ability to assess future economic conditions or the creditworthiness of our customers, obligors or other counterparties is imperfect. The ability of our borrowers to repay their loans will likely be impacted by changes in economic conditions, which in turn could impact the accuracy of our forecasts. As with any such assessments, there is also 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. In addition, we may underestimate the credit losses in our loan portfolios and suffer unexpected losses if the models and approaches we use to establish reserves and make judgments in extending credit to our borrowers and other counterparties become less predictive of future behaviors, valuations, assumptions or estimates. Although we believe that our allowance for credit losses was in compliance with applicable standards at December 31, 2010, there is no guarantee that it will be sufficient to address future credit losses, particularly if economic conditions worsen. In such an event we may need to increase the

size of our allowance in 2011, which would adversely affect our financial condition and results of operations.

In the ordinary course of our business, we also may be subject to a concentration of credit risk to a particular industry, country, 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 have a material adverse impact on our businesses, and the processes 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.

In the ordinary course of business, we also enter into transactions with sovereign nations, U.S. states and U.S. municipalities. Unfavorable economic or political conditions, disruptions to capital markets, currency fluctuations, social instability and changes in government policies could impact the operating budgets or credit ratings of sovereign nations, U.S. states and U.S. municipalities and expose us to credit risk.

We also have a concentration of credit risk with respect to our consumer real estate, consumer credit card and commercial real estate portfolios, which represent a large percentage of our overall credit portfolio. The economic downturn has adversely affected these portfolios and further exposed us to this concentration of risk. Continued economic weakness or deterioration in real estate values or household incomes could result in materially higher credit losses.

For additional information about our credit risk and credit risk management policies and procedures, see Credit Risk Management in the MD&A beginning on page 71 and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

We could suffer losses as a result of the actions of or deterioration in the commercial soundness of our counterparties and other financial services institutions.

Our ability to engage in routine trading and funding transactions could be adversely affected by the actions and commercial soundness of other market participants. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Financial services institutions and other counterparties are inter-related because of trading, funding, clearing or other relationships. 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 significant future liquidity problems, including losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, our credit risk may be impacted when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivatives exposure due us. Any such losses could materially adversely affect our financial condition and results of operations.

Our derivatives businesses may expose us to unexpected risks and potential losses.

We are party to a large number of derivatives transactions, including credit derivatives. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses and have an adverse effect on our financial condition and results of operations. Severe declines in asset values, unanticipated credit events or unforeseen circumstances that may cause previously uncorrelated factors to become correlated (and vice versa) may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument.

Many derivative instruments are individually negotiated and non-standardized, which can make exiting, transferring or settling some positions difficult. Many 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.

Derivatives contracts and other transactions entered into with third parties are not always confirmed by the counterparties or settled on a timely basis. While a transaction remains unconfirmed or during any delay in settlement, 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 derivatives 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.

For a further discussion of our derivatives exposure, see *Note 4 Derivatives* to the Consolidated Financial Statements.

Market Risk

Market Risk is the Risk that Values of Assets and Liabilities or Revenues will be Adversely Affected by Changes in Market Conditions Such as Market Volatility. 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.

Our businesses and results of operations have been, and may continue to be, significantly adversely affected by changes in the levels of market volatility and by other financial or capital market conditions.

Our businesses and results of operations may be adversely affected by market risk factors such as changes in interest and currency exchange rates, equity and futures prices, the implied volatility of interest rates, credit spreads and other economic and business factors. These market risks may adversely affect, for example, (i) the value of our on- and off-balance sheet securities, trading assets, other financial instruments, and MSRs, (ii) the cost of debt capital and our access to credit markets, (iii) the value of assets under management, which could reduce our fee income relating to those assets, (iv) customer allocation of capital among investment alternatives, (v) the volume of client activity in our trading operations, and (vi) the general profitability and risk level of the transactions in which we engage. Any of these developments could have a significant adverse impact on our financial condition and results of operations.

We use various models and strategies to assess and control our market risk exposures but those are subject to inherent limitations. For example, our models, which rely on historical trends and assumptions, may not be sufficiently predictive of future results due to limited historical patterns, extreme or unanticipated market movements and illiquidity, especially during severe market downturns or stress events. The models that we use to assess and control our market risk exposures also reflect assumptions about the degree 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 in 2008 and 2009, 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.
For additional information about market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A beginning on page 100.
Declines in the value of certain of our assets could have an adverse effect on our results of operations.
We have a large portfolio of financial instruments that we measure at fair value including, among others, certain corporate loans and loan commitments, loans held-for-sale, repurchase agreements and long-term deposits. We also have trading account assets and liabilities, derivatives assets and liabilities, available-for-sale debt and marketable equity securities, consumer-related MSRs and certain other assets that are valued at fair value. We determine the fair values of these instruments based on the fair value hierarchy under applicable accounting guidance. The fair values of these financial instruments include adjustments for market liquidity, credit quality and other transaction specific factors, where appropriate.
Gains or losses on these instruments can have a direct and significant impact on our results of operations, unless we have effectively hedged our exposures. For example, changes in interest rates, among other things, can impact the value of our MSRs and can result in substantially higher or lower mortgage banking income and earnings, depending upon our ability to fully hedge the performance of our MSRs. Fair values may be impacted by declining values of the underlying assets or the prices at which observable market transactions occur and the continued availability of these transactions. The financial strength of counterparties, such as monolines, with whom we have economically hedged some of our exposure to these assets, also will affect the fair value of 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 in our asset management businesses. We receive asset-based management fees based on the value of our clients portfolios or investments 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 can reduce the value of our clients portfolios or fund assets, which in turn can result in lower fees earned for managing such assets. For additional information about fair value measurements, see *Note 22 Fair Value Measurements* to the Consolidated Financial Statements. For additional information about our asset management businesses, see Business Segment Operations *Global Wealth & Investment Management* in the MD&A beginning on page 48.

Our commodities activities, particularly our physical commodities business, subject us to performance, environmental and other risks that may result in significant cost and liabilities.

As part of our commodities business, we enter into exchange-traded contracts, financially settled OTC 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. Commodity, related storage, transportation or other contracts expose us to the risk that the price of the underlying commodity or the cost of storing or transporting commodities may rise or fall. In addition, contracts relating to physical ownership and/or delivery can expose us to numerous other risks, including performance and environmental risks. For example, our counterparties may not be able to pass changes in the price of commodities to their customers and therefore may not be able to meet their performance obligations. Our actions to mitigate the aforementioned risks may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, our financial condition and results of operations may be adversely affected by such events.

Regulatory and Legal Risk

Bank regulatory agencies may require us to hold higher levels of regulatory capital, increase our regulatory capital ratios, or increase liquidity which could result in the need to issue additional securities that qualify as regulatory capital or to liquidate company assets.

We are subject to the risk-based capital guidelines issued by the Federal Reserve Board. These guidelines establish regulatory capital requirements for banking institutions to meet minimal requirements as well as to qualify as a well-capitalized institution. (A well-capitalized institution must generally maintain capital ratios 200 bps higher than the minimum guidelines.) The risk-based capital rules have been further supplemented by required leverage ratios, defined as so-called Tier 1 (the highest grade) capital divided by quarterly average total assets, after certain adjustments. If any of our insured depository institutions fails to maintain its status as well- capitalized under the capital rules of their primary federal regulator, the Federal Reserve Board will require us to enter into an agreement to bring the insured depository institution or institutions back into a well-capitalized status. For the duration of such an agreement, the Federal Reserve Board may impose restrictions on the activities in which we may engage. If we were to fail to enter into such an agreement, or fail to comply with the terms of such agreement, the Federal Reserve Board may impose more severe restrictions on the activities in which we may engage, including requiring us to cease and desist in activities permitted under the Gramm-Leach-Bliley Act.

It is possible that in the future increases in regulatory capital requirements, changes in how regulatory capital is calculated or increases to liquidity requirements, may cause the loss of our well-capitalized status unless we increase our capital levels by issuing additional common stock, thus diluting

our existing shareholders, or by selling assets. For example, the Financial Reform Act includes a provision under which our previously issued and outstanding trust preferred securities will no longer qualify as Tier 1 capital effective January 1, 2013. The exclusion of trust preferred securities from Tier 1 capital will be phased in incrementally over a three-year phase-in period. The treatment of trust preferred securities during the phase-in period remains unclear and is subject to future rulemaking.

On December 16, 2010, the Basel Committee issued Basel III, proposing a January 2013 implementation date for Basel III. If implemented by U.S. regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of trust preferred securities from

Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, mortgage servicing rights (MSRs), investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of other comprehensive income in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. U.S. regulators are expected to begin the final rulemaking processes for Basel III in early 2011 and have indicated a goal to adopt final rules by year-end 2011 or early 2012. In addition to the capital proposals, in December 2010 the Basel Committee proposed two measures of liquidity risk. The Liquidity Coverage Ratio identifies the amount of unencumbered, high quality liquid assets a financial institution holds that can be used to offset the net cash outflows the institution would encounter under an acute 30-day stress scenario. The Net Stable Funding Ratio measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations, over a one-year period. The Basel Committee expects the Liquidity Coverage Ratio to be implemented in January 2015 and the Net Stable Funding Ratio to be implemented in January 2018, following observation periods beginning in 2012.

Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity could have a material adverse effect on our financial condition and results of operations, as we may need to liquidate certain assets, perhaps on terms unfavorable to us and contrary to our business plans. Such a requirement could also compel us to issue additional securities, which could dilute our current common stockholders.For additional information about the proposals described above and their potential effect on our required levels of regulatory capital, see Item 1. Business Capital and Operational Requirements on page 5 and Capital Management Regulatory Capital in the MD&A beginning on page 63.

Government measures to regulate the financial industry, including the Financial Reform Act, either individually, in combination or in the aggregate, could require us to change certain of our business practices, impose significant additional costs on us, limit the products that we offer, limit our ability to pursue business opportunities in an efficient manner, require us to increase our regulatory capital, impact the value of assets that we hold, significantly reduce our revenues or otherwise materially and adversely affect our businesses, financial condition or results of operations.

As a financial institution, we are heavily regulated at the state, federal and international levels. As a result of the financial crisis and related global economic downturn that began in 2007, we have faced and expect to continue to face increased public and legislative scrutiny as well as stricter and more comprehensive regulation of our financial services practices. These regulatory and legislative measures, either individually, in combination or in the aggregate, could require us to change certain of our business practices, impose significant additional costs on us, limit the products that we offer, limit our ability to pursue business opportunities in an efficient manner, require us to increase our regulatory capital, impact the value of assets that we hold,

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significantly reduce our revenues or otherwise materially and adversely affect our businesses, financial condition, or results of operations.

Throughout 2009 and 2010, several major regulatory and legislative initiatives were adopted that will have significant future impacts on our businesses and financial results. For example, in November 2009, the Federal Reserve Board issued amendments to Regulation E, which implements the Electronic Fund Transfer Act. The rules became effective on July 1, 2010 for new customers and August 16, 2010 for existing customers. These amendments limit the way we and other banks charge an overdraft fee for non-recurring debit card transactions that overdraw a consumer s account unless the consumer affirmatively consents to the bank s payment of overdrafts for those transactions. In addition, in May 2009, the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 was signed into law. The majority of the CARD Act provisions became effective in February 2010. The CARD Act legislation contains comprehensive credit card reform related to credit card industry practices, including significantly restricting banks ability to change interest rates and assess fees to reflect individual consumer risk, changing the way payments are applied and requiring changes to consumer credit card disclosures. Complying with the Regulation E amendments and the CARD Act has required us to invest significant management attention and resources to make the necessary disclosure and systems changes and has adversely affected, and will likely continue to adversely affect, our earnings.

In July 2010, the Financial Reform Act was signed into law. The Financial Reform Act, among other reforms, (i) mandates that the Federal Reserve Board limit debit card interchange fees; (ii) bans banking organizations from engaging in proprietary trading and restricts their sponsorship of, or investing in, hedge funds and private equity funds, subject to limited exceptions; (iii) increases regulation of the over-the-counter derivative markets through measures that broaden the derivative instruments subject to regulation, requiring clearing and exchange trading and imposing additional capital and margin requirements for derivative market participants; (iv) changes the assessment base used in calculating FDIC deposit insurance fees from assessable deposits to total assets less tangible capital; (v) provides for heightened capital, liquidity, and prudential regulation and supervision over systemically important financial institutions; (vi) provides for resolution authority to establish a process to unwind large systemically important financial companies; (vii) creates a new regulatory body to set requirements around the terms and conditions of consumer financial products and expands the role of state regulators in enforcing consumer protection requirements over banks; (viii) disqualifies trust preferred securities and other hybrid capital securities from Tier 1 capital; (ix) includes a variety of corporate governance and executive compensation provisions and requirements; and (x) requires securitizers to retain a portion of the risk that would otherwise be transferred into certain securitization transactions.

Many of these provisions have begun to be or will be phased in over the next several months or years and will be subject both to further rulemaking and the discretion of applicable regulatory bodies. The ultimate impact of the final rules on our businesses and results of operations will depend on regulatory interpretation and rulemaking, as well as the success of any of our actions to mitigate the negative earnings impact of certain provisions. For instance, in December 2010, the Federal Reserve Board requested comment on a proposed rule that would establish debit card interchange fee standards and prohibit network exclusivity arrangements and routing restrictions. The proposed rule would establish standards for determining whether a debit card interchange fee received by a card issuer is reasonable and proportional to the cost incurred by the issuer for the transaction. Depending upon which cap is ultimately adopted, the final rule could have a significant adverse effect on our financial condition and results of operations and could result in additional goodwill impairment charges within our *Global Card Services* business segment.

We also anticipate that the final regulations associated with the Financial Reform Act will include limitations on certain activities, including limitations on

the use of a bank s own capital for proprietary trading and sponsorship or investment in hedge funds and private equity funds (Volcker Rule). Regulations implementing the Volcker Rule are required to be in place by October 21, 2011, and the Volcker Rule becomes effective 12 months after such rules are final or on July 21, 2012, whichever is earlier. The Volcker Rule then gives banking entities two years from the effective date (with opportunities for additional extensions) to bring activities and investments into conformance. In anticipation of the adoption of the final regulations, we have begun winding down our proprietary trading line of business. The ultimate impact of the Volcker

Rule or the winding down of this business, and the time it will take to comply or complete, continues to remain uncertain. The final regulations issued may impose additional operational and compliance costs on us.

Additionally, the Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives, imposing new capital and margin requirements for certain market participants and imposing position limits on certain over-the-counter derivatives. The Financial Reform Act grants the U.S. Commodity Futures Trading Commission (CFTC) and the SEC substantial new authority and requires numerous rulemakings by these agencies. Generally, the CFTC and SEC have until July 16, 2011 to promulgate the rulemakings necessary to implement these regulations. The ultimate impact of these derivatives regulations, and the time it will take to comply, continues to remain uncertain. The final regulations will impose additional operational and compliance costs on us and may require us to restructure certain businesses and negatively impact our revenues and results of operations.

The Financial Reform Act provided for a new resolution authority to establish a process to unwind large systemically important financial institutions. As part of that process we will be required to develop and implement a recovery and resolution plan which will be subject to review by the FDIC and the Federal Reserve Board to determine whether our plan is credible and viable. As a result of FDIC and Federal Reserve Board review, we could be required to take certain actions over the next several years which could impose operational costs and could potentially result in the divestiture or restructuring of certain businesses and subsidiaries.

Although we cannot predict the full effect of the Financial Reform Act on our operations, it, as well as the future rules implementing its reforms, could result in a significant loss of revenue, impose additional costs on us, require us to increase our regulatory capital or otherwise materially adversely affect our businesses, financial condition and results of operations.

In addition, Congress and the Administration have signaled growing interest in reforming the U.S. corporate income tax. While the timing of consideration of such legislative reform is unclear, possible approaches include lowering the 35% corporate tax rate, modifying the taxation of income earned outside of the U.S. and limiting or eliminating various other deductions, tax credits and/or other tax preferences. It is not possible at this time to quantify either the one-time impact from remeasuring deferred tax assets and liabilities that might result upon enactment of tax reform or the ongoing impact reform might have on income tax expense, but it is possible either of these impacts could adversely affect our financial condition and results of operations.

Other countries have also proposed and, in some cases, adopted certain regulatory changes targeted at financial institutions or that otherwise affect us. For example, the European Union has adopted increased capital requirements and the U.K. has (i) increased liquidity requirements for local financial institutions, including regulated U.K. subsidiaries of non-U.K. bank holding companies and other financial institutions as well as branches of non-U.K. banks located in the U.K; (ii) adopted a Bank Tax Levy which will apply to the aggregate balance sheet of branches and subsidiaries of non-U.K. banks and banking groups operating in the U.K.; (iii) proposed the creation and production of recovery and resolution plans (commonly referred to as living wills) by U.K. regulated entities; and (iv) announced the expectation of corporate income tax rate reductions of one percent to be enacted during each of 2011, 2012 and 2013 that would favorably impact income tax expense on future earnings but which would result in adjustments to the carrying value of deferred tax assets and related one-time charges to income tax expenses of nearly $400 million for each one percent reduction (however, it is possible that the full three percent rate reductions could be enacted in 2011, which would result in a 2011 charge of approximately $1.1 billion). We are also monitoring other international legislative proposals that could materially impact us, such as changes to income tax laws. Currently, in the U.K., net operating loss carry forwards (NOLs) have an indefinite life. Were the U.K. taxing authorities to introduce limitations on the future utilization of NOLs and the Corporation was unable to document its continued ability to fully utilize its NOLs, it would be required to establish a valuation allowance by a charge to income tax expense. Depending upon the nature of the limitations, such a change could be material in the period of enactment. In addition, in 2010 the FSA issued a policy statement regarding payment protection insurance (PPI) that requires companies to review their sales practices and to proactively remediate certain problems, if discovered. As a result of this review, we may be required to record additional liabilities.

For additional information about the regulatory initiatives discussed above, see Regulatory Matters in the MD&A beginning on page 56. For additional information about PPI, see *Note 14 Commitments and Contingencies Payment Protection Insurance Claims Matter* to the Consolidated Financial Statements.

During the last ten years, the Corporation and its subsidiaries and legacy companies have sold over $2.0 trillion of loans to the GSEs. Each GSE is currently in a conservatorship, with its primary regulator, the Federal Housing Finance Agency, acting as conservator. We cannot predict if, when or how the conservatorships will end, or any associated changes to the GSEs business structure that could result. We also cannot predict whether the conservatorships will end in receivership. There are several proposed approaches to reform the GSEs which, if enacted, could change the structure of the GSEs and the relationship among the GSEs, the government, and the private markets. We expect dialogue concerning GSE reform to continue and additional proposals to be advanced. We cannot predict the prospects for the enactment, timing or content of legislative or rulemaking proposals regarding the future status of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form. GSE reform, if enacted, could result in a significant change to the business operations of *Home Loans & Insurance*.

Finally, since the financial crisis began several years ago, an increasing number of bank failures has imposed significant costs on the FDIC in resolving those failures, and the regulator s deposit insurance fund has been depleted. In order to maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC has increased, and may increase in the future, assessment rates of insured institutions, including Bank of America. Deposits placed at the U.S. Banks are insured by the FDIC, subject to limits and conditions of applicable law and the FDIC s regulations. Pursuant to the Financial Reform Act, FDIC insurance coverage limits were permanently increased to $250,000 per customer. The Financial Reform Act also provides for unlimited FDIC insurance coverage for non-interest bearing demand deposit accounts for a two-year period beginning on December 31, 2010 and ending on January 1, 2013. The FDIC administers the DIF, and all insured depository institutions are required to pay assessments to the FDIC that fund the DIF. The Financial Reform Act changed the methodology for calculating deposit insurance assessments from the amount of an insured depository institution s domestic deposits to its total assets minus tangible capital. On February 7, 2011 the FDIC issued a new regulation implementing revisions to the assessment system mandated by the Financial Reform Act. The new regulation will be effective April 1, 2011 and will be reflected in the June 30, 2011 FDIC fund balance and the invoices for assessments due

September 30, 2011. As a result of the new regulations, we expect to incur higher annual deposit insurance assessments. We have identified potential mitigation actions, but they are in the early stages of development and we are not able to directly control the basis or the amount of premiums that we are required to pay for FDIC insurance or for other fees or assessment obligations imposed on financial institutions. Any future increases in required deposit insurance premiums or other bank industry fees could have a significant adverse impact on our financial condition and results of operations.

We face substantial potential legal liability and significant regulatory action, which could have material adverse effects on our cash flows, financial condition and results of operations, or cause significant reputational harm to us.

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 us and other financial institutions remain high and are increasing. Increased litigation costs, substantial legal liability or significant regulatory action against us could have material adverse effects on our financial condition and results of operations or cause significant reputational harm to us, which in turn could adversely impact our business prospects. In addition, we continue to face increased litigation risk and regulatory scrutiny as a result of the Countrywide and Merrill Lynch acquisitions. As a result of ongoing challenging economic conditions and the increased level of defaults over recent years, we have continued to experience increased litigation and other disputes with counterparties regarding relative rights and responsibilities. These litigation and regulatory matters and any related settlements could have a material adverse effect on our cash flows, financial condition and results of operations. They could also negatively impact our reputation and lead to volatility of our stock price. For a further discussion of litigation risks, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Changes in governmental fiscal and monetary policy could adversely affect our financial condition and results of operations.

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 MSRs, and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings are also affected by the fiscal or other policies that are adopted by various U.S. regulatory authorities, non-U.S. governments and international agencies. Changes in domestic and international fiscal and monetary policies are beyond our control and difficult to predict but could have an adverse impact on our capital requirements and the costs of running our businesses, in turn adversely impacting our financial condition and results of operations.

Risk of the Competitive Environment in which We Operate

We face significant and increasing competition in the financial services industry.

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 in recent years as the credit crisis led to numerous mergers and asset acquisitions among industry participants and in certain cases reorganization, restructuring, or even bankruptcy. This trend has also hastened the globalization of the securities and financial services markets. We will continue to experience intensified competition as further consolidation in the financial services industry in connection with current market conditions may produce larger, better-capitalized and more geographically diverse 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 negatively affect our results of operations by creating pressure to lower prices on our products and services and reducing market share.

Damage to our reputation could significantly harm our businesses, including our competitive position and business prospects.

Our ability to attract and retain investors, customers, clients and employees could be adversely affected to the extent our reputation is damaged. Significant harm to our reputation can arise from many sources, including employee misconduct, litigation or regulatory outcomes, failing to deliver minimum standards of service and quality, compliance failures, unethical behavior, unintended disclosure of confidential information, and the activities of our clients, customers and counterparties. Actions by the financial services industry generally or by certain members or individuals in the industry also can significantly adversely affect our reputation.

Our actual or perceived failure to address various issues also could give rise to reputational risk that could cause significant harm to us and our business prospects, including failure to properly address operational risks. These issues include legal and regulatory requirements, privacy, properly maintaining customer and associate personal information, record keeping, protecting against money-laundering, sales and trading practices, ethical issues, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products.

We could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions, which could adversely affect our businesses.

We continue to face increased public and regulatory scrutiny resulting from the financial crisis, including our foreclosure practices, modifications of mortgages, volume of lending, compensation practices, our acquisitions of Countrywide and Merrill Lynch, and the suitability of certain trading and investment businesses. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions, legal risks and reputational harm, which could, among other consequences, 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.

Our ability to attract and retain qualified employees is critical to the success of our businesses and failure to do so could adversely affect our business prospects, including our competitive position and results of operations.

Our performance is heavily dependent on the talents and efforts of highly skilled individuals. Competition for qualified personnel within the financial services industry and from businesses outside the financial services industry has been, and is expected to continue to be, intense even during difficult economic times. Our competitors include non-U.S.-based institutions and institutions otherwise not subject to compensation and hiring regulations imposed on U.S. institutions and financial institutions in particular. The difficulty we face in competing for key personnel is exacerbated 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.

In order to attract and retain qualified personnel, we must provide market-level compensation. As a large financial and banking institution, we may be subject to limitations on compensation practices (which may or may not affect our competitors) by the Federal Reserve Board, the FDIC or other regulators around the world. Any future limitations on executive compensation imposed by legislators and regulators could adversely affect our ability to attract and maintain qualified employees. Furthermore, a substantial portion of our annual bonus compensation paid to our senior employees has in recent years taken the form of long-term equity awards. The value of long-term equity awards to senior employees generally has been negatively affected by the significant decline in the market price of our common stock. If we are unable to continue to attract and retain qualified individuals, our business prospects, including our competitive position and results of operations, could be adversely affected.

Our inability to adapt our products and services to evolving industry standards and consumer preferences could harm our businesses.

Our business model is based on a diversified mix of businesses that provide 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 competitors to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. 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 or 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 sufficiently developing and maintaining loyal customers.

Risks Related to Risk Management

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to the types of risk to which we are subject, including strategic, credit, market, liquidity, compliance, fiduciary, operational and reputational risks, among others. While we employ a broad and diversified set of risk monitoring and mitigation techniques, those techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. For example, recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry and increases in the overall complexity of our operations, among other developments, have resulted in the creation of a variety of previously unanticipated or unknown risks, highlighting the intrinsic limitations of our risk monitoring and mitigation techniques. As such, we may incur future losses due to the development of such previously unanticipated or unknown risks.

For additional information about our risk management policies and procedures, see Managing Risk in the MD&A beginning on page 59.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties, could disrupt our businesses, result in the disclosure of confidential information or damage our reputation. Any such failure also could have a significant adverse effect on our reputation, cash flows, financial condition, and results of operations.

Our businesses are highly dependent on our ability to process and monitor, on a continuous basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. The potential for operational risk exposure exists throughout our organization, including losses resulting from unauthorized trades by any employees.

Integral to our performance is the continued efficacy of our internal processes, systems, relationships with third parties and the vast array of employees and key executives in our day-to-day and ongoing operations. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control and adversely affect our ability to process these transactions or provide these services. We must continuously update these systems to support our operations and growth. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones.

In addition, we also face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. In recent years, there has been significant consolidation among clearing agents, exchanges and clearing houses, which has increased our exposure to operational failure, termination or capacity constraints of the particular financial intermediaries that we use and could affect our ability to find adequate and cost-effective alternatives in the event of any such failure, termination or constraint. Industry consolidation, whether among market participants or financial intermediaries, increases the risk of operational failure as disparate complex systems need to be integrated, often on an accelerated basis.

Furthermore, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased centrality of these entities under proposed and potential regulation, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could adversely impact our own business operations. Any such failure, termination or constraint could adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our businesses and could have a significant adverse impact on our liquidity, financial condition, and results of operations.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. Additionally, breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to our or our clients or counterparties confidential or other information. If one or more of such events occur, this potentially could jeopardize our or our clients or counterparties confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients , our counterparties or third parties operations, which could result in significant losses or reputational damage to us. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures arising from operational and security risks, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

We routinely transmit and receive personal, confidential and proprietary information by e-mail and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties, and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. Any interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and

reputational harm for us and could have a significant adverse effect on our competitive position, financial condition and results of operations.

With regard to the physical infrastructure that supports our operations, we have taken measures to implement backup systems and other safeguards, but our ability to conduct business may be adversely affected by any disruption to that infrastructure. Such disruptions could involve electrical, communications, internet, transportation or other services used by us or third parties with whom we conduct business. These disruptions may occur as a result of events that affect only our facilities or those of our clients or other business partners but they could also be the result of events with a broader impact globally, regionally or in the cities where those facilities are located. The costs associated with such disruptions, including any loss of business, could have a significant adverse effect on our results of operations or financial condition.

Any of these operational and security risks could lead to significant and negative consequences, including reputational harm as well as loss of customers and business opportunities, which in turn could have a significant adverse effect on our businesses, financial condition and results of operations. For a further discussion of operational risks and our operational risk management, see Operational Risk Management in the MD&A beginning on page 106.

Risk Related to Past Acquisitions

Any failure to successfully integrate or otherwise realize the expected benefits from our recent acquisitions could adversely affect our results of operations.

There are significant risks and uncertainties associated with mergers and acquisitions. We have made several significant acquisitions in the last several years, including Merrill Lynch and Countrywide, and the success of these acquisitions faces numerous challenges. In particular, the success of our acquisition of Merrill Lynch in 2009 will continue to 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. If we are not able to successfully integrate these businesses, the anticipated benefits and cost savings of the acquisition may not be realized fully 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 acquisition. With regard to any of our acquisitions, a significant decline in asset valuations or cash flows may also cause us not to realize expected benefits. These failures could in turn negatively affect our financial condition, including adversely impacting the carrying value of the acquisition premium or goodwill. Our ability to achieve these objectives has also been made more difficult as a result of the substantial challenges that we are facing in our businesses because of the current economic environment.

In addition, it is possible that the integration process could result in disruption of our and Merrill Lynch s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain sufficiently strong relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the acquisition. Integration efforts may also divert management attention and resources. These integration matters could have an adverse effect on us for an undetermined period. We will be subject to similar risks and difficulties in connection with any future acquisitions or decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Risk of Being an International Business

We are subject to numerous political, economic, market, reputational, operational, legal, regulatory and other risks in the non-U.S. jurisdictions in which we operate which could adversely impact our businesses.

We do business throughout the world, including in developing regions of the world commonly known as emerging markets. Our businesses and revenues derived from non-U.S. jurisdictions are subject to risk of loss from currency fluctuations, social or judicial instability, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, capital controls, exchange controls, other restrictive actions, unfavorable political and diplomatic developments and changes in legislation. These risks are especially acute in emerging markets. As in the United States, many non-U.S. jurisdictions in which we do business have been negatively impacted by recessionary conditions. While a number of these jurisdictions are showing signs of recovery, others continue to experience increasing levels of stress. In addition, the risk of default on sovereign debt in some non-U.S. jurisdictions is increasing and could expose us to substantial losses. Any such unfavorable conditions or developments could have an adverse impact on our businesses and results of operations.

Our non-U.S. businesses are also subject to extensive regulation by various non-U.S. regulators, including governments, securities exchanges, central banks and other regulatory bodies, in the jurisdictions in which those businesses operate. In many countries, the laws and regulations applicable to the financial services and securities industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market or manage our relationships with multiple regulators in various jurisdictions. Our inability to remain in compliance with local laws in a particular market and manage our relationships with regulators could have a significant and adverse effect not only on our businesses in that market but also on our reputation generally.

We also invest or trade in the securities of corporations and governments located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities may be subject to negative fluctuations as a result of the above factors. Furthermore, the impact of these fluctuations could be magnified, because non-U.S. trading markets, particularly in emerging market countries, are generally smaller, less liquid and more volatile than U.S. trading markets.

We are subject to geopolitical risks, including acts or threats of terrorism, and actions taken by the U.S. or other governments in response and/or military conflicts, that could adversely affect business and economic conditions abroad as well as in the United States.

For a further discussion of our non-U.S. credit and trading portfolio, see Credit Risk Management Non-U.S. Portfolio in the MD&A beginning on page 94.

Risk from Accounting Changes

Changes in accounting standards or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our financial condition and results of operations.

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 reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimate or judgments were incorrectly made, we could be required to correct and restate prior period financial statements. Accounting standard-setters and those who interpret the accounting standards (such as the Financial Accounting Standards Board (FASB), the SEC, banking regulators and our independent registered public accounting firm) may also amend or even reverse their previous interpretations or positions on how various 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 needing to revise and republish prior period financial statements. For a further discussion of some of our critical accounting policies and standards and recent accounting changes, see Complex Accounting Estimates in the MD&A beginning on page 107 and *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC Staff 180 days or more before the end of our 2010 fiscal year relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

As of December 31, 2010, our principal offices and other materially important properties consisted of the following:

Facility Name	Location	Property Type	Primary Business Segment	Property Status	Bank Occupied Space and Amount Leased to 3rd Parties
Corporate Center	Charlotte, NC	60 story building	Principal Executive Offices All Business Segments	Owned	Directly occupy 50% (624,153 sq. ft.) of building while subleasing an additional 48% (576,233 sq. ft.) of the space.
1 Bank of America Center	Charlotte, NC	30 story building	*Deposits, Home Loans & Insurance, GBAM* and *GWIM*	Owned	Directly occupy 21% (159,000 sq. ft.) of building while subleasing an additional 10% (75,000 sq. ft.) of the space.
4 World Financial Center	New York, NY	34 story building (North Tower)	*GBAM*	49% Owned (1)	Directly occupy 100% (1,803,157 sq. ft.) of building
One Bryant Park	New York, NY	51 Story building	*GBAM*	49.9% Owned (1)	Directly occupy 74% (1,834,969 sq. ft.) of building
100 Federal St. Boston	Boston, MA	37 story building	*GWIM*	Owned	Directly occupy 65% (818,019 sq. ft.) of building while subleasing an additional 35% (434,160 sq. ft.) of the space.
Hopewell Office Park Campus	Hopewell, NJ	8 building campus	*GWIM*	Owned	Directly occupy 100% (1,606,025 sq. ft.) of campus.
Concord Campus	Concord, CA	4 building campus	All Business Segments	Owned	Directly occupy 100% (1,075,241 sq. ft.) of campus.
Villa Park Campus	Richmond, VA	3 building campus	All Business Segments	Leased	Directly occupy 84% (770,322 sq. ft.) of campus.

* All Business Segments consists of *Deposits, Global Card Services, Home Loans & Insurance, Global Commercial Banking, GBAM* and *GWIM*.

(1) Represents percentage ownership interest in entity that owns the property.

We own or lease approximately 120 million square feet in 26,910 locations globally, including approximately 112 million square feet in the United States (all 50 U.S. states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico) and approximately eight million square feet in 44 non-U.S. countries.

We believe our owned and leased properties are adequate for our business needs and are well maintained. We continue to evaluate our current and

projected space requirements and may determine from time to time that certain of our premises and facilities are no longer necessary for our operations. There is no assurance that we will be able to dispose of any such excess premises, and we may incur costs in connection with such disposition, including costs that could be material to our results of operations in any given period.

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Item 3. Legal Proceedings

See Litigation and Regulatory Matters in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements for Bank of America s litigation disclosure which is incorporated herein by reference.

Item 4. Removed and Reserved

Executive Officers of The Registrant

The name, age and position of each of our current executive officers are listed below along with such officer s business experience. Unless otherwise indicated, executive officers are appointed by the Board to hold office until their successors are elected and qualified or until their earlier resignation or removal.

David C. Darnell (58) President, Global Commercial Banking since July 2005. Mr. Darnell joined the Corporation in 1979 and served in a number of senior leadership roles before becoming the President of Global Commercial Banking.

Barbara J. Desoer (58) President, Bank of America Home Loans and Insurance since July 2008; Chief Technology and Operations Officer from August 2004 to July 2008. Ms. Desoer joined a predecessor of the Corporation in 1977 and served in a number of senior leadership roles before becoming Chief Technology and Operations Officer.

Sallie L. Krawcheck (46) President, Global Wealth and Investment Management since August 2009; Chairman of Global Wealth Management of Citigroup, Inc. from January 2007 until December 2008; Chief Executive Officer of Global Wealth Management of Citigroup, Inc. from January 2007 to September 2008; Chief Financial Officer and Head of Strategy of Citigroup, Inc. from November 2004 to January 2007.

Terrence P. Laughlin (56) Legacy Asset Servicing Executive since February 2011; Credit Loss Mitigation Strategies & Secondary Markets Executive from August 2010 to February 2011; Chief Executive Officer and President of OneWest Bank, FSB from March 2009 to July 2010; Chairman of Merrill Lynch Bank & Trust Co., FSB from February 2005 to May 2008.

Thomas K. Montag (54) President, Global Banking and Markets since August 2009; President, Global Markets from January 2009 to August 2009; Executive Vice President and Head of Global Sales and Trading of Merrill Lynch & Co., Inc. from August 2008 to December 2008; Co-head, Global

Securities of The Goldman Sachs Group, Inc. from 2006 to 2008; Co-president, Japanese Operations of The Goldman Sachs Group, Inc. from 2002 to 2007; Member, Management Committee of The Goldman Sachs Group, Inc. from 2002 to 2008; Member, Fixed Income, Currency and Commodities & Equities Executive Committee of The Goldman Sachs Group, Inc. from 2000 to 2008.

Brian T. Moynihan (51) President and Chief Executive Officer since January 2010; President, Consumer and Small Business Banking from August 2009 to December 2009; President, Global Banking and Wealth Management from January 2009 to August 2009; General Counsel from December 2008 to January 2009; President, Global Corporate and Investment Banking from October 2007 to December 2008; President, Global Wealth and Investment Management from April 2004 to October 2007.

Charles H. Noski (58) Executive Vice President and Chief Financial Officer since May 2010. Mr. Noski has served as a director of Microsoft Corporation since November 2003; director of Air Products and Chemicals, Inc. from October 2000 to January 2004 and from May 2005 to May 2010; director of Morgan Stanley from September 2005 to April 2010; director of Automatic Data Processing, Inc. from April 2008 to May 2010.

Edward P. O Keefe (55) General Counsel since January 2009; Deputy General Counsel and Head of Litigation from December 2008 to January 2009; Global Compliance and Operational Risk Executive and Senior Privacy Executive from September 2008 to December 2008; Deputy General Counsel for Staff Support from January 2005 to September 2008.

Joe L. Price (50) President, Consumer and Small Business Banking since February 2010; Chief Financial Officer from January 2007 to January 2010; Global Corporate and Investment Banking Risk Management Executive from June 2003 to December 2006.

Bruce R. Thompson (46) Chief Risk Officer since January 2010; Head of Global Capital Markets from July 2008 to January 2010; Co-head of Capital Markets (now Global Capital Markets) from October 2007 to July 2008; Co-head of Global Credit Products from June 2007 to October 2007; Co-head of Global Leveraged Finance from March 2007 to June 2007; Head of U.S. Leveraged Finance Capital Markets from May 2006 to March 2007; Managing Director of Banc of America Securities LLC, a subsidiary of the Corporation, from 1996 to May 2006.

Part II

Bank of America Corporation and Subsidiaries

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock is traded is the New York Stock Exchange. Our 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
2009	first	$ 14.33	$ 3.14
	second	14.17	7.05
	third	17.98	11.84
	fourth	18.59	14.58
2010	first	18.04	14.45
	second	19.48	14.37
	third	15.67	12.32
	fourth	13.56	10.95

As of February 15, 2011, there were 247,064 registered shareholders of common stock. During 2009 and 2010, we paid dividends on the common stock on a quarterly basis.

The following table sets forth dividends paid per share of our common stock for the periods indicated:

	Quarter	Dividend
2009	first	$ 0.01
	second	0.01
	third	0.01
	fourth	0.01
2010	first	0.01
	second	0.01
	third	0.01
	fourth	0.01

For additional information regarding our ability to pay dividends, see *Note 15 Shareholders Equity* and *Note 18 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements, which are incorporated herein by reference.

For information on our equity compensation plans, see Item 12 beginning on page 244 of this report and *Note 20 Stock-Based Compensation Plans* to the Consolidated Financial Statements both of which are incorporated herein by reference.

The table below presents share repurchase activity for the three months ended December 31, 2010.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased [1]	Weighted-Average Per Share Price	Shares Purchased as Part of Publicly Announced Programs	Remaining Buyback Authority Amounts	Remaining Buyback Authority Shares
October 1 31, 2010	252	$ 13.32			
November 1 30, 2010	5	$ 12.96			
December 1 31, 2010	101	$ 12.28			
Three months ended December 31, 2010	358	$ 13.02			

(1) Consists of shares acquired by the Corporation in connection with satisfaction of tax withholding obligations on vested restricted stock or restricted stock units and certain forfeitures from terminations of employment related to awards under equity incentive plans.

We did not have any unregistered sales of our equity securities in 2010.

Item 6. Selected Financial Data

See Table 6 in the MD&A on page 32 and Table XII of the Statistical Tables on page 125 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.

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

This report on Form 10-K, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make, certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as expects, anticipates, believes, estimates, targets, intends, plans, goal and other similar expressions or future or conditional verbs such as will, may, might, should, would and could. The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation s future results and revenues, and future business and economic conditions more generally, including statements concerning: the adequacy of the liability for the remaining representations and warranties exposure to the government-sponsored enterprises (GSEs) and the future impact to earnings; the potential assertion and impact of additional claims not addressed by the GSE agreements; the expected repurchase claims on the 2004-2008 loan vintages; representations and warranties liabilities (also commonly referred to as reserves), and range of possible loss estimates, expenses and repurchase claims and resolution of those claims; the proposal to modestly increase dividends in the second half of 2011; the charge to income tax expense resulting from a reduction in the United Kingdom (U.K.) corporate income tax rate; future payment protection insurance claims in the U.K.; future risk-weighted assets and any mitigation efforts to reduce risk-weighted assets; net interest income; credit trends and conditions, including credit losses, credit reserves, charge-offs, delinquency trends and nonperforming asset levels; consumer and commercial service charges, including the impact of changes in the Corporation s overdraft policy as well as from the Electronic Fund Transfer Act and the Corporation s ability to mitigate a decline in revenues; liquidity; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the requirements of various regulatory agencies, including our ability to comply with any Basel capital requirements endorsed by U.S. regulators without raising additional capital; the revenue impact of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act); the revenue impact resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act) including the impact of the Volcker Rule and derivatives regulations; mortgage production levels; long-term debt levels; run-off of loan portfolios; the impact of various legal proceedings discussed in Litigation and Regulatory Matters in Note 14 Commitments and Contingencies to the Consolidated Financial Statements; the number of delayed foreclosure sales and the resulting financial impact and other similar matters; and other matters relating to the Corporation and the securities that we may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation s forward-looking statements. You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, including Item 1A. Risk Factors, and in any of the Corporation s subsequent Securities and Exchange Commission (SEC) filings: the Corporation s resolution of certain

representations and warranties obligations with the GSEs and our ability to resolve any remaining claims; the Corporation s ability to resolve any representations and warranties obligations with monolines and private investors; failure to satisfy our obligations as servicer in the residential mortgage securitization process; the adequacy of the liability and/or range of possible loss estimates for the representations and warranties exposures to the GSEs, monolines and private-label and other investors; the potential assertion and impact of additional claims not addressed by the GSE agreements; the foreclosure review and assessment process, the effectiveness of the Corporation s response and any governmental or private third-party claims asserted in connection with these *foreclosure matters; the adequacy of the reserve for future payment protection insurance claims in the U.K.; negative economic conditions generally including continued weakness in the U.S. housing market, high unemployment in the U.S., as well as economic challenges in many non-U.S. countries in which we operate and sovereign debt challenges; the Corporation s mortgage modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions, including the Corporation as well as its business partners; the Corporation s credit ratings and the credit ratings of its securitizations; estimates of the fair value of certain of the Corporation s assets and liabilities; legislative and regulatory actions in the U.S. (including the impact of the Financial Reform Act, the Electronic Fund Transfer Act, the CARD Act and related regulations and interpretations) and internationally; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments as well as any collateral effects on our ability to do business and access the capital markets; various monetary, tax and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations (including new consolidation guidance), inaccurate estimates or assumptions in the application of accounting policies, including in determining reserves, applicable guidance regarding goodwill accounting and the impact on the Corporation s financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; adequacy of the Corporation s risk management framework; the Corporation s ability to attract new employees and retain and motivate existing employees; technology changes instituted by the Corporation, its counterparties or competitors; mergers and acquisitions and their integration into the Corporation, including the Corporation s ability to realize the benefits and cost savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch and Countrywide acquisitions; the Corporation s reputation, including the effects of continuing intense public and regulatory scrutiny of the Corporation and the financial services industry; the effects of any unauthorized disclosures of our or our customers private or confidential information and any negative publicity directed toward the Corporation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.*

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

Notes to the Consolidated Financial Statements referred to in the Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, the Corporation may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation s subsidiaries or affiliates. Our principal executive offices are located in the Bank of America Corporate Center in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments*: Deposits, Global Card Services, Home Loans & Insurance, Global Commercial Banking, Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM),* with the remaining operations recorded in *All Other*. Effective January 1, 2010, we realigned the Global Corporate and Investment Banking portion of the former *Global Banking* business segment with the former *Global Markets* business segment to form *GBAM* and to reflect *Global Commercial Banking* as a standalone segment. At December 31, 2010, the Corporation had $2.3 trillion in assets and approximately 288,000 full-time equivalent employees.

On January 1, 2009, we acquired Merrill Lynch & Co., Inc. (Merrill Lynch) and, as a result, we now have one of the largest wealth management businesses in the world with nearly 17,000 wealth advisors, an additional 3,000 client-facing professionals and more than $2.2 trillion in client assets. Additionally, 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.

As of December 31, 2010, we operate in all 50 states, the District of Columbia and more than 40 non-U.S. countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve approximately 57 million consumer and small business relationships with 5,900 banking centers, 18,000 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 market share for deposits in seven of those states. We offer industry-leading support to approximately four million small business owners.

For information on recent and proposed legislative and regulatory initiatives that may affect our business, see Regulatory Matters beginning on page 56.

The table below provides selected consolidated financial data for 2010 and 2009.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2010	2009
Income statement		
Revenue, net of interest expense (FTE basis) (1)	**$ 111,390**	$ 120,944
Net income (loss)	**(2,238)**	6,276
Net income, excluding goodwill impairment charges (2)	**10,162**	6,276
Diluted earnings (loss) per common share	**(0.37)**	(0.29)
Diluted earnings (loss) per common share, excluding goodwill impairment charges (2)	**0.86**	(0.29)
Dividends paid per common share	**$ 0.04**	$ 0.04

Performance ratios		
Return on average assets	**n/m**	0.26%
Return on average assets, excluding goodwill impairment charges [2]	**0.42%**	0.26
Return on average tangible shareholders equity [1]	**n/m**	4.18
Return on average tangible shareholders equity, excluding goodwill impairment charges [1, 2]	**7.11**	4.18
Efficiency ratio (FTE basis) [1]	**74.61**	55.16
Efficiency ratio (FTE basis), excluding goodwill impairment charges [1, 2]	**63.48**	55.16
Asset quality		
Allowance for loan and lease losses at December 31	**$ 41,885**	$ 37,200
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [3]	**4.47%**	4.16%
Nonperforming loans, leases and foreclosed properties at December 31 [3]	**$ 32,664**	$ 35,747
Net charge-offs	**34,334**	33,688
Net charge-offs as a percentage of average loans and leases outstanding [3, 4]	**3.60%**	3.58%
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs [3, 5]	**1.22**	1.10
Balance sheet at year end		
Total loans and leases	**$ 940,440**	$ 900,128
Total assets	**2,264,909**	2,230,232
Total deposits	**1,010,430**	991,611
Total common shareholders equity	**211,686**	194,236
Total shareholders equity	**228,248**	231,444
Capital ratios at year end		
Tier 1 common equity	**8.60%**	7.81%
Tier 1 capital	**11.24**	10.40
Total capital	**15.77**	14.66
Tier 1 leverage	**7.21**	6.88

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders equity (ROTE) and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, see Supplemental Financial Data beginning on page 36, and for a corresponding reconciliation to GAAP financial measures, see Table XIII.

(2) Net income (loss), diluted earnings (loss) per common share, return on average assets, ROTE and the efficiency ratio have been calculated excluding the impact of goodwill impairment charges of $12.4 billion in 2010 and accordingly, these are non-GAAP measures. For additional information on these measures and ratios, see Supplemental Financial Data beginning on page 36, and for a corresponding reconciliation to GAAP financial measures, see Table XIII.

(3) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity beginning on page 81 and corresponding Table 33, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity and corresponding Table 41 on page 89.

(4) Net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired (PCI) loans were 3.73 percent and 3.71 percent for 2010 and 2009.

(5) Ratio of the allowance for loan and lease losses to net charge-offs excluding (PCI) loans was 1.04 percent and 1.00 percent for 2010 and 2009.

n/m = not meaningful

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2010 Economic and Business Environment

The banking environment and markets in which we conduct our businesses will continue to be strongly influenced by developments in the U.S. and global economies, as well as the continued implementation and rulemaking from recent financial reforms. The global economy continued to recover in 2010, but growth was very uneven across countries and regions. Emerging nations, led by China, India and Brazil, expanded rapidly, while the U.S., U.K., Europe and Japan continued to grow modestly.

United States

In the U.S., the economy began to recover early in 2010, fueled by moderate growth in consumption and inventory rebuilding, but slowed in late spring, coincident with the intensification of Europe s financial crisis. A slowdown in consumption and domestic demand growth contributed to weak employment gains and an unemployment rate that drifted close to 10 percent. Year-over-year inflation measures receded below one percent and stock market indices declined. Concerns about high unemployment and fears that the U.S. might incur deflation led the Federal Reserve to adopt a second round of quantitative easing that involved purchases of $600 billion of U.S. Treasury securities scheduled to occur through June 2011. The announcement of this policy led to lower interest rates. Bond yields rebounded in the second half of 2010 as the U.S. economy reaccelerated, driven by stronger consumer spending, rapid growth of exports and business investment in equipment and software. The strong holiday retail season provided healthy economic momentum toward year end. Despite only moderate economic growth in 2010, corporate profits rose sharply, benefiting from strong productivity gains and constraints on hiring and operating costs. Cautious business financial practices resulted in a record-breaking $1.5 trillion in free cash flows at non-financial businesses.

The housing market remained weak throughout 2010. Home sales were soft, despite lower home prices and low interest rates. There were delays in the foreclosure process on the large number of distressed mortgages and the supply of unsold homes remained high. Based on available Home Price Index (HPI) information, the mild improvement in home prices that occurred in the second half of 2009 continued into early 2010. However, housing prices renewed a downward trend in the second half of 2010, due in part to the expiration of tax incentives for home buyers.

Credit quality of bank loans to businesses and households improved significantly in 2010 and the continued economic recovery improved the environment for bank lending. Bank commercial and industrial loans to businesses increased in the last few months of 2010, following their steep recession-related declines, reflecting increasing loan demand relating to stronger production, inventory building and capital spending. Rising disposable personal income, household deleveraging and improving household finances contributed to improving consumer credit quality.

Europe

In Europe, a financial crisis emerged in mid-2010, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain that created concerns about the ability of these European Union (EU) peripheral nations to continue to service their debt obligations. These conditions impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations. The financial crisis and efforts by the European Commission, European Central Bank (ECB) and International Monetary Fund (IMF) to negotiate a financial support package to financially challenged EU nations unsettled global financial markets and contributed to Euro exchange rate and interest rate volatility. Economic performance of certain EU core nations, led by Germany, remained healthy throughout 2010, while the economies of Greece, Ireland, Italy, Portugal and Spain experienced recessionary conditions and slowing

growth in response to the financial crisis and the implementation of fiscal austerity programs. Additionally, Spain and Ireland s economies declined as a result of material deterioration in their housing sectors. Uncertainty over the outcome of the EU governments financial support programs and worries about sovereign finances continued through year end. For information on our exposure in Europe, see Non-U.S. Portfolio beginning on page 94 and *Note 28 Performance by Geographical Area* to the Consolidated Financial Statements.

Asia

Asia, excluding Japan, continued to outperform all other regions in 2010 with strong growth across most countries. China and India continued to lead the region in terms of growth and China became the second largest economy in the world after the U.S., eclipsing Japan. Growth across the region became broader based with consumer demand, investment activity and exports all performing well. Asia remained well positioned to withstand global shocks because of record international reserves, current account surpluses and reduced external leverage. Many Asian nations, including China, Taiwan, South Korea, Thailand and Malaysia, are net external creditors, with China and Japan among the largest holders of U.S. Treasury bonds. Bank balance sheets have improved across most of the region and asset quality issues have remained manageable. Among the key challenges faced by the region were large capital inflows that placed appreciation pressures on most currencies against the U.S. Dollar (USD), complicating monetary policy and adding to excess liquidity pressures. Most countries in the region, including China, India, South Korea, Thailand and Indonesia, began to withdraw fiscal stimulus and tighten monetary policy with hikes in interest rates as growth gathered momentum and as food and broader price inflation pressures began to increase. Japan performed well early in the year, but the economy weakened at the end of the year due to weakening consumer demand, and appreciation of the yen that hurt export competitiveness. For information on our exposure in Asia, see Non-U.S. Portfolio beginning on page 94 and *Note 28 Performance by Geographical Area* to the Consolidated Financial Statements.

Emerging Nations

In the emerging nations, inflation pressures began to mount and their central banks raised interest rates or took steps to tighten monetary policy and slow bank lending. Strong growth in emerging nations and their favorable economic outlooks attracted capital from the industrialized nations. The excess global liquidity generated by the accommodative monetary policies of the Federal Reserve, Bank of Japan and other central banks also flowed into emerging nations. These capital inflows put upward pressure on many emerging nation currencies. As a result, some emerging nations, such as Brazil, experienced strong currency appreciation. However, in other nations, that peg their currencies to the U.S. dollar, currency appreciation was muted causing inflationary pressures and rapid real estate price appreciation. Global economic momentum, along with the generally weak U.S. dollar and easing monetary policies in several industrialized nations, contributed to rising prices for industrial commodities in these emerging nations. Through year end, inflation pressures in key emerging nations continued to mount. For more information on our emerging nations exposure, see Table 48 on page 95.

Performance Overview

In 2010, we reported a net loss of $2.2 billion compared to net income of $6.3 billion in 2009. After preferred stock dividends and accretion of $1.4 billion in 2010 compared with $8.5 billion in 2009, net loss applicable to common shareholders was $3.6 billion, or $0.37 per diluted common share, compared to $2.2 billion, or $0.29 per diluted common share in 2009. Our 2010 results reflected, among other things, $12.4 billion in goodwill impairment charges, including non-cash, non-tax deductible goodwill impairment charges of

$10.4 billion in *Global Card Services* and $2.0 billion in *Home Loans & Insurance*. For more information about the goodwill impairment charges in 2010, see Complex Accounting Estimates beginning on page 107 and *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements.

Excluding the $12.4 billion of goodwill impairment charges, net income was $10.2 billion for 2010. After preferred stock dividends and accretion, net income applicable to common shareholders, excluding the goodwill impairment charges was $8.8 billion, or $0.86 per diluted common share, for 2010. Revenue, net of interest expense on a FTE basis decreased $9.6 billion or eight percent to $111.4 billion in 2010.

Net interest income on a FTE basis increased $4.3 billion to $52.7 billion for 2010 compared to 2009. The increase was due to the impact of deposit pricing and the adoption of new consolidation guidance. The increase was partially offset by lower commercial and consumer loan levels and lower rates on the core assets and trading assets and liabilities.

Noninterest income decreased $13.8 billion to $58.7 billion in 2010 compared to $72.5 billion in 2009. Contributing to the decline was lower mortgage banking income, down $6.1 billion, largely due to $6.8 billion in representations and warranties provision, and decreases in equity investment income of $4.8 billion, gains on sales of debt securities of $2.2 billion, trading account profits of $2.2 billion, service charges of $1.6 billion and insurance income of $694 million, compared to 2009. These declines were partially offset by an increase in other income of $2.4 billion and a decrease in impairment losses of $1.9 billion.

Representations and warranties expense increased $4.9 billion to $6.8 billion in 2010 compared to $1.9 billion in 2009. The increase was primarily driven by a $4.1 billion provision for representations and warranties in the fourth quarter of 2010. The fourth quarter provision includes $3.0 billion related to the impact of the agreements reached with the GSEs on December 31, 2010, pursuant to which we paid $2.8 billion to resolve repurchase claims involving certain residential mortgage loans sold directly to the GSEs by entities related to legacy Countrywide Financial Corporation (Countrywide) as well as adjustments made to the representations and warranties liability for other loans sold

directly to the GSEs and not covered by these agreements. For more information about the GSE agreements, see Recent Events beginning on page 33 and *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

The provision for credit losses decreased $20.1 billion to $28.4 billion in 2010 compared to 2009. The provision for credit losses was $5.9 billion lower than net charge-offs in 2010, resulting in a reduction in reserves, compared with the 2009 provision for credit losses that was $14.9 billion higher than net charge-offs, reflecting reserve additions throughout the year. The reserve reduction in 2010 was due to improving portfolio trends across most of the consumer and commercial businesses, particularly the U.S. credit card, consumer lending and small business products, as well as core commercial loan portfolios.

Noninterest expense increased $16.4 billion to $83.1 billion in 2010 compared to 2009. The increase was driven by the $12.4 billion of goodwill impairment charges recognized in 2010. Excluding the goodwill impairment charges, noninterest expense increased $4.0 billion in 2010 compared to 2009, driven by a $3.6 billion increase in personnel costs reflecting the build-out of several businesses and a $1.6 billion increase in litigation expense, partially offset by lower merger and restructuring charges.

FTE basis, net income excluding the goodwill impairment charges, noninterest expense excluding goodwill impairment charges and net income applicable to common shareholders excluding the goodwill impairment charges are non-GAAP measures. For corresponding reconciliations to GAAP financial measures, see Table XIII.

Segment Results

Effective January 1, 2010, management realigned the former *Global Banking* and *Global Markets* business segments into *Global Commercial Banking* and *GBAM*. Prior year amounts have been reclassified to conform to the current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. For additional information related to the business segments, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.

Table 2 Business Segment Results

	Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	**2010**	2009	**2010**	2009
Deposits	**$ 13,181**	$ 13,890	**$ 1,352**	$ 2,576
Global Card Services [2]	**25,621**	29,046	**(6,603)**	(5,261)
Home Loans & Insurance	**10,647**	16,903	**(8,921)**	(3,851)
Global Commercial Banking	**10,903**	11,141	**3,181**	(290)
Global Banking & Markets	**28,498**	32,623	**6,319**	10,058
Global Wealth & Investment Management	**16,671**	16,137	**1,347**	1,716
All Other [2]	**5,869**	1,204	**1,087**	1,328
Total FTE basis	**111,390**	120,944	**(2,238)**	6,276
FTE adjustment	**(1,170)**	(1,301)		
Total Consolidated	**$ 110,220**	$ 119,643	**$ (2,238)**	$ 6,276

(1) Total revenue is net of interest expense and is on a FTE basis which is a non-GAAP measure. For more information on this measure, see Supplemental Financial Data beginning on page 36, and for a corresponding reconciliation to a GAAP financial measure, see Table XIII.

(2) In 2010, *Global Card Services* and *All Other* are presented in accordance with new consolidation guidance. Accordingly, current year *Global Card Services* results are comparable to prior year results which are presented on a managed basis. For more information on the reconciliation of *Global Card Services* and *All Other*, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.

Deposits net income decreased from the prior year due to a decline in revenue and higher noninterest expense. Net interest income increased as a result of a customer shift to more liquid products and continued pricing discipline, partially offset by a lower net interest income allocation related to asset and liability management (ALM) activities. The noninterest income decline was driven by the impact of Regulation E, which was effective in the third quarter of 2010 and our overdraft policy changes implemented in late 2009. Noninterest expense increased as a higher proportion of banking center sales and service

costs was aligned to *Deposits* from the other segments, and increased litigation expenses. The increase was partially offset by the absence of a special Federal Deposit Insurance Corporation (FDIC) assessment in 2009.

Global Card Services net loss increased compared to the prior year due primarily to a $10.4 billion goodwill impairment charge. Revenue decreased compared to the prior year driven by lower average loans, reduced interest and fee income primarily resulting from the implementation of the CARD Act and the impact of recording a reserve related to future payment protection

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insurance claims in the U.K. that have not yet been asserted. Provision for credit losses improved due to lower delinquencies and bankruptcies as a result of the improved economic environment, which resulted in reserve reductions in 2010 compared to reserve increases in the prior year. Noninterest expense increased primarily due to the goodwill impairment charge.

Home Loans & Insurance net loss increased in 2010 compared to the prior year primarily due to an increase in representations and warranties provision and a $2.0 billion goodwill impairment charge, partially offset by a decline in provision for credit losses driven by improving portfolio trends. Mortgage banking income declined driven by increased representations and warranties provision and lower production volume reflecting a drop in the overall size of the mortgage market. Noninterest expense increased primarily due to the goodwill impairment charge, higher litigation expense and an increase in default-related servicing expense, partially offset by lower production expense and insurance losses.

Global Commercial Banking net income increased due to lower credit costs. Revenue was negatively impacted by additional costs related to our agreement to purchase certain retail automotive loans. Net interest income increased due to a growth in average deposits, partially offset by a lower net interest income allocation related to ALM activities. Credit pricing discipline offset the impact of the decline in average loan balances. The provision for credit losses decreased driven by improvements from stabilizing values in the commercial real estate portfolio.

GBAM net income decreased driven by the absence of the gain in the prior year related to the contribution of our merchant processing business to a joint venture. Additionally, the decrease was driven by lower sales and trading revenue due to more favorable market conditions in the prior year, partially

offset by credit valuation gains on derivative liabilities and gains on legacy assets compared to losses in the prior year. Provision for credit losses declined driven by lower net charge-offs and reserve levels, as well as a reduction in reservable criticized balances. Noninterest expense increased driven by higher compensation costs as a result of the recognition of expense on a proportionately larger amount of prior year incentive deferrals and investments in infrastructure and personnel associated with further development of the business. Income tax expense was adversely affected by a charge related to the U.K. tax rate reduction impacting the carrying value of deferred tax assets.

GWIM net income decreased driven by higher noninterest expense and the tax-related effect of the sale of the Columbia Management long-term asset management business partially offset by higher noninterest income and lower credit costs. Revenue increased driven by higher asset management fees and transactional revenue. Provision for credit losses decreased driven by stabilization of the portfolios and the recognition of a single large commercial charge-off in 2009. Noninterest expense increased due primarily to higher revenue-related expenses, support costs and personnel costs associated with further investment in the business.

All Other net income decreased compared to the prior year driven primarily by decreases in net interest income and noninterest income, partially offset by a lower provision for credit losses. Revenue decreased due primarily to lower equity investment gains as the prior year included a gain resulting from the sale of a portion of our investment in China Construction Bank (CCB) combined with reduced gains on the sale of debt securities. The decrease in the provision for credit losses was due to improving portfolio trends in the residential mortgage portfolio.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $4.3 billion to $52.7 billion for 2010 compared to 2009. The increase was due to the impact of deposit pricing and the adoption of new consolidation guidance which contributed $10.5 billion to net interest income in 2010. The increase was partially offset by lower commercial and consumer loan levels, the sale of First Republic in 2010 and lower rates on the core assets and trading assets and liabilities, including derivatives exposure. The net interest yield on a FTE basis increased 13 basis points (bps) to 2.78 percent for 2010 compared to 2009 due to these same factors.

Noninterest Income

Table 3 Noninterest Income

(Dollars in millions)	**2010**	2009
Card income	**$ 8,108**	$ 8,353
Service charges	**9,390**	11,038
Investment and brokerage services	**11,622**	11,919
Investment banking income	**5,520**	5,551
Equity investment income	**5,260**	10,014
Trading account profits	**10,054**	12,235
Mortgage banking income	**2,734**	8,791
Insurance income	**2,066**	2,760
Gains on sales of debt securities	**2,526**	4,723
Other income (loss)	**2,384**	(14)
Net impairment losses recognized in earnings on available-for-sale debt securities	**(967)**	(2,836)
Total noninterest income	**$ 58,697**	$ 72,534

Noninterest income decreased $13.8 billion to $58.7 billion for 2010 compared to 2009. The following items highlight the significant changes.

- Card income decreased $245 million due to the implementation of the CARD Act partially offset by the impact of the new consolidation guidance and higher interchange income.
- Service charges decreased $1.6 billion largely due to the impact of Regulation E, which became effective in the third quarter of 2010 and the impact of our overdraft policy changes implemented in late 2009.
- Equity investment income decreased by $4.8 billion, as net gains on the sales of certain strategic investments during 2010, including Itaú Unibanco, MasterCard, Santander and a portion of our investment in BlackRock, Inc. (BlackRock) were less than gains in 2009 that included a $7.3 billion gain related to the sale of a portion of our investment in CCB and the $1.1 billion gain related to our BlackRock investment.
- Trading account profits decreased $2.2 billion due to more favorable market conditions in the prior year and investor concerns regarding sovereign debt fears and regulatory uncertainty. Net credit valuation gains on derivative liabilities of $262 million for 2010 compared to losses of $662 million for 2009.

Mortgage banking income decreased $6.1 billion due to an increase of $4.9 billion in representations and warranties provision and lower volume and margins.
Insurance income decreased $694 million due to a liability recorded for future claims related to payment protection insurance (PPI) sold in the U.K.
Gains on sales of debt securities decreased $2.2 billion driven by a lower volume of sales of debt securities. The decrease also included the impact of losses in 2010 related to portfolio restructuring activities.
Other income (loss) improved by $2.4 billion. The prior year included a net negative fair value adjustment of $4.9 billion on structured liabilities compared to a net positive adjustment of $18 million in 2010, and the prior year also included a $3.8 billion gain on the contribution of our merchant processing business to a joint venture. Legacy asset write-downs included in other income (loss) were $1.7 billion in 2009 compared to net gains of $256 million in 2010.
Impairment losses recognized in earnings on available-for-sale (AFS) debt securities decreased $1.9 billion reflecting lower impairment write-downs on non-agency residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs).

Provision for Credit Losses

The provision for credit losses decreased $20.1 billion to $28.4 billion in 2010 compared to 2009. The provision for credit losses was $5.9 billion lower than net charge-offs for 2010, resulting in a reduction in reserves primarily due to improving portfolio trends throughout the year across the consumer and commercial businesses.
The provision for credit losses related to our consumer portfolio decreased $11.4 billion to $25.4 billion for 2010 compared to 2009. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $8.7 billion to $3.0 billion for 2010 compared to 2009.
Net charge-offs totaled $34.3 billion, or 3.60 percent of average loans and leases for 2010 compared with $33.7 billion, or 3.58 percent for 2009. For more information on the provision for credit losses, see Provision for Credit Losses on page 96.

Noninterest Expense

Table 4 Noninterest Expense

(Dollars in millions)	**2010**	2009
Personnel	**$ 35,149**	$ 31,528
Occupancy	**4,716**	4,906
Equipment	**2,452**	2,455
Marketing	**1,963**	1,933
Professional fees	**2,695**	2,281
Amortization of intangibles	**1,731**	1,978
Data processing	**2,544**	2,500
Telecommunications	**1,416**	1,420
Other general operating	**16,222**	14,991
Goodwill impairment	**12,400**	
Merger and restructuring charges	**1,820**	2,721
Total noninterest expense	**$ 83,108**	$ 66,713

Excluding the goodwill impairment charges of $12.4 billion, noninterest expense increased $4.0 billion for 2010 compared to 2009. The increase was driven by a $3.6 billion increase in personnel costs reflecting the build out of several businesses, the recognition of expense on proportionally larger prior year incentive deferrals and the U.K.

payroll tax on certain year-end incentive payments, as well as a $1.6 billion increase in litigation costs. These increases were partially offset by a $901 million decline in pre-tax merger and restructuring charges compared to the prior year. The prior year included a special FDIC assessment of $724 million.

Income Tax Expense

Income tax expense was $915 million for 2010 compared to a benefit of $1.9 billion for 2009. The effective tax rate for 2010 was not meaningful due to the impact of non-deductible goodwill impairment charges of $12.4 billion. The effective tax rate for 2010 excluding goodwill impairment charges from pre-tax income was 8.3 percent compared to (44.0) percent for 2009, primarily driven by an increase in pre-tax income excluding the non-deductible goodwill impairment charges. Also impacting the 2010 effective tax rate was a

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$392 million charge from a U.K. law change referred to below and a $1.7 billion tax benefit from the release of a portion of the deferred tax asset valuation allowance related to acquired capital loss carryforward tax benefits compared to $650 million in 2009. For more information, see *Note 21 Income Taxes* to the Consolidated Financial Statements.

During 2010, the U.K. government enacted a tax law change reducing the corporate income tax rate by one percent effective for the 2011 U.K. tax financial year beginning on April 1, 2011. This reduction favorably affects

income tax expense on future U.K. earnings, but also required us to re-measure our U.K. net deferred tax assets using the lower tax rate. The U.K. corporate tax rate reduction resulted in an income tax charge of $392 million in 2010. If future rate reductions were to be enacted as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, a similar charge to income tax expense for each one percent reduction in the rate would result during each period of enactment. For more information, see Regulatory Matters beginning on page 56.

Balance Sheet Overview

Table 5 Selected Balance Sheet Data

	December 31		**Average Balance**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 209,616**	$ 189,933	**$ 256,943**	$ 235,764
Trading account assets	**194,671**	182,206	**213,745**	217,048
Debt securities	**338,054**	311,441	**323,946**	271,048
Loans and leases	**940,440**	900,128	**958,331**	948,805
Allowance for loan and lease losses	**(41,885)**	(37,200)	**(45,619)**	(33,315)
All other assets	**624,013**	683,724	**732,256**	803,718
Total assets	**$ 2,264,909**	$ 2,230,232	**$ 2,439,602**	$ 2,443,068
Liabilities				
Deposits	**$ 1,010,430**	$ 991,611	**$ 988,586**	$ 980,966
Federal funds purchased and securities loaned or sold under agreements to repurchase	**245,359**	255,185	**353,653**	369,863
Trading account liabilities	**71,985**	65,432	**91,669**	72,207
Commercial paper and other short-term borrowings	**59,962**	69,524	**76,676**	118,781
Long-term debt	**448,431**	438,521	**490,497**	446,634
All other liabilities	**200,494**	178,515	**205,290**	209,972
Total liabilities	**2,036,661**	1,998,788	**2,206,371**	2,198,423
Shareholders equity	**228,248**	231,444	**233,231**	244,645
Total liabilities and shareholders equity	**$ 2,264,909**	$ 2,230,232	**$ 2,439,602**	$ 2,443,068

At December 31, 2010, total assets were $2.3 trillion, an increase of $34.7 billion, or two percent, from December 31, 2009. Average total assets in 2010 decreased $3.5 billion from 2009. At December 31, 2010, total liabilities were $2.0 trillion, an increase of $37.9 billion, or two percent, from December 31, 2009. Average total liabilities for 2010 increased $7.9 billion from 2009.

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management functions, primarily involving our portfolios of highly liquid assets, that are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and for our customers, and to position the balance sheet in accordance with the Corporation s risk appetite. The execution of these functions requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly in our trading businesses. One of our key metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets.

Impact of Adopting New Consolidation Guidance

On January 1, 2010, the Corporation adopted new consolidation guidance resulting in the consolidation of certain former qualifying special purpose entities and VIEs that were not recorded on the Corporation s Consolidated Balance Sheet prior to that date. The adoption of this new consolidation guidance resulted in a net incremental increase in assets of $100.4 billion, including $69.7 billion resulting from consolidation of credit card trusts and $30.7 billion from consolidation of other special purpose entities including multi-seller conduits, and a net increase of $106.7 billion in total liabilities, including $84.4 billion of long-term debt. These amounts are net of retained interests in securitizations held on the Consolidated Balance Sheet at December 31, 2009 and a $10.8 billion increase in the allowance for loan and lease losses, the majority of which relates to credit card receivables. The Corporation recorded a $6.2 billion charge, net-of-tax, to retained earnings on January 1, 2010 for the cumulative effect of the adoption of this new consolidation guidance due primarily to the increase in the allowance for loan and lease losses, and a $116 million charge to accumulated other comprehensive income (OCI). The initial recording of these assets, related allowance for loan and lease losses and liabilities on the Corporation s Consolidated Balance Sheet had no impact at the date of adoption on consolidated results of operations. For additional detail on the impact of adopting this new consolidation guidance, refer to *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

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Assets

Federal Funds Sold and Securities Borrowed or Purchased Under Agreements to Resell

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed and securities purchased under agreements to resell are utilized to accommodate customer transactions, earn interest rate spreads and obtain securities for settlement. Year-end federal funds sold and securities borrowed or purchased under agreements to resell increased $19.7 billion and average amounts increased $21.2 billion in 2010 compared to 2009, attributable primarily to a favorable rate environment and increased customer activity.

Trading Account Assets

Trading account assets consist primarily of fixed-income securities (including government and corporate debt), and equity and convertible instruments. Year-end trading account assets increased $12.5 billion in 2010 compared to 2009 primarily due to the adoption of new consolidation guidance as well as the consolidation of a VIE late in 2010. Average trading account assets decreased slightly in 2010 as compared to 2009.

Debt Securities

Debt securities include U.S. Treasury and agency securities, mortgage-backed securities (MBS), principally agency MBS, foreign bonds, corporate bonds and municipal 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. Year-end and average balances of debt securities increased $26.6 billion and $52.9 billion in 2010 compared to 2009 due to agency MBS purchases. For additional information on AFS debt securities, see Market Risk Management Securities beginning on page 103 and *Note 5 Securities* to the Consolidated Financial Statements.

Loans and Leases

Year-end and average loans and leases increased $40.3 billion to $940.4 billion and $9.5 billion to $958.3 billion in 2010 compared to 2009. The increase was primarily due to the impact of adopting new consolidation guidance partially offset by continued deleveraging by consumers, tighter underwriting and the elevated levels of liquidity of commercial clients. For a more detailed discussion of the loan portfolio, see Credit Risk Management beginning on page 71 and *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

Allowance for Loan and Lease Losses

Year-end and average allowance for loan lease losses increased $4.7 billion and $12.3 billion in 2010 compared to 2009 primarily due to the $10.8 billion of reserves recorded on January 1, 2010 in connection with the adoption of new consolidation guidance and reserve additions in the PCI portfolio throughout 2010. These were partially offset by reserve reductions during 2010 due to the impacts of the improving economy. For a more detailed discussion of the Allowance for Loan and Lease Losses, see Allowance for Loan and Lease Losses beginning on page 97.

All Other Assets

Year-end and average other assets decreased $59.7 billion and $71.5 billion in 2010 compared to 2009 driven primarily by the sale of strategic investments and goodwill impairment charges.

Liabilities

Deposits

Year-end and average deposits increased $18.8 billion to $1.0 trillion and $7.6 billion to $988.6 billion in 2010 compared to 2009. The increase was attributable to growth in our noninterest-bearing deposits, NOW and money market accounts primarily driven by affluent, and commercial and corporate clients, partially offset by a decrease in time deposits as a result of customer shift to more liquid products.

Federal Funds Purchased and Securities Loaned or Sold Under Agreements to Repurchase

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned and securities sold under agreements to repurchase are collateralized borrowing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance assets on the balance sheet. Year-end and average federal funds purchased and securities loaned or sold under agreements to repurchase decreased $9.8 billion and $16.2 billion in 2010 compared to 2009 primarily due to lower funding requirements.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in fixed-income securities (including government and corporate debt), equity and convertible instruments. Year-end and average trading account liabilities increased $6.5 billion and $19.5 billion in 2010 compared to 2009 due to trading activity in fixed-income securities.

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. Year-end and average commercial paper and other short-term borrowings decreased $9.6 billion to $60.0 billion and decreased $42.1 billion to $76.7 billion in 2010 compared to 2009 as a result of our strengthened liquidity position.

Long-term Debt

Year-end and average long-term debt increased by $9.9 billion to $448.4 billion and $43.9 billion to $490.5 billion in 2010 compared to 2009. The increases were attributable to the $84.4 billion impact of new consolidation guidance as discussed on page 29 offset by maturities outpacing new issuances and the Corporation s strategy to reduce our long-term debt. For additional information on long-term debt, see *Note 13 Long-term Debt* to the Consolidated Financial Statements.

All Other Liabilities

Year-end all other liabilities increased $22.0 billion in 2010 compared to 2009 driven primarily by adoption of new consolidation guidance.

Shareholders Equity

Year-end and average shareholders equity decreased $3.2 billion and $11.4 billion in 2010 compared to 2009. The decrease was driven primarily by the goodwill impairment charges of $12.4 billion and the impact of adopting new consolidation guidance as we recorded a $6.2 billion charge to retained earnings for newly consolidated loans partially offset by changes in accumulated OCI.

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Cash Flows Overview

The Corporation s operating assets and liabilities support our global markets and lending activities. We believe that cash flows from operations, available cash balances and our ability to generate cash through short- and long-term debt are sufficient to fund our operating liquidity needs. Our investing activities primarily include the AFS securities portfolio and other short-term investments. In addition, our financing activities reflect cash flows related to raising customer deposits and issuing long-term debt as well as preferred and common stock.

Cash and cash equivalents decreased $12.9 billion during 2010 due to repayment and maturities of certain long-term debt and net purchases of AFS securities partially offset by deposit growth. Cash and cash equivalents increased $88.5 billion during 2009 which reflected our strengthened liquidity. The following discussion outlines the significant activities that impacted our cash flows during 2010 and 2009.

During 2010, net cash provided by operating activities was $82.6 billion compared to $129.7 billion in 2009. The more significant adjustments to net

income (loss) to arrive at cash provided by operating activities included the decreases in the provision for credit losses, decreases in trading and derivative assets, and in 2010, the goodwill impairment charges.

During 2010, net cash of $30.3 billion was used in investing activities primarily for net purchases of AFS debt securities. During 2009, net cash provided by investing activities was $157.9 billion, in part, from net sales, pay downs and maturities of AFS securities associated with our management of interest rate risk, and net cash received from the acquisition of Merrill Lynch.

During 2010, the net cash used in financing activities of $65.4 billion primarily reflected the net decreases in long-term debt as maturities outpaced new issuances. During 2009, net cash used in financing activities was $199.6 billion reflecting the declines in commercial paper and other short-term borrowings due, in part to lower Federal Home Loan Bank (FHLB) balances as a result of our strong liquidity position and a decrease in long-term debt as maturities outpaced new issuances.

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Table 6 Five Year Summary of Selected Financial Data

ollars in millions, except per share information)	**2010**	2009	2008	2007	2006
come statement					
t interest income	**$ 51,523**	$ 47,109	$ 45,360	$ 34,441	$ 34,594
ninterest income	**58,697**	72,534	27,422	32,392	38,182
tal revenue, net of interest expense	**110,220**	119,643	72,782	66,833	72,776
ovision for credit losses	**28,435**	48,570	26,825	8,385	5,010
odwill impairment	**12,400**				
erger and restructuring charges	**1,820**	2,721	935	410	805
other noninterest expense (1)	**68,888**	63,992	40,594	37,114	34,988
ome (loss) before income taxes	**(1,323)**	4,360	4,428	20,924	31,973
ome tax expense (benefit)	**915**	(1,916)	420	5,942	10,840
t income (loss)	**(2,238)**	6,276	4,008	14,982	21,133
t income (loss) applicable to common reholders	**(3,595)**	(2,204)	2,556	14,800	21,111
erage common shares issued and outstanding (in usands)	**9,790,472**	7,728,570	4,592,085	4,423,579	4,526,637
erage diluted common shares issued and standing (in thousands)	**9,790,472**	7,728,570	4,596,428	4,463,213	4,580,558
rformance ratios					
turn on average assets	**n/m**	0.26%	0.22%	0.94%	1.44
turn on average common shareholders equity	**n/m**	n/m	1.80	11.08	16.27
turn on average tangible common shareholders uity (2)	**n/m**	n/m	4.72	26.19	38.23
turn on average tangible shareholders equity (2)	**n/m**	4.18	5.19	25.13	37.80
tal ending equity to total ending assets	**10.08%**	10.38	9.74	8.56	9.27
tal average equity to total average assets	**9.56**	10.01	8.94	8.53	8.90
vidend payout	**n/m**	n/m	n/m	72.26	45.66
r common share data					
rnings (loss)	**$ (0.37)**	$ (0.29)	$ 0.54	$ 3.32	$ 4.63
uted earnings (loss)	**(0.37)**	(0.29)	0.54	3.29	4.58
vidends paid	**0.04**	0.04	2.24	2.40	2.12
ok value	**20.99**	21.48	27.77	32.09	29.70
ngible book value (2)	**12.98**	11.94	10.11	12.71	13.26
arket price per share of common stock					
osing	**$ 13.34**	$ 15.06	$ 14.08	$ 41.26	$ 53.39
gh closing	**19.48**	18.59	45.03	54.05	54.90
w closing	**10.95**	3.14	11.25	41.10	43.09
arket capitalization	**$ 134,536**	$ 130,273	$ 70,645	$ 183,107	$ 238,021
erage balance sheet					
tal loans and leases	**$ 958,331**	$ 948,805	$ 910,871	$ 776,154	$ 652,417

tal assets	**2,439,602**	2,443,068	1,843,985	1,602,073	1,466,681
tal deposits	**988,586**	980,966	831,157	717,182	672,995
ng-term debt	**490,497**	446,634	231,235	169,855	130,124
mmon shareholders equity	**212,681**	182,288	141,638	133,555	129,773
tal shareholders equity	**233,231**	244,645	164,831	136,662	130,463
set quality (3)					
owance for credit losses (4)	**$ 43,073**	$ 38,687	$ 23,492	$ 12,106	$ 9,413
nperforming loans, leases and foreclosed perties (5)	**32,664**	35,747	18,212	5,948	1,856
owance for loan and lease losses as a percentage total loans and leases outstanding (5)	**4.47%**	4.16%	2.49%	1.33%	1.28
owance for loan and lease losses as a percentage total nonperforming loans and ses (5, 6)	**136**	111	141	207	505
owance for loan and lease losses as a percentage total nonperforming loans and leases excluding purchased credit-impaired loan portfolio (5, 6)	**116**	99	136	n/a	n/a
t charge-offs	**$ 34,334**	$ 33,688	$ 16,231	$ 6,480	$ 4,539
t charge-offs as a percentage of average loans and ses outstanding (5)	**3.60%**	3.58%	1.79%	0.84%	0.70
nperforming loans and leases as a percentage of al loans and leases outstanding (5)	**3.27**	3.75	1.77	0.64	0.25
nperforming loans, leases and foreclosed perties as a percentage of total loans, leases and eclosed properties (5)	**3.48**	3.98	1.96	0.68	0.26
tio of the allowance for loan and lease losses at cember 31 to net charge-offs	**1.22**	1.10	1.42	1.79	1.99
pital ratios (year end)					
k-based capital:					
r 1 common	**8.60%**	7.81%	4.80%	4.93%	6.82
r 1	**11.24**	10.40	9.15	6.87	8.64
tal	**15.77**	14.66	13.00	11.02	11.88
r 1 leverage	**7.21**	6.88	6.44	5.04	6.36
ngible equity (2)	**6.75**	6.40	5.11	3.73	4.47
ngible common equity (2)	**5.99**	5.56	2.93	3.46	4.27

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

(2) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios, see Supplemental Financial Data beginning on page 36 and for corresponding reconciliations to GAAP financial measures, see Table XIII.

(3) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 72 and Commercial Portfolio Credit Risk Management beginning on page 83.

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

(5) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity beginning on page 81 and corresponding Table 33 and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity and corresponding Table 41 on page 89.

(6)

Allowance for loan and lease losses includes $22.9 billion, $17.7 billion, $11.7 billion, $6.5 billion and $5.4 billion allocated to products that are excluded from nonperforming loans, leases and foreclosed properties at December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

n/m = not meaningful
n/a = not applicable

Recent Events

Representations and Warranties Liability

On December 31, 2010, we reached agreements with Freddie Mac (FHLMC) and Fannie Mae (FNMA), collectively the GSEs, where the Corporation paid $2.8 billion to resolve repurchase claims involving first-lien residential mortgage loans sold directly to the GSEs by entities related to legacy Countrywide (Countrywide). The agreement with FHLMC extinguishes all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FHLMC through 2008, subject to certain exceptions we do not believe will be material. The agreement with FNMA substantially resolves the existing pipeline of repurchase and make-whole claims outstanding as of September 20, 2010 arising out of alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FNMA. These agreements with the GSEs do not cover outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breaches of selling representations and warranties to legacy Bank of America first-lien residential mortgage loans sold directly to the GSEs or other loans sold directly to the GSEs other than described above, loan servicing obligations, other contractual obligations or loans contained in private-label securitizations.

As a result of these agreements and associated adjustments made to the representations and warranties liability for other loans sold directly to the GSEs and not covered by the agreements, the Corporation recorded a provision of $3.0 billion during the fourth quarter of 2010. We believe that our remaining exposure to representations and warranties for first-lien residential mortgage loans sold directly to the GSEs has been accounted for as a result of these agreements and the associated adjustments to our recorded liability for representations and warranties for first-lien residential mortgage for loans sold directly to the GSEs and not covered by the agreements as discussed above. We believe our predictive repurchase models, utilizing our historical repurchase experience with the GSEs while considering current developments, including the recent agreements, projections of future defaults as well as certain assumptions regarding economic conditions, home prices and other matters, allows us to reasonably estimate the liability for obligations under representations and warranties on loans sold to the GSEs. However, future provisions for representations and warranties liability to the GSEs may be affected if actual experience is different from our historical experience with the GSEs or our projections of future defaults, and assumptions regarding economic conditions, home prices and other matters, that are incorporated in the provision calculation.

Although our experience with non-GSE claims remains limited, we expect additional activity in this area going forward and that the volume of repurchase claims from monolines, whole-loan investors and investors in private-label securitizations could increase in the future. It is reasonably possible that future losses may occur, and our estimate is that the upper range of possible loss related to non-GSE sales could be $7 billion to $10 billion over existing accruals. This estimate does not represent a probable loss, is based on currently available information, significant judgment, and a number of assumptions that are subject to change. A significant portion of this estimate relates to loans originated through legacy Countrywide, and the repurchase liability is generally limited to the original seller of the loan. Future provisions and possible loss or range of loss may be impacted if actual results are different from our assumptions regarding economic conditions, home prices and other matters and may vary by counterparty. The resolution of the repurchase claims process with the non-GSE counterparties will likely be a protracted process, and we will vigorously contest any request for repurchase if we conclude that a valid basis for the repurchase claim does not exist. For additional information about representations and warranties, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements and Representations and Warranties beginning on page 52.

Goodwill

In 2010, we recorded a $10.4 billion goodwill impairment charge in *Global Card Services* and a $2.0 billion goodwill impairment charge in *Home Loans & Insurance*. These goodwill impairment charges are non-cash, non-tax deductible and have no impact on our reported Tier 1 and tangible equity ratios. Our consumer and small business card products, including the debit card business, are part of an integrated platform within *Global Card Services*. Based on the provisions of the Financial Reform Act which limit the interchange fees that may be charged with respect to electronic debit interchange, we estimate a revenue loss, beginning in the third quarter of 2011, of approximately $2.0 billion annually based on current volumes and assuming limited mitigation within this segment. Accordingly, we performed a goodwill impairment analysis during the three months ended September 30, 2010. This analysis indicated that the implied fair value of the goodwill in *Global Card Services* was less than the carrying value, and accordingly, we recorded a $10.4 billion charge to reduce the carrying value to fair value.

During the three months ended December 31, 2010, we performed a goodwill impairment analysis for *Home Loans & Insurance* as it was likely that there had been a decline in its fair value as a result of increased uncertainties, including existing and potential litigation exposure and other related risks, higher servicing costs including loss mitigation efforts, foreclosure related issues and the redeployment of centralized sales resources to address servicing needs. This analysis indicated that the implied fair value of the goodwill in *Home Loans & Insurance* was less than the carrying value, and accordingly, we recorded a $2 billion charge to reduce the carrying value of goodwill in *Home Loans & Insurance*.

For additional information on the goodwill impairment charges, see Complex Accounting Estimates Goodwill and Intangible Assets beginning on page 110 and *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements.

Review of Foreclosure Processes

On October 1, 2010, we voluntarily stopped taking residential mortgage foreclosure proceedings to judgment in states where foreclosure requires a court order following a legal proceeding (judicial states). On October 8, 2010, we stopped foreclosure sales in all states in order to complete an assessment of the related business processes. These actions generally did not affect the initiation and processing of foreclosures prior to judgment, or sale of vacant real estate owned properties. We took these precautionary steps in order to ensure our processes for handling foreclosures include the appropriate controls and quality assurance. Our review has involved an assessment of the foreclosure process, including a review of completed foreclosure affidavits in pending proceedings.

As a result of that review, we identified and implemented process and control enhancements, and we intend to monitor ongoing quality results of each process. The process and control enhancements implemented as a result of our review are intended to strengthen the controls related to preparation, execution and notarization of affidavits in judicial states and strengthen our oversight of lawyers in the attorney network who conduct foreclosure proceedings on our behalf, both in judicial states and in states where foreclosures are handled without judicial supervision (non-judicial states). This oversight includes a periodic review of a sample of foreclosure files maintained by these attorneys, and on-site reviews of law firms in the attorney network. In addition, our process and control enhancements for both judicial and non-judicial states include strengthening the controls related to the preparation and execution of other foreclosure loan documentation, including notices of default and pre-foreclosure loss mitigation affidavits, as well as enhanced associate training. After these enhancements were put in place, we resumed foreclosure sales in most non-judicial states during the fourth quarter of 2010, and expect sales to resume in the remaining non-judicial states in the first quarter of 2011. We also commenced a rolling process of preparing, as necessary, affidavits of indebtedness in pending foreclosure proceedings in order to resume the process of taking these foreclosure proceedings to judgment in judicial states, beginning with properties believed to be vacant, and with properties for which the mortgage was originated on a non-owner-occupied basis. The process of preparing affidavits in pending proceedings is expected to continue in the first quarter of 2011, and could result in prolonged adversary proceedings that delay certain foreclosure sales.

Law enforcement authorities in all 50 states and the U.S. Department of Justice (DOJ) and other federal agencies, including certain bank supervisory authorities, continue to investigate alleged irregularities in the foreclosure practices of residential mortgage servicers. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices. The Corporation is cooperating with these investigations and is dedicating significant resources to address these issues.

The current environment of heightened regulatory scrutiny has the potential to subject the Corporation to inquiries or investigations that could significantly adversely affect its reputation. Such investigations by state and federal authorities, as well as any other governmental or regulatory scrutiny of our foreclosure processes, could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), or other enforcement actions, and result in significant legal costs in responding to governmental investigations and additional litigation.

While we cannot predict the ultimate impact of the temporary delay in foreclosure sales, or any issues that may arise as a result of alleged irregularities with respect to previously completed foreclosure activities, we may be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current foreclosure activities. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. Our costs increased in the fourth quarter of 2010 and we expect that additional costs incurred in connection with our foreclosure process assessment will continue into 2011 due to the additional resources necessary to perform the foreclosure process assessment, to revise affidavit filings and to implement other operational changes. This will likely result in higher noninterest expense, including higher servicing costs and legal expenses, in *Home Loans & Insurance*. It is also possible that the temporary suspension in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. In addition, required process changes could increase our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may increase temporarily, which may result in an increase in nonperforming loans and servicing advances and may impact the collectability of such advances and the value of our mortgage servicing rights (MSR) asset, MBS and real estate owned properties. An increase in the time to complete foreclosure sales also may inflate the amount of highly delinquent loans in the Corporation s mortgage statistics, result in increasing levels of consumer nonperforming loans, and could have a dampening effect on net interest margin as nonperforming assets increase. Accordingly, delays in foreclosure sales, including any delays beyond those currently anticipated, our continued process enhancements and any issues that may arise out of alleged irregularities in our foreclosure process could increase the costs associated with our mortgage operations.

Loan sales have not been materially impacted by the temporary delay in foreclosure sales or the review of our foreclosure process. However, delays in foreclosure sales could negatively impact the valuation of our real estate owned properties and MBS that are serviced by us. With respect to agency MBS, while there would be no credit impairment to security holders due to the guarantee provided by the agencies, the valuation of certain MBS could be negatively affected under certain scenarios due to changes in the timing of cash flows. The impact on agency MBS depends on, among other factors, how

long the underlying loans are affected by foreclosure delays and would vary among securities. With respect to non-agency MBS, under certain scenarios the timing and amount of cash flows could be negatively affected. The ultimate impact on the non-agency MBS depends on the same factors that impact agency MBS, as well as the level of credit enhancement, including subordination. In addition, as a result of our foreclosure process assessment and related control enhancements that we have implemented, there may continue to be delays in foreclosure sales, including a continued backlog of foreclosure proceedings, and evictions from real estate owned properties.

Certain Servicing-related Issues

The Corporation and its legacy companies have securitized, and continue to securitize, a significant portion of the residential mortgage loans that we have originated or acquired. The Corporation services a large portion of the loans it or its subsidiaries have securitized and also services loans on behalf of third-party securitization vehicles. In addition to identifying specific servicing criteria, pooling and servicing arrangements entered into in connection with a securitization or whole loan sale typically impose standards of care on the servicer, with respect to its activities, that may include the obligation to adhere to the accepted servicing practices of prudent mortgage lenders and/or to exercise the degree of care and skill that the servicer employs when servicing loans for its own account. Many non-agency residential mortgage-backed securitizations and whole loan servicing agreements also require the servicer to indemnify the trustee or other investor for or against failures by the servicer to perform its servicing obligations or acts or omissions that involve willful malfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, the servicer s duties.

Servicing agreements with the GSEs generally provide the GSEs with broader rights relative to the servicer than are found in servicing agreements with private investors. For example, each GSE typically has the right to demand that the servicer repurchase loans that breach the seller s representations and warranties made in connection with the initial sale of the loans even if the servicer was not the seller. The GSEs also reserve the contractual right to demand indemnification or loan repurchase for certain servicing breaches although we believe that repurchase or indemnification demands solely for servicing breaches are rare. In addition, our agreements with the GSEs and their first mortgage seller/servicer guides provide for timelines to resolve delinquent loans through workout efforts or liquidation, if necessary. In the fourth quarter of 2010, we recorded an expense of $230 million for compensatory fees that we expect to be assessed by the GSEs as a result of foreclosure delays.

With regard to alleged irregularities in foreclosure process-related activities, a servicer may incur costs or losses if the servicer elects or is required to re-execute or re-file documents or take other action in its capacity as a servicer in connection with pending or completed foreclosures. The servicer also may incur costs or losses if the validity of a foreclosure action is challenged by a borrower. If a court were to overturn a foreclosure because of errors or deficiencies in the foreclosure process, the servicer may have liability to a title insurer of the property sold in foreclosure. These costs and liabilities may not be reimbursable to the servicer. A servicer may also incur costs or losses associated with private-label securitizations or other loan investors relating to delays or alleged deficiencies in processing documents necessary to comply with state law governing foreclosures.

The servicer may be subject to deductions by insurers for mortgage insurance or guarantee benefits relating to delays or alleged deficiencies. Additionally, if the servicer commits a material breach of its servicing obligations that is not cured within specified timeframes, including those related to default servicing and foreclosure, it could be terminated as servicer under servicing agreements under certain circumstances. Any of these actions may harm the servicer s reputation, increase its servicing costs or otherwise adversely affect its financial condition and results of operations.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgage loans. We have processes in place to satisfy document delivery and maintenance requirements in accordance with securitization transaction standards. Additionally, there has been significant public commentary regarding the common industry practice of recording mortgages in the name of Mortgage Electronic Registration Systems, Inc. (MERS), as nominee on behalf of the note holder, and whether securitization trusts own the loans purported to be conveyed to them and have valid liens securing those loans. We believe that the process for mortgage loan transfers into securitization trusts is based on a well-established body of law that establishes ownership of mortgage loans by the securitization trusts and we believe that we have substantially executed this process. We currently use the MERS system for a substantial portion of the residential mortgage loans that we originate, including loans that have been sold to investors or securitization trusts. Although the GSEs do not require the use of MERS, the GSEs permit standard forms of mortgages and deeds of trust that use MERS and we believe that loans that employ these forms are considered to be properly documented for the GSEs purposes. We believe that the use of MERS is a widespread practice in the industry. Certain legal challenges have been made to the process for transferring mortgage loans to securitization trusts asserting that having a mortgagee of record that is different than the holder of the mortgage note could break the chain of title and cloud the ownership of the loan. Under the Uniform Commercial Code, a securitization trust or other investor should have good title to a mortgage loan if, among other means, either the note is endorsed in blank or to the named transferee and delivered to the holder or its designee, which may be a document custodian. In order to foreclose on a mortgage loan, in certain cases it may be necessary or prudent for an assignment of the mortgage to be made to the holder of the note, which in the case of a mortgage held in the name of MERS as nominee would need to be completed by MERS. As such, our practice is to obtain assignments of mortgages from MERS prior to instituting foreclosure. If certain required documents are missing or defective, or if the use of MERS is found not to be effective, we could be obligated to cure

certain defects or in some circumstances otherwise be subject to additional costs and expenses, which could have a material adverse effect on our results of operations, cash flows and financial condition.

Private-label Residential Mortgage-backed Securities Matters

On October 18, 2010, Countrywide Home Loans Servicing, LP (which changed its name to BAC Home Loans Servicing, LP), a wholly-owned subsidiary of the Corporation, received a letter, in its capacity as servicer under certain pooling and servicing agreements for 115 private-label residential MBS securitizations (subsequently increased to 225 securitizations) from investors purportedly owning interests in RMBS issued in the securitizations. The letter asserted breaches of certain loan servicing obligations, including an alleged failure to provide notice to the trustee and other parties to the pooling and servicing agreements of breaches of representations and warranties with respect to mortgage loans included in the securitization transactions. On November 4, 2010, the servicer responded in writing to the letter, stating among other things that the letter had identified no facts indicating that the servicer had breached any of its obligations, and asking that the signatories of the letter provide evidence that they met the minimum voting interest requirements for investor action contained in the relevant contracts. BAC Home Loans Servicing, LP and Gibbs & Bruns LLP on behalf of certain investors including those who signed the letter, as well as The Bank of New York Mellon, as trustee, have agreed to a short extension of any time periods commenced by the letter to permit the parties to explore dialogue around the issues raised. There are a number of questions about the validity of the assertions set forth in the letter, including whether these purported investors have standing to bring these claims. The servicer intends to challenge the assertions in the letter and to fully enforce its rights under the relevant contracts.

For additional information about representations and warranties, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements, Representations and Warranties beginning on page 52 and Item 1A. Risk Factors of this Form 10-K.

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Supplemental Financial Data

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

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

We also evaluate our business based on the following ratios that utilize tangible equity, a non-GAAP measure. Return on average tangible common shareholders equity measures our earnings contribution as a percentage of common shareholders equity plus any Common Equivalent Securities (CES) less goodwill and intangible assets, (excluding MSRs), net of related deferred tax liabilities. ROTE measures our earnings contribution as a percentage of

average shareholders equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible common equity ratio represents common shareholders equity plus any CES less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible equity ratio represents total shareholders equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Tangible book value per common share represents ending common shareholders equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by ending common shares outstanding plus the number of common shares issued upon conversion of common equivalent shares. These measures are used to evaluate our use of equity (i.e., capital). In addition, profitability, relationship and investment models all use ROTE as key measures to support our overall growth goals.

The aforementioned supplemental data and performance measures are presented in Tables 6 and 7 and Statistical Tables XII and XIV. In addition, in Table 7 and Statistical Table XIV, we have excluded the impact of goodwill impairment charges of $12.4 billion recorded in 2010 when presenting earnings and diluted earnings per common share, the efficiency ratio, return on average assets, return on average common shareholders equity, return on average tangible common shareholders equity and ROTE. Accordingly, these are non-GAAP measures. Statistical Tables XIII and XV provide reconciliations of these non-GAAP measures with financial measures defined by GAAP. We believe the use of these non-GAAP measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate these measures and ratios differently.

Table 7 Five Year Supplemental Financial Data

(Dollars in millions, except per share information)	**2010**	2009	2008	2007	2006
Fully taxable-equivalent basis data					
Net interest income	**$ 52,693**	$ 48,410	$ 46,554	$ 36,190	$ 35,818
Total revenue, net of interest expense	**111,390**	120,944	73,976	68,582	74,000
Net interest yield [(1)]	**2.78%**	2.65%	2.98%	2.60%	2.82%
Efficiency ratio	**74.61**	55.16	56.14	54.71	48.37
Performance ratios, excluding goodwill impairment charges [(2)]					
Per common share information					
Earnings	**$ 0.87**				
Diluted earnings	**0.86**				
Efficiency ratio	**63.48%**				
Return on average assets	**0.42**				
Return on average common shareholders equity	**4.14**				
Return on average tangible common shareholders equity	**7.03**				
Return on average tangible shareholders equity	**7.11**				

(1) Calculation includes fees earned on overnight deposits placed with the Federal Reserve of $368 million and $379 million for 2010 and 2009. The Corporation did not have fees earned on overnight deposits during 2008, 2007 and 2006.

(2) Performance ratios are calculated excluding the impact of goodwill impairment charges of $12.4 billion recorded during 2010.

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Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the *GBAM* business segment section beginning on page 45, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *GBAM.* In addition, 2009 is presented on a managed basis which is adjusted for loans that we originated and subsequently sold into credit card securitizations. Noninterest income, rather than net interest income and provision for credit

losses, was recorded for securitized assets as we are compensated for servicing the securitized assets and we recorded servicing income and gains or losses on securitizations, where appropriate. 2010 is presented in accordance with new consolidation guidance. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation provides additional clarity in assessing our results.

Table 8 Core Net Interest Income

(Dollars in millions)	**2010**	2009
Net interest income [1]		
As reported [2]	**$ 52,693**	$ 48,410
Impact of market-based net interest income [3]	**(4,430)**	(6,117)
Core net interest income	**48,263**	42,293
Impact of securitizations [4]	**n/a**	10,524
Core net interest income	**48,263**	52,817
Average earning assets		
As reported	**1,897,573**	1,830,193
Impact of market-based earning assets [3]	**(504,360)**	(481,376)
Core average earning assets	**1,393,213**	1,348,817
Impact of securitizations [5]	**n/a**	83,640
Core average earning assets	**1,393,213**	1,432,457
Net interest yield contribution [1]		
As reported [2]	**2.78%**	2.65%
Impact of market-based activities [3]	**0.68**	0.49
Core net interest yield on earning assets	**3.46**	3.14
Impact of securitizations	**n/a**	0.55

Core net interest yield on earning assets	**3.46%**	3.69%

(1) FTE basis
(2) Balance and calculation include fees earned on overnight deposits placed with the Federal Reserve of $368 million and $379 million for 2010 and 2009.
(3) Represents the impact of market-based amounts included in *GBAM*.
(4) Represents the impact of securitizations utilizing actual bond costs which is different from the business segment view which utilizes funds transfer pricing methodologies.
(5) Represents average securitized loans less accrued interest receivable and certain securitized bonds retained.
n/a = not applicable

Core net interest income decreased $4.6 billion to $48.3 billion for 2010 compared to 2009. The decrease was driven by lower loan levels compared to managed loan levels in 2009, and lower yields for the discretionary and credit card portfolios. These impacts were partially offset by lower rates on deposits.

Core average earning assets decreased $39.2 billion to $1.4 trillion for 2010 compared to 2009. The decrease was primarily due to lower commercial loan levels and lower consumer loan levels compared to managed consumer loan levels in 2009. The impact was partially offset by increased securities levels in 2010.

Core net interest yield decreased 23 bps to 3.46 percent for 2010 compared to 2009 due to the factors noted above.

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Commercial Banking, GBAM* and *GWIM*, with the remaining operations recorded in *All Other*. Effective January 1, 2010, we realigned the Global Corporate and Investment Banking portion of the former *Global Banking* segment with the former *Global Markets* business segment to form *GBAM* and to reflect *Global Commercial Banking* as a standalone segment. Prior period amounts have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 36. In addition, return on average tangible shareholders equity for the segments is calculated as net income, excluding goodwill impairment charges, divided by average allocated equity less goodwill and a percentage of intangible assets (excluding MSRs). We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges.

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

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

Our ALM activities include 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. Our ALM activities are allocated to the business segments and fluctuate based on performance. ALM activities include external product pricing decisions including deposit pricing strategies, the effects of our internal funds transfer pricing process and the net effects of other ALM activities.

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment s credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further beginning on page 59. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The total amount of average equity reflects both risk-based capital and the portion of goodwill and intangibles specifically assigned to the business segments.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and year-end total assets, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.

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Deposits

(Dollars in millions)	2010	2009	% Change
Net interest income [1]	**$ 8,128**	$ 7,089	15%
Noninterest income:			
Service charges	**5,058**	6,796	(26)
All other income (loss)	**(5)**	5	n/m
Total noninterest income	**5,053**	6,801	(26)
Total revenue, net of interest expense	**13,181**	13,890	(5)
Provision for credit losses	**201**	343	(41)
Noninterest expense	**10,831**	9,501	14
Income before income taxes	**2,149**	4,046	(47)
Income tax expense [1]	**797**	1,470	(46)
Net income	**$ 1,352**	$ 2,576	(48)
Net interest yield [1]	**1.99%**	1.75%	
Return on average equity	**5.58**	10.92	
Return on average tangible shareholders equity	**21.70**	46.00	
Efficiency ratio [1]	**82.17**	68.40	
Balance Sheet			
Average			
Total earning assets	**$ 409,359**	$ 405,104	1%
Total assets	**435,994**	431,564	1
Total deposits	**411,001**	406,823	1
Allocated equity	**24,204**	23,594	3
Year end			
Total earning assets	**$ 403,926**	$ 417,713	(3)%
Total assets	**432,334**	444,612	(3)
Total deposits	**406,856**	419,583	(3)
Allocated equity	**24,273**	24,186	

(1) FTE basis

n/m = not meaningful

Deposits includes the results of consumer deposit activities which consist of a comprehensive range of products provided to consumers and small businesses. In addition, *Deposits* includes an allocation of ALM activities. In the U.S., we serve approximately 57 million consumer and small business relationships through a franchise that stretches coast to coast through 32 states and the District of Columbia utilizing our network of approximately 5,900 banking centers, 18,000 ATMs, nationwide call centers and leading online and mobile banking platforms.

At December 31, 2010, our active online banking customer base was 29.3 million subscribers compared to 29.6 million at December 31, 2009, and our active bill pay users paid $304.3 billion of bills online during 2010 compared to $302.4 billion in 2009.

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 revenue from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. *Deposits* also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees.

Deposits includes the net impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. For more information on the migration of customer balances, see *GWIM* beginning on page 48.

Regulation E became effective July 1, 2010 for new customers and August 16, 2010 for existing customers. These rules partially impacted the third quarter of 2010 and fully impacted the fourth quarter of 2010. In late 2009, we implemented changes in our overdraft policies which negatively

impacted revenue. These changes were intended to help customers limit overdraft fees. For more information on Regulation E, see Regulatory Matters beginning on page 56.

Net income fell $1.2 billion, or 48 percent, to $1.4 billion due to lower revenue and higher noninterest expense. Net interest income increased $1.0 billion, or 15 percent, to $8.1 billion as a result of a customer shift to more liquid products and continued pricing discipline, partially offset by a lower net interest income allocation related to ALM activities. Average deposits increased $4.2 billion from a year ago due to the transfer of certain deposits from other client managed businesses and organic growth, partially offset by the expected run-off of higher-cost legacy Countrywide deposits.

Noninterest income fell $1.7 billion, or 26 percent, to $5.1 billion, primarily driven by the decline in service charges due to the implementation of Regulation E and the impact of our overdraft policy changes. The impact of Regulation E, which was in effect beginning in the third quarter and fully in effect in the fourth quarter of 2010, and overdraft policy changes, which were in effect for the full year of 2010, was a reduction in service charges during 2010 of approximately $1.7 billion. In 2011, the incremental reduction to service charges related to Regulation E and overdraft policy changes is expected to be approximately $1.1 billion, or a full-year impact of approximately $2.8 billion, net of identified mitigation actions.

Noninterest expense increased $1.3 billion, or 14 percent, to $10.8 billion as a result of a higher proportion of costs associated with banking center sales and service efforts being aligned to *Deposits* from the other consumer segments and increased litigation expenses in 2010. Noninterest expense includes FDIC charges of $896 million compared to $1.2 billion during 2009 which included a special FDIC assessment.

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Global Card Services

(Dollars in millions)	2010	2009 [1]	% Change
Net interest income [2]	$ 17,821	$ 19,972	(11)%
Noninterest income:			
Card income	7,658	8,553	(10)
All other income	142	521	(73)
Total noninterest income	7,800	9,074	(14)
Total revenue, net of interest expense	25,621	29,046	(12)
Provision for credit losses	12,648	29,553	(57)
Goodwill impairment	10,400		n/m
All other noninterest expense	6,953	7,726	(10)
Loss before income taxes	(4,380)	(8,233)	47
Income tax expense (benefit) [2]	2,223	(2,972)	175
Net loss	$ (6,603)	$ (5,261)	(26)
Net interest yield [2]	10.10%	9.43%	
Return on average tangible shareholders equity	22.50	n/m	
Efficiency ratio [2]	67.73	26.60	
Efficiency ratio, excluding goodwill impairment charge [2]	27.14	26.60	
Balance Sheet			
Average			
Total loans and leases	$ 176,232	$ 211,981	(17)%
Total earning assets	176,525	211,737	(17)
Total assets	181,766	228,438	(20)
Allocated equity	36,567	41,031	(11)
Year end			
Total loans and leases	$ 167,367	$ 196,289	(15)%
Total earning assets	168,224	196,046	(14)
Total assets	169,762	212,668	(20)
Allocated equity	27,490	42,842	(36)

(1) Prior year amounts are presented on a managed basis for comparative purposes. For information on managed basis, refer to *Note 26 Business Segment Information* to the Consolidated Financial Statements beginning on page 233.

(2) FTE basis
n/m = not meaningful

Global Card Services provides a broad offering of products including U.S. consumer and business card, consumer lending, international card and debit card to consumers and small businesses. We provide credit card products to customers in the U.S., Canada, Ireland, Spain and the U.K. We offer a variety of co-branded and affinity credit and debit card products and are one of the leading issuers of credit cards through endorsed marketing in the U.S. and Europe.

On February 22, 2010, the majority of the provisions of the CARD Act became effective and negatively impacted net interest income during 2010 due to restrictions on our ability to reprice credit cards based on risk and on card income due to restrictions imposed on certain fees. The 2010 full-year impact on revenue was approximately $1.5 billion. For more information on the CARD Act, see Regulatory Matters beginning on page 56.

The Corporation reports its *Global Card Services* results in accordance with new consolidation guidance. Under this new consolidation guidance, we consolidated all credit card trusts on January 1, 2010. Accordingly, current year results are comparable to prior year results that are presented on a managed basis. For more information on managed basis, refer to *Note 26 Business Segment Information* to the Consolidated Financial Statements and for more information on the new consolidation guidance, refer to Balance Sheet Overview Impact of Adopting New Consolidation Guidance beginning on page 29 and *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

As a result of the Financial Reform Act, which was signed into law on July 21, 2010, we believe that our debit card revenue in *Global Card Services* will be adversely impacted beginning in the third quarter of 2011. Based on 2010 volumes, our estimate of revenue loss due to the debit card interchange fee standards to be adopted under the Financial Reform Act was approximately $2.0 billion annually. This estimate resulted in a $10.4 billion goodwill impairment charge for *Global Card Services*. Depending on the final rulemaking under the Durbin Amendment, additional goodwill impairment may occur in *Global Card Services*. For additional information, refer to Regulatory Matters Debit Interchange Fees on page 57 and Complex Accounting Estimates beginning on page 107.

Global Card Services recorded a net loss of $6.6 billion primarily due to the $10.4 billion goodwill impairment charge in 2010. Excluding this charge, *Global Card Services* would have reported net income of $3.8 billion compared to a net loss of $5.3 billion in the prior year, primarily due to a decrease in provision for credit losses. Revenue decreased $3.4 billion, or 12 percent, to $25.6 billion, driven by lower average loans, reduced interest and fee income primarily resulting from the implementation of the CARD Act and the impact of recording an incremental reserve of $592 million for future payment protection insurance claims in the U.K. that have not yet been asserted. For more information on payment protection insurance, refer to *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Net interest income decreased $2.2 billion, or 11 percent, to $17.8 billion as average loans decreased $35.7 billion partially offset by lower funding costs. The decline in average loans was due to the elevated level of net charge-offs and risk mitigation strategies that were implemented throughout the recent economic cycle.

Noninterest income decreased $1.3 billion, or 14 percent, to $7.8 billion driven by lower card income primarily due to the implementation of the CARD Act and the impact of recording a reserve related to future payment protection insurance claims. The decrease was partially offset by higher interchange income during 2010 and the gain on the sale of our MasterCard equity holdings.

Provision for credit losses improved $16.9 billion due to lower delinquencies and bankruptcies as a result of the improved economic environment. This resulted in reserve reductions of $7.0 billion in 2010 compared to reserve increases of $3.4 billion in 2009. The prior year included a reserve addition due to maturing securitizations which had an unfavorable impact on the 2009 provision expense. In addition, net charge-offs declined $6.5 billion in 2010 compared to 2009.

Excluding the goodwill impairment charge of $10.4 billion, noninterest expense decreased $773 million primarily driven by a higher proportion of costs associated with banking center sales and service efforts being aligned to *Deposits* from *Global Card Services*.

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Home Loans & Insurance

(Dollars in millions)	2010	2009	% Change
Net interest income [1]	**$ 4,690**	$ 4,975	(6)%
Noninterest income:			
Mortgage banking income	**3,079**	9,321	(67)
Insurance income	**2,257**	2,346	(4)
All other income	**621**	261	138
Total noninterest income	**5,957**	11,928	(50)
Total revenue, net of interest expense	**10,647**	16,903	(37)
Provision for credit losses	**8,490**	11,244	(24)
Goodwill impairment	**2,000**		n/m
All other noninterest expense	**13,163**	11,705	12
Loss before income taxes	**(13,006)**	(6,046)	(115)
Income tax benefit [1]	**(4,085)**	(2,195)	(86)
Net loss	**$ (8,921)**	$ (3,851)	(132)
Net interest yield [1]	**2.52%**	2.58%	
Efficiency ratio [1]	**142.42**	69.25	
Efficiency ratio, excluding goodwill impairment charge [1]	**123.63**	69.25	
Balance Sheet			
Average			
Total loans and leases	**$ 129,236**	$ 130,519	(1)%
Total earning assets	**186,455**	193,152	(3)
Total assets	**226,352**	230,123	(2)
Allocated equity	**26,170**	20,530	27
Year end			
Total loans and leases	**$ 122,935**	$ 131,302	(6)%
Total earning assets	**173,033**	188,349	(8)
Total assets	**213,455**	232,588	(8)
Allocated equity	**23,542**	27,148	(13)

(1) FTE basis
n/m = not meaningful

Home Loans & Insurance generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *Home Loans & Insurance* products are available to our customers through a retail network of 5,900 banking centers, mortgage loan officers in approximately 750 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent loan acquisition channels. On February 4, 2011, we announced that we are exiting the reverse mortgage origination business. In October 2010, we exited the first mortgage wholesale acquisition channel. These strategic changes were made to allow greater focus on our retail and correspondent channels.

Home Loans & Insurance 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 in *All Other* for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s first mortgage production retention decisions as *Home Loans & Insurance* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. Funded home equity lines of credit and home equity loans are held on the *Home Loans & Insurance* balance sheet. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

On February 3, 2011, we announced that we had entered into an agreement to sell the lender-placed and voluntary property and casualty insurance assets and liabilities of Balboa Insurance Company (Balboa) and affiliated

entities for an upfront cash payment of approximately $700 million, subject to certain closing and other adjustments, as well as additional future payments. Balboa is a wholly-owned subsidiary and part of *Home Loans & Insurance*. *Home Loans & Insurance* includes the impact of transferring customers and their related loan balances between *GWIM* and *Home Loans & Insurance* based on client segmentation thresholds. For more information on the migration of customer balances, see *GWIM* beginning on page 48.

Home Loans & Insurance recorded a net loss of $8.9 billion compared to a net loss of $3.9 billion in 2009 primarily due to an increase of $4.9 billion in representations and warranties provision and the $2.0 billion goodwill impairment charge recorded in 2010, partially offset by a decline in provision for credit losses of $2.8 billion. For additional information on representations and warranties, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements and Representations and Warranties on page 52.

Provision for credit losses decreased $2.8 billion to $8.5 billion driven by improving portfolio trends which led to lower reserve additions, including those associated with the Countrywide PCI home equity portfolio.

Noninterest expense increased $3.5 billion primarily due to the goodwill impairment charge, higher litigation expense and default-related and other loss mitigation expenses, partially offset by lower production expense and insurance losses.

See Complex Accounting Estimates Goodwill and Intangible Assets beginning on page 110 and *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements for a discussion of the goodwill impairment charge for *Home Loans & Insurance.*

Mortgage Banking Income

Home Loans & Insurance mortgage banking income is categorized into production and servicing income. Production income is comprised of revenue from the fair value gains and losses recognized on our interest rate lock commitments (IRLCs) and loans held-for-sale (LHFS), the related secondary market execution, and costs related to representations and warranties in the sales transactions along with other obligations incurred in the sales of mortgage loans. In addition, production income includes revenue, which is eliminated in *All Other,* for transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio related to the Corporation s mortgage production retention decisions. Servicing income includes income earned in connection with servicing activities and MSR valuation adjustments, net of economic hedge activities. The costs associated with our servicing activities are included in noninterest expense. Servicing activities 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 home retention efforts are also part of our servicing activities, along with responding to customer inquiries and supervising foreclosures and property dispositions. In an effort to avoid foreclosure, Bank of America evaluates various workout options prior to foreclosure sale which has resulted in elongated default timelines. Our servicing agreements with certain loan investors require us to comply with usual and customary standards in the liquidation of delinquent mortgage loans. Our agreements with the GSEs provide timelines to complete the liquidation of delinquent loans. In instances where we fail to meet these timelines, our agreements provide the GSEs with the option to assess compensatory fees. In 2010, the Corporation recorded an expense of approximately $230 million for estimated compensatory fees that it expects to be assessed by the GSEs as a result of foreclosure delays. Additionally, we may face demands and claims from private-label securitization investors concerning alleged breaches of customary servicing standards. For additional information on our servicing activities, see Recent Events Certain Servicing-related Issues beginning on page 34.

On October 18, 2010, Countrywide Home Loans Servicing, LP (which changed its name to BAC Home Loans Servicing, LP), a wholly-owned subsidiary of the Corporation, received a letter, in its capacity as servicer under certain pooling and servicing agreements for 115 private-label residential MBS securitizations (subsequently increased to 225 securitizations). The letter asserted breaches of certain servicing obligations. For additional information, see Recent Events Private-label Residential Mortgage-backed Securities Matters on page 35.

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	**2010**	2009
Production income:		
Core production revenue	**$ 6,098**	$ 7,352
Representations and warranties provision	**(6,786)**	(1,851)
Total production income (loss)	**(688)**	5,501
Servicing income:		
Servicing fees	**6,475**	6,219
Impact of customer payments (1)	**(3,760)**	(4,491)
Fair value changes of MSRs, net of economic hedge results (2)	**376**	1,539
Other servicing-related revenue	**676**	553
Total net servicing income	**3,767**	3,820
Total Home Loans & Insurance mortgage banking income	**3,079**	9,321

Other business segments mortgage banking loss[3]	**(345)**	(530)
Total consolidated mortgage banking income	**$ 2,734**	$ 8,791

(1) Represents the change in the market value of the MSR asset due to the impact of customer payments received during the year.
(2) Includes sale of MSRs.
(3) Includes the effect of transfers of mortgage loans from *Home Loans & Insurance* to the ALM portfolio in *All Other*.

The production loss of $688 million represented a decrease of $6.2 billion as representations and warranties provision increased $4.9 billion to $6.8 billion which includes provision of $3.0 billion related to the GSE agreements as well as adjustments to the representations and warranties liability for other loans sold directly to the GSEs and not covered by those agreements. Also contributing to the representations and warranties provision for the year was our continued evaluation of non-GSE exposure to repurchases and similar claims, which led to the determination that we have developed sufficient repurchase experience with certain non-GSE counterparties to record a liability related to existing and future projected claims from such counterparties. For additional information on representations and warranties, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements, Recent Events Representations and Warranties Liability on page 33 and Representations and Warranties beginning on page 52. In addition, core production revenue, which excludes representations and warranties provision, declined $1.3 billion due to a decline in volume driven by a drop in the overall size of the mortgage market and a decline in market share.

Net servicing income remained relatively flat as lower MSR results, net of hedges, were offset by a lower impact of customer payments and higher fee income. For additional information on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 106.

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Home Loans & Insurance Key Statistics

(Dollars in millions, except as noted)	**2010**	2009
Loan production		
Home Loans & Insurance:		
First mortgage	**$ 287,236**	$ 354,506
Home equity	**7,626**	10,488
Total Corporation [1]:		
First mortgage	**298,038**	378,105
Home equity	**8,437**	13,214
Year end		
Mortgage servicing portfolio (in billions) [2]	**$ 2,057**	$ 2,151
Mortgage loans serviced for investors (in billions)	**1,628**	1,716
Mortgage servicing rights:		
Balance	**14,900**	19,465
Capitalized mortgage servicing rights (% of loans serviced for investors)	**92bps**	113bps

(1) In addition to loan production in *Home Loans & Insurance*, the remaining first mortgage and home equity loan production is primarily in *GWIM*.

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

First mortgage production in *Home Loans & Insurance* was $287.2 billion in 2010 compared to $354.5 billion in 2009. The decrease of $67.3 billion was primarily due to a drop in the overall size of the mortgage market driven by weaker market demand for both refinance and purchase transactions combined with a decrease in market share. Home equity production was $7.6 billion in 2010 compared to $10.5 billion in 2009. The decrease of $2.9 billion was primarily due to more stringent underwriting guidelines for home equity lines of credit and loans as well as lower consumer demand.

At December 31, 2010, the consumer MSR balance was $14.9 billion, which represented 92 bps of the related unpaid principal balance compared to $19.5 billion, or 113 bps of the related unpaid principal balance at December 31, 2009. The decrease in the consumer MSR balance was driven by the impact of declining mortgage rates partially offset by the addition of new MSRs recorded in connection with sales of loans. In addition, elevated servicing costs, due to higher personnel expenses associated with default-related servicing activities, reduced expected cash flows. These factors together resulted in the 21 bps decrease in capitalized MSRs as a percentage of loans serviced.

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Global Commercial Banking

(Dollars in millions)		2010		2009	% Change
Net interest income [1]	$	**8,086**	$	8,054	%
Noninterest income:					
Service charges		**2,105**		2,078	1
All other income		**712**		1,009	(29)
Total noninterest income		**2,817**		3,087	(9)
Total revenue, net of interest expense		**10,903**		11,141	(2)
Provision for credit losses		**1,971**		7,768	(75)
Noninterest expense		**3,874**		3,833	1
Income (loss) before income taxes		**5,058**		(460)	n/m
Income tax expense (benefit) [1]		**1,877**		(170)	n/m
Net income (loss)	**$**	**3,181**	$	(290)	n/m
Net interest yield [1]		**2.94%**		3.19%	
Return on average tangible shareholders equity		**15.20**		n/m	
Return on average equity		**7.64**		n/m	
Efficiency ratio [1]		**35.52**		34.40	
Balance Sheet					
Average					
Total loans and leases	**$**	**203,339**	$	229,102	(11)%
Total earning assets		**275,356**		252,309	9
Total assets		**306,302**		283,936	8
Total deposits		**148,565**		129,832	14
Allocated equity		**41,624**		41,931	(1)
Year end					
Total loans and leases	**$**	**193,573**	$	215,237	(10)%
Total earning assets		**277,551**		264,855	5
Total assets		**310,131**		295,947	5
Total deposits		**161,260**		147,023	10
Allocated equity		**40,607**		42,975	(6)

(1) FTE basis

n/m = not meaningful

Global Commercial Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include business banking and middle-market companies, commercial real estate firms and governments, and are generally defined as companies with annual sales up to $2 billion. Our lending products and services include commercial loans and commitment facilities, real estate lending, asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options.

Global Commercial Banking recorded 2010 net income of $3.2 billion compared to a 2009 net loss of $290 million, with the improvement driven by lower credit costs.

Net interest income remained relatively flat as growth in average deposits from our existing clients of $18.7 billion, or 14 percent, was offset by a lower net interest income allocation related to ALM activities. In addition, net interest income benefited from credit pricing discipline, which negated the impact of the $25.8 billion, or 11 percent, decline in average loan balances.

Noninterest income decreased $270 million, or nine percent, largely due to additional costs related to our agreement to purchase certain retail automotive loans. For further information, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

The provision for credit losses decreased $5.8 billion to $2.0 billion for 2010 compared to 2009. The decrease was driven by improvements primarily in the commercial real estate portfolios reflecting stabilizing values and in the

U.S. commercial portfolio resulting from improved borrower credit profiles. Additionally, all other portfolios experienced lower net charge-offs attributable to more stable economic conditions.

Global Commercial Banking Revenue

Global Commercial Banking revenues can also be categorized as treasury services revenue primarily from capital and treasury management, and business lending revenue derived from credit related products and services. Treasury services revenue for 2010 was $4.3 billion, an increase of $62 million compared to 2009. Revenue growth was driven by net interest income from increased deposits, partially offset by lower treasury service charges. As clients manage through current economic conditions, we have seen usage of certain treasury services decline and increased conversion of paper to electronic services. These actions combined with our clients leveraging compensating balances to offset fees have decreased treasury service charges. Business lending revenue for 2010 was $6.6 billion, a decrease of $299 million compared to 2009, largely due to additional costs related to our agreement to purchase certain retail automotive loans. Despite client deleveraging in the first half of 2010 and continued low loan demand, commercial and industrial loan balances began to stabilize and show moderate growth during the latter part of 2010. Commercial real estate loan balances declined due to continued client deleveraging and our management of nonperforming loans. Credit pricing discipline negated the impact of the decline in average loan balances on net interest income.

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Global Banking & Markets

(Dollars in millions)	2010	2009	% Change
Net interest income [1]	$ 7,989	$ 9,553	(16)%
Noninterest income:			
Service charges	2,126	2,044	4
Investment and brokerage services	2,441	2,662	(8)
Investment banking income	5,408	5,927	(9)
Trading account profits	9,689	11,803	(18)
All other income	845	634	33
Total noninterest income	20,509	23,070	(11)
Total revenue, net of interest expense	28,498	32,623	(13)
Provision for credit losses	(155)	1,998	(108)
Noninterest expense	18,038	15,921	13
Income before income taxes	10,615	14,704	(28)
Income tax expense [1]	4,296	4,646	(8)
Net income	$ 6,319	$ 10,058	(37)
Return on average equity	12.01%	20.32%	
Return on average tangible shareholders equity	15.05	25.82	
Efficiency ratio [1]	63.30	48.80	
Balance Sheet			
Average			
Total trading-related assets	$ 499,433	$ 508,163	(2)%
Total loans and leases	98,604	110,811	(11)
Total market-based earning assets	504,360	481,376	5
Total earning assets	598,613	588,252	2
Total assets	758,958	778,870	(3)
Total deposits	109,792	104,868	5
Allocated equity	52,604	49,502	6
Year end			
Total trading-related assets	$ 413,563	$ 410,755	1%
Total loans and leases	100,010	95,930	4
Total market-based earning assets	416,174	404,315	3
Total earning assets	509,269	498,765	2

Total assets	**655,535**	649,876	1
Total deposits	**111,447**	102,093	9
Allocated equity	**49,054**	53,260	(8)

(1) FTE basis

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

GBAM also includes the results of our merchant processing joint venture, Banc of America Merchant Services, LLC. In 2009, we entered into a joint venture agreement with First Data Corporation (First Data) to form Banc of America Merchant Services, LLC. The joint venture provides payment solutions, including credit, debit and prepaid cards, and check and e-commerce payments to merchants ranging from small businesses to corporate and commercial clients worldwide. In addition to Bank of America and First Data, the remaining stake was initially held by a third party. During 2010, the third party sold its interest to the joint venture, thus increasing the Corporation s ownership interest in the joint venture to 49 percent. For additional information on the joint venture agreement, see *Note 5 Securities* to the Consolidated Financial Statements.

Net income decreased $3.7 billion to $6.3 billion due to a $4.1 billion decline in revenues and an increase in noninterest expenses of $2.1 billion. This was partially offset by lower provision expense reflecting improvement in borrower credit profiles. Additionally, income tax expense was negatively affected from a change in the U.K. corporate income tax rate that impacted the carrying value of the deferred tax asset by approximately $390 million.

Net interest income decreased $1.6 billion to $8.0 billion due to tighter spreads on trading related assets and lower average loan and lease balances, partially offset by higher earned spreads on deposits. The $12.2 billion, or 11 percent, decline in average loans and leases was driven by reduced client demand. Net interest income is comprised of both markets-based revenue from our trading activities and banking-based revenue which is related to our credit and treasury service products. Noninterest income decreased $2.6 billion due in part to the prior year gain of $3.8 billion related to the contribution of the merchant processing business to the joint venture. While overall sales and trading revenue were flat year-over-year, the market in 2009 was more favorable but results were muted by losses on legacy positions. Noninterest expense increased $2.1 billion driven mainly by higher compensation costs from investments in infrastructure, professional fees and litigations expense.

Components of Global Banking & Markets

Sales and Trading Revenue

Sales and trading revenue is segregated into fixed-income including investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities (CMBS), RMBS and CDOs; currencies including interest rate and foreign exchange contracts; commodities including primarily futures, forwards, swaps and options; and equity income from equity-linked derivatives and cash equity activity.

(Dollars in millions)	**2010**	2009
Sales and trading revenue [1, 2]		
Fixed income, currencies and commodities (FICC)	**$ 13,158**	$ 12,723
Equity income	**4,145**	4,902
Total sales and trading revenue	**$ 17,303**	$ 17,625

(1) Includes $274 million and $353 million of net interest income on a FTE basis for 2010 and 2009.
(2) Includes $2.4 billion and $2.6 billion of investment and brokerage services revenue for 2010 and 2009.

Sales and trading revenue decreased $322 million, or two percent, to $17.3 billion in 2010 compared to 2009 due to increased investor risk aversion and more favorable market conditions in the prior year. We recorded net credit spread gains on derivative liabilities during 2010 of $242 million compared to losses of $801 million in 2009.
FICC revenue increased $435 million to $13.2 billion due to significantly lower market disruption charges, partially offset by lower revenue in our rates and currencies, commodities and credit products due to diminished client activity and European debt deterioration. Gains on legacy assets, primarily in trading account profits (losses) and other income (loss), were $321 million for 2010 compared to write-downs of $3.8 billion in 2009. Legacy losses in the prior year were primarily driven by our CMBS, CDO and leveraged finance exposure.
Equity income was $4.1 billion in 2010 compared to $4.9 billion in 2009 driven by a decline in client flows and market conditions in the derivatives business.

Investment Banking Income

Product specialists within *GBAM* underwrite and distribute debt and equity issuances and certain other loan products, and provide advisory services. To provide a complete discussion of our consolidated investment banking income, the table below presents total investment banking income for the Corporation of which, 93 percent in 2010 and 94 percent in 2009 is recorded in *GBAM* with the remainder reported in *GWIM* and *Global Commercial Banking*.

(Dollars in millions)	**2010**	2009
Investment banking income		
Advisory [1]	**$ 1,019**	$ 1,167

Debt issuance	**3,267**	3,124
Equity issuance	**1,499**	1,964
	5,785	6,255
Offset for intercompany fees [2]	**(265)**	(704)
Total investment banking income	**$ 5,520**	$ 5,551

(1) Advisory includes fees on debt and equity advisory services and mergers and acquisitions.
(2) Represents the offset to fees paid on the Corporation s transactions.

Equity issuance fees decreased $465 million in 2010 primarily reflecting lower levels of industry-wide activity and a decline in market-based revenue pools. Debt issuance fees increased $143 million consistent with a five percent increase in global fee pools in 2010. Strong performance within debt issuance was mainly driven by higher revenues within leveraged finance. Advisory fees decreased $148 million during 2010.

Global Corporate Banking

Client relationship teams along with product partners work with our customers to provide them with a wide range of lending-related products and services, integrated working capital management and treasury solutions through the Corporation s global network of offices. Global Corporate Banking lending revenues of $3.4 billion for 2010 increased $567 million compared to 2009. The increase in 2010 is primarily due to higher fees and the negative impact of hedge results in 2009. Treasury services revenue of $2.8 billion for 2010 decreased $3.9 billion primarily due to a $3.8 billion pre-tax gain in the prior year related to the contribution of the merchant processing business to a joint venture. Equity investment income from the joint venture was $133 million for 2010. During 2010, we sold our trust administration business and in connection with the sale provided certain commitments to the acquirer. See *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements for additional information.

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Collateralized Debt Obligation Exposure

CDO vehicles hold diversified pools of fixed-income securities and issue multiple tranches of debt securities including commercial paper, mezzanine and equity securities. Our CDO-related 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 positions, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements. 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.

In 2010, we incurred $573 million of losses resulting from our CDO-related exposure compared to $2.2 billion in CDO-related losses in 2009. This included $357 million in 2010 related to counterparty risk on our CDO-related exposure compared to $910 million in 2009. Also included in these losses were other-than-temporary impairment (OTTI) write-downs of $251 million in 2010 compared to losses of $1.2 billion in 2009 related to CDOs and retained positions classified as AFS debt securities.

As presented in the table below, at December 31, 2010, our hedged and unhedged super senior CDO exposure before consideration of insurance, net of write-downs, was $2.0 billion compared to $3.6 billion at December 31, 2009.

Super Senior Collateralized Debt Obligation Exposure

	December 31, 2010				
(Dollars in millions)	**Subprime (1)**	**Retained Positions**	**Total Subprime**	**Non-Subprime (2)**	**Total**
Unhedged	$ 721	$ 156	$ 877	$ 338	**$ 1,215**
Hedged (3)	583		583	189	**772**
Total	$ 1,304	$ 156	$ 1,460	$ 527	**$ 1,987**

(1) Classified as subprime when subprime consumer real estate loans make up at least 35 percent of the original net exposure value of the underlying collateral.
(2) Includes highly-rated collateralized loan obligations and CMBS super senior exposure.
(3) Hedged amounts are presented at carrying value before consideration of the insurance.

We value our CDO structures using market-standard models to model the specific collateral composition and cash flow structure of each deal. Key inputs to the models are prepayment rates, default rates and severities for each collateral type, and other relevant contractual features. Unrealized losses recorded in accumulated OCI on super senior cash positions and retained positions from liquidated CDOs in aggregate decreased $382 million during 2010 to $466 million at December 31, 2010.

At December 31, 2010, total super senior exposure of $2.0 billion was marked at 18 percent, including $156 million of retained positions from

liquidated CDOs marked at 42 percent, $527 million of non-subprime exposure marked at 39 percent and the remaining $1.3 billion of subprime exposure marked at 14 percent of the original exposure amounts.

The table below presents our original total notional, mark-to-market receivable and credit valuation adjustment for credit default swaps and other positions with monolines. The receivable for super senior CDOs reflects hedge gains recorded from inception of the contracts in connection with write-downs on the super senior CDOs in the table above.

Credit Default Swaps with Monoline Financial Guarantors

	December 31, 2010			December 31, 2009		
(Dollars in millions)	**Super Senior CDOs**	**Other Guaranteed Positions**	**Total**	Super Senior CDOs	Other Guaranteed Positions	Total
Notional	$ 3,241	$ 35,183	**$ 38,424**	$ 3,757	$ 38,834	$ 42,591
Mark-to-market or guarantor receivable	$ 2,834	$ 6,367	**$ 9,201**	$ 2,833	$ 8,256	$ 11,089
Credit valuation adjustment	(2,168)	(3,107)	**(5,275)**	(1,873)	(4,132)	(6,005)
Total	$ 666	$ 3,260	**$ 3,926**	$ 960	$ 4,124	$ 5,084
Credit valuation adjustment %	77%	49%	**57%**	66%	50%	54%
(Write-downs) gains	$ (386)	$ 362	**$ (24)**	$ (961)	$ 98	$ (863)

Total monoline exposure, net of credit valuation adjustments, decreased $1.2 billion during 2010. This decrease was driven by positive valuation adjustments on legacy assets and terminated monoline contracts.

Other CDO Exposure

With the Merrill Lynch acquisition, we acquired a loan with a carrying value of $4.2 billion as of December 31, 2010 that is collateralized by U.S. super senior ABS CDOs. Merrill Lynch originally provided financing to the borrower

for an amount equal to approximately 75 percent of the fair value of the collateral. The loan, which is recorded in *All Other*, has full recourse to the borrower and all scheduled payments on the loan have been received. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity. Collateral for the loan is excluded from our CDO exposure discussions and the applicable tables.

Global Wealth & Investment Management

(Dollars in millions)	2010	2009	% Change
Net interest income [1]	**$ 5,831**	$ 5,988	(3)%
Noninterest income:			
Investment and brokerage services	**8,832**	8,425	5
All other income	**2,008**	1,724	16
Total noninterest income	**10,840**	10,149	7
Total revenue, net of interest expense	**16,671**	16,137	3
Provision for credit losses	**646**	1,061	(39)
Noninterest expense	**13,598**	12,397	10
Income before income taxes	**2,427**	2,679	(9)
Income tax expense [1]	**1,080**	963	12
Net income	**$ 1,347**	$ 1,716	(22)
Net interest yield [1]	**2.37%**	2.64%	
Return on average tangible shareholders equity	**18.40**	27.63	
Return on average equity	**7.44**	10.35	
Efficiency ratio [1]	**81.57**	76.82	
Balance Sheet			
Average			
Total loans and leases	**$ 99,491**	$ 103,384	(4)%
Total earning assets	**245,812**	226,856	8
Total assets	**266,638**	249,887	7
Total deposits	**236,350**	225,979	5
Allocated equity	**18,098**	16,582	9
Year end			
Total loans and leases	**$ 101,020**	$ 99,571	1%
Total earning assets	**275,598**	227,796	21
Total assets	**297,301**	250,963	18
Total deposits	**266,444**	224,839	19
Allocated equity	**18,349**	17,730	3

(1) FTE basis

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

MLGWM s advisory business provides a high-touch client experience through a network of approximately 15,500 financial advisors focused on clients with more than $250,000 in total investable assets. *MLGWM* also includes Merrill Edge, a new integrated investing and banking service which is targeted at clients with less than $250,000 in total assets. Merrill Edge provides team-based investment advice and guidance, brokerage services, a self-directed online investing platform and key banking capabilities including access to the Corporation s branch network and ATMs. In addition, *MLGWM* includes the Private Banking & Investments Group.

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

Retirement Services partners with financial advisors to provide institutional and personal retirement solutions including investment management,

administration, recordkeeping and custodial services for 401(k), pension, profit-sharing, equity award and non-qualified deferred compensation plans. *Retirement Services* also provides comprehensive investment advisory services to individuals, small to large corporations and pension plans. Included in *Retirement Services* results is the consolidation of a collective investment fund that did not have a significant impact on our consolidated results. For additional information, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

GWIM results also include the BofA Global Capital Management (BACM) business, which is comprised primarily of the cash and liquidity asset management business that Bank of America retained following the sale of the Columbia Management long-term asset management business on May 1, 2010. The historical results of Columbia Management s long-term asset management business were transferred to *All Other* along with the Corporation s economic ownership interest in BlackRock.

Revenue from *MLGWM* was $13.1 billion, up four percent in 2010 compared to 2009. Revenue from *U.S. Trust* was $2.7 billion, up five percent in 2010 compared to 2009. Revenue from *Retirement Services* was $950 million, up four percent compared to 2009.

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GWIM results include the impact of migrating clients and their related deposit and loan balances to or from *Deposits*, *Home Loans & Insurance* and the ALM portfolio as presented in the table below. The directional shift of total deposits migrated was mainly due to client segmentation threshold changes. Subsequent to the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

Migration Summary

(Dollars in millions)		**2010**		2009
Average				
Total deposits *GWIM* from (to) *Deposits*	**$**	**3,086**	$	(30,638)
Total loans *GWIM* to *Home Loans & Insurance* and the ALM portfolio		**(1,405)**		(12,033)
Year end				
Total deposits *GWIM* from (to) *Deposits*	**$**	**7,232**	$	(42,521)
Total loans *GWIM* to *Home Loans & Insurance* and the ALM portfolio		**(1,625)**		(17,241)

Net income decreased $369 million, or 22 percent, to $1.3 billion driven in part by higher noninterest expense, the tax-related effect of the sale of the Columbia Management long-term asset management business and lower net interest income, partially offset by higher noninterest income and lower credit costs. Net interest income decreased $157 million, or three percent, to $5.8 billion as the positive impact of higher deposit levels was more than offset by lower revenue from corporate ALM activity. Noninterest income increased $691 million, or seven percent, to $10.8 billion primarily due to higher asset management fees driven by stronger markets, continued long-term assets under management flows and higher transactional activity. Provision for credit losses decreased $415 million, or 39 percent, to $646 million driven by stabilization of the portfolios and the recognition of a single large

commercial charge-off in 2009. Noninterest expense increased $1.2 billion, or 10 percent, to $13.6 billion driven by increases in revenue-related expenses, higher support costs and personnel costs associated with further investment in the business.

Client Balances

The table below presents client balances which consist of assets under management, client brokerage assets, assets in custody, client deposits, and loans and leases.

Client Balances by Type

	December 31			
(Dollars in millions)		**2010**		2009
Assets under management	**$**	**643,955**	$	749,851
Client brokerage assets [(1)]		**1,480,231**		1,402,977
Assets in custody		**126,203**		144,012
Client deposits		**266,444**		224,839
Loans and leases		**101,020**		99,571
Less: Client brokerage assets, assets in custody and deposits included in assets under management		**(379,310)**		(348,738)
Total client balances [(2)]	**$**	**2,238,543**	$	2,272,512

(1) Client brokerage assets include non-discretionary brokerage and fee-based assets.
(2) 2009 balance includes the Columbia Management long-term asset management business representing $114.6 billion, net of eliminations, which was sold on May 1, 2010.

The decrease in client balances was due to the sale of the Columbia Management long-term asset management business, outflows in *MLGWM s* non-fee based brokerage assets and outflows in BACM s money market assets due to the continued low rate environment, partially offset by higher market levels and inflows in client deposits, long-term assets under management (AUM) and fee-based brokerage assets.

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All Other

(Dollars in millions)	**2010**	2009 [2]	% Change
Net interest income [1]	**$ 148**	$ 2,029	(93)%
Noninterest income:			
Card income	**2**	1,138	(100)
Equity investment income	**4,532**	10,589	(57)
Gains on sales of debt securities	**2,314**	4,437	(48)
All other loss	**(1,127)**	(5,590)	80
Total noninterest income	**5,721**	10,574	(46)
Total revenue, net of interest expense	**5,869**	12,603	(53)
Provision for credit losses	**4,634**	8,002	(42)
Merger and restructuring charges	**1,820**	2,721	(33)
All other noninterest expense	**2,431**	2,909	(16)
Loss before income taxes	**(3,016)**	(1,029)	(193)
Income tax benefit [1]	**(4,103)**	(2,357)	(74)
Net income	**$ 1,087**	$ 1,328	(18)
Balance Sheet			
Average			
Total loans and leases	**$ 250,956**	$ 260,755	(4)%
Total assets [3]	**263,592**	338,703	(22)
Total deposits	**55,769**	88,736	(37)
Allocated equity	**33,964**	51,475	(34)
Year end			
Total loans and leases	**$ 255,155**	$ 250,868	2%
Total assets [3]	**186,391**	233,293	(20)
Total deposits	**38,162**	65,434	(42)
Allocated equity	**44,933**	23,303	92

(1) FTE basis

(2) 2009 is presented on an as adjusted basis for comparative purposes, which excludes the securitization offset. For more information on *All Other,* including the securitization offset, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.

(3) Includes elimination of segments excess asset allocations to match liabilities (i.e., deposits) of $621.3 billion and $537.1 billion for 2010 and 2009, and $645.8 billion and $586.0 billion at December 31, 2010 and 2009.

The 2009 presentation above of *All Other* excludes the securitization offset to make it comparable with the 2010 presentation. In 2009, *Global Card Services* was presented on a managed basis with the difference between managed and held reported as the securitization offset. With the adoption of new consolidation guidance on January 1, 2010, we consolidated all credit card securitizations that were previously unconsolidated, such that *All Other* no longer includes the securitization offset. For additional information on the securitization offset included in *All Other*, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.
All Other, as presented above, consists of two broad groupings, *Equity Investments* and *Other. Equity Investments* includes Corporate Investments, Global Principal Investments and Strategic Investments. *Other* can be segregated into the following categories: liquidating businesses, merger and restructuring charges, ALM functions (i.e., residential mortgage portfolio and investment securities) and related activities (i.e., economic hedges, fair value option on structured liabilities), and the impact of certain allocation methodologies. For additional information on the other activities included in *All Other*, see *Note 26 Business Segment Information* to the Consolidated Financial Statements.

The tables below present the components of *All Other* s equity investments at December 31, 2010 and 2009, and also a reconciliation of *All Other* s equity investment income to the total consolidated equity investment income for 2010 and 2009.

Equity Investments

	December 31	
(Dollars in millions)	**2010**	2009
Corporate Investments	**$**	$ 2,731
Global Principal Investments	**11,656**	14,071
Strategic and other investments	**22,545**	27,838
Total equity investments included in *All Other*	**$ 34,201**	$ 44,640

Equity Investment Income

(Dollars in millions)	**2010**	2009
Corporate Investments	**$ (293)**	$ (88)
Global Principal Investments	**2,304**	1,222
Strategic and other investments	**2,521**	9,455
Total equity investment income included in *All Other*	**4,532**	10,589
Total equity investment income included in the business segments	**728**	(575)
Total consolidated equity investment income	**$ 5,260**	$ 10,014

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In 2010, the $2.7 billion Corporate Investments equity securities portfolio, which consisted of highly liquid publicly-traded equity securities, was sold as a result of a change in our investment portfolio objectives shifting more to interest earnings and reducing our exposure to equity market risk, which contributed to the $293 million loss in 2010.

Global Principal Investments (GPI) is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. GPI had unfunded equity commitments of $1.4 billion and $2.5 billion at December 31, 2010 and 2009, related to certain of these investments. During 2010, we sold our exposure of $2.9 billion in certain private equity funds, comprised of $1.5 billion in funded exposure and $1.4 billion in unfunded commitments in these funds as we continue to reduce our equity exposure.

Affiliates of the Corporation may, from time to time, act as general partner, fund manager and/or investment advisor to certain Corporation-sponsored real estate private equity funds. In this capacity, these affiliates manage and/or provide investment advisory services to such real estate private equity funds primarily for the benefit of third-party institutional and private clients. These activities, which are recorded in GPI, inherently involve risk to us and to the fund investors, and in certain situations may result in losses. In 2010, we recorded a loss of $163 million related to a consolidated real estate private equity fund for which we were the general partner and investment advisor. In late 2010, the general partner and investment advisor responsibilities were transferred to an independent third-party asset manager.

Strategic Investments includes primarily our investment in CCB of $19.7 billion as well as our $2.6 billion remaining investment in BlackRock. At December 31, 2010, we owned approximately 10 percent, or 25.6 billion common shares of CCB. During 2010, we sold certain rights related to our investment in CCB resulting in a gain of $432 million. Also during 2010, we sold our Itaú Unibanco and Santander equity investments resulting in a net gain of approximately $800 million and a portion of our interest in BlackRock resulting in a gain of $91 million.

All Other reported net income of $1.1 billion in 2010 compared to $1.3 billion in 2009 with the decline due to decreases in net interest income and noninterest income compared to the prior year. The decrease in net interest income was driven by a $1.4 billion lower funding differential on certain securitizations and the impact of capital raises occurring throughout 2009 that were not allocated to the businesses. Noninterest income decreased $4.9 billion, as the prior year included a $7.3 billion gain resulting from sales of shares of CCB and an increase of $1.4 billion on net gains on the sale of debt securities. This was offset by net negative fair value adjustments of $4.9 billion on structured liabilities in 2009 compared to a net positive adjustment of $18 million in 2010 and higher valuation adjustments and gains on sales of select investments in GPI. Also in 2010, we sold our investments in Itaú Unibanco and Santander resulting in a net gain of

approximately $800 million, as well as the gains on CCB and BlackRock. For more information on the sales of these investments, see *Note 5 Securities* to the Consolidated Financial Statements.

Provision for credit losses decreased $3.4 billion to $4.6 billion due to improving portfolio trends in the residential mortgage portfolio partially offset by further deterioration in the Countrywide purchased credit-impaired discontinued real estate portfolio.

The income tax benefit in 2010 was $4.1 billion compared to $2.4 billion in 2009, driven by an increase in the pre-tax loss as well as the release of a higher portion of a deferred tax asset valuation allowance.

During 2010, we completed the sale of First Republic at book value and as a result, we removed $17.4 billion of loans and $17.8 billion of deposits from the Corporation s Consolidated Balance Sheet.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into 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 are commitments to purchase loans of $2.6 billion and vendor contracts of $7.1 billion. The most significant 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, Non-U.S. 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 2010 and 2009, we contributed $378 million and $414 million to the Plans, and we expect to make at least $306 million of contributions during 2011.

Debt, lease, equity and other obligations are more fully discussed in *Note 13 Long-term Debt* and *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements. The Plans are more fully discussed in *Note 19 Employee Benefit Plans* to the Consolidated Financial Statements.

We enter into commitments to extend credit such as loan commitments, standby letters of credit (SBLCs) and commercial letters of credit to meet the financing needs of our customers. For a summary of the total unfunded, or off-balance sheet, credit extension commitment amounts by expiration date, see the table in *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Table 9 presents total long-term debt and other obligations at December 31, 2010.

Table 9 Long-term Debt and Other Obligations

	December 31, 2010				
(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	$ 89,251	$ 138,603	$ 69,539	$ 151,038	**$ 448,431**
Operating lease obligations	3,016	4,716	2,894	6,624	**17,250**
Purchase obligations	5,257	2,490	1,603	1,077	**10,427**
Time deposits	181,280	17,548	4,752	4,178	**207,758**
Other long-term liabilities	696	1,047	770	1,150	**3,663**
Total long-term debt and other obligations	**$ 279,500**	**$ 164,404**	**$ 79,558**	**$ 164,067**	**$ 687,529**

Representations and Warranties

We securitize first-lien residential mortgage loans generally in the form of MBS guaranteed by GSEs or the Government National Mortgage Association (GNMA) in the case of the Federal Housing Administration (FHA) insured and U.S. Department of Veterans Affairs (VA) guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries have sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. In connection with these transactions, we or our subsidiaries or legacy companies make or have made various representations and warranties. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedy to a whole-loan buyer or securitization trust (collectively, repurchase claims). Our operations are currently structured to attempt to limit the risk of repurchase and accompanying credit exposure by seeking to ensure consistent production of mortgages in accordance with our underwriting procedures and by servicing those mortgages consistent with our contractual obligations.

The fair value of probable losses to be absorbed under the representations and warranties obligations and the guarantees is recorded as an accrued liability when the loans are sold. The liability for probable losses is updated by accruing a representations and warranties provision in mortgage banking income. This is done throughout the life of the loan as necessary when additional relevant information becomes available. The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, which include, depending on the counterparty, actual defaults, estimated future defaults, historical loss experience, estimated home prices, estimated probability that a repurchase request will be received, number of payments made by the borrower prior to default and estimated probability that a loan will be required to be repurchased. Historical experience also considers recent events such as the agreements with the GSEs on December 31, 2010 as discussed in the following section. Changes to any one of these factors could significantly impact the estimate of our liability. Given that these factors vary by counterparty, we analyze our representations and warranties obligations based on the specific counterparty with whom the sale was made. Although the timing and volume has varied, we have experienced in recent periods increasing repurchase and similar requests from buyers and insurers, including monolines. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. We expect that efforts to attempt to assert repurchase requests by monolines, whole-loan investors and private-label securitization investors may increase in the future. See Recent Events Private-label Residential Mortgage-backed Securities Matters, on page 35 for additional information. We perform a loan-by-loan review of all properly presented repurchase claims and have and will continue to contest such demands that we do not believe are valid. In addition, we may reach a bulk settlement with a counterparty (in lieu of the loan-by-loan review process), on terms determined to be advantageous to the Corporation. Overall, disputes with respect to repurchase claims have increased with monoline insurers, whole-loan buyers and private-label securitization investors. For additional information, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

At December 31, 2010, our total unresolved repurchase claims totaled approximately $10.7 billion compared to $7.6 billion at the end of 2009. The liability for representations and warranties and corporate guarantees, is included in accrued expenses and other liabilities and the related provision is included in mortgage banking income. At December 31, 2010 and 2009, the liability was $5.4 billion and $3.5 billion. For 2010 and 2009, the provision for representations and warranties and corporate guarantees was $6.8 billion and $1.9 billion. The representations and warranties provision of $6.8 billion, includes a provision of $3.0 billion in the fourth quarter of 2010 related to the GSE agreements as well as adjustments to the representations and warranties liability for other loans sold directly to the GSEs and not covered by those agreements. Also contributing to the increase in representations and warranties provision for the year was our continued evaluation of exposure to non-GSE repurchases and similar claims, which led to the determination that we have developed sufficient repurchase experience with certain non-GSE counterparties to record a liability related to existing and future projected claims from such counterparties. Representations and warranties provision may vary significantly each period as the methodology used to estimate the expense continues to be refined based on the level and type of repurchase claims presented, defects identified, the latest experience gained on repurchase claims and other relevant facts and circumstances, which could have a material adverse impact on our earnings for any particular period.

Government-sponsored Enterprises

During the last ten years, Bank of America and our subsidiaries have sold over $2.0 trillion of loans to the GSEs and we have an established history of working with them on repurchase claims. Our experience with them continues to evolve and any disputes are generally related to areas such as the reasonableness of stated income, occupancy and undisclosed liabilities, and are typically focused on the 2004 through 2008 vintages. On December 31, 2010, we reached agreements with the GSEs and paid $2.8 billion to the GSEs pursuant to such agreements, resolving repurchase claims involving certain residential mortgage loans sold directly to them by entities related to legacy Countrywide. As a result of these agreements, as well as adjustments to the representations and warranties liability for other loans sold directly to the GSEs and not covered by those agreements, we adjusted our liability for representations and warranties. For additional information regarding these agreements, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

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

Cumulative GSE Repurchase Claims by Vintage

(1) Exposure at default (EAD) represents the unpaid principal balance at the time of default or the unpaid principal balance as of December 31, 2010.

Bank of America and legacy Countrywide sold approximately $1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of December 31, 2010, slightly less than 10 percent of the loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 55 percent of severely delinquent or defaulted loans. Through December 31, 2010, we have received approximately $21.6 billion in repurchase claims associated with these vintages, representing approximately two percent of the loans sold to the GSEs in these vintages. Including the agreement reached with FNMA on December 31, 2010, we have resolved $18.2 billion of these claims with a net loss experience of approximately 27 percent. The claims resolved and the loss rate do not include $839 million in claims extinguished as a result of the

agreement with FHLMC due to the global nature of the agreement and, specifically, the absence of a formal apportionment of the agreement amount between current and future claims. Our collateral loss severity rate on approved repurchases has averaged approximately 45 to 55 percent. Although the level of repurchase claims from the GSEs has been elevated for the last few quarters, the agreements with the GSEs have resulted in a decrease in the total number of outstanding repurchase claims at December 31, 2010 compared to December 31, 2009. Based on the information derived from the historical GSE experience, including the GSE agreements discussed on the previous page, we believe we are 70 percent to 75 percent through the receipt of the GSE repurchase claims that we ultimately expect to receive.

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The table below highlights our experience with the GSEs related to loans originated from 2004 through 2008.

Table 10 Overview of GSE Balances 2004 2008 Originations

	Legacy Orginator			
(Dollars in billions)	Countrywide	Other	**Total**	Percent of Total
Original funded balance	$ 846	$ 272	**$ 1,118**	
Principal payments	(406)	(133)	**(539)**	
Defaults	(31)	(3)	**(34)**	
Total outstanding balance at December 31, 2010	**$ 409**	**$ 136**	**$ 545**	
Outstanding principal balance 180 days or more past due (severely delinquent)	$ 59	$ 14	**$ 73**	
Defaults plus severely delinquent (principal at risk)	90	17	**107**	
Payments made by borrower:				
Less than 13			**$ 16**	15%
13-24			**32**	30
25-36			**33**	31
Greater than 36			**26**	24
Total payments made by borrower			**$ 107**	**100%**
Outstanding GSE pipeline of representations and warranties claims (all vintages)				
As of December 31, 2009			**$ 3.3**	
As of December 31, 2010			**2.8**	
Cumulative representations and warranties losses 2004-2008 vintages			**$ 6.3**	

Our liability for obligations under representations and warranties given to the GSEs considers the recent agreements and their impact on the repurchase rates on future repurchase claims we might receive on loans that have defaulted or that we estimate will default. We believe that our remaining exposure to representations and warranties for loans sold directly to the GSEs has been accounted for as a result of these agreements and the associated adjustments to our recorded liability for representations and warranties for other loans sold directly to the GSEs and not covered by the agreements. We believe our predictive repurchase models, utilizing our historical repurchase experience with the GSEs while considering current developments, including the recent agreements, projections of future defaults as well as certain assumptions regarding economic conditions, home prices and other matters, allows us to reasonably estimate the liability for obligations under representations and warranties on loans sold to the GSEs. However, future provisions and possible loss or range of loss associated with representations and warranties made to the GSEs may be impacted if actual results are different from our assumptions regarding economic conditions, home prices and other matters.

Transactions with Investors Other than Government-sponsored Entities

In prior years, legacy companies and certain subsidiaries have sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. The loans sold include prime loans, including loans with a loan balance in excess of the conforming loan limit, Alt-A, pay-option, home equity and subprime loans. Many of the loans sold in the form of whole loans were subsequently pooled with other mortgages into private-label securitizations issued or sponsored by the third-party buyer of the whole loans. In some of the private-label securitizations, monolines have insured all or some of the issued bonds or certificates. In connection with these securitizations and whole loan sales, we or our subsidiaries or our legacy companies made various representations and warranties. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans from or to otherwise make whole or provide other remedy to a whole-loan buyer or securitization trust.

As detailed in Table 11, legacy companies and certain subsidiaries sold loans originated from 2004 through 2008 with a principal balance of $963 billion to investors other than GSEs, of which approximately $478 billion in

principal has been paid and $216 billion have defaulted, or are severely delinquent (i.e., 180 days or more past due) and are considered principal at-risk at December 31, 2010. As of December 31, 2010, we had received $13.7 billion of repurchase claims on these 2004-2008 loan vintages, of which $6.0 billion have been resolved and $7.7 billion remain outstanding. Of the $7.7 billion of repurchase claims that remain outstanding, we have reviewed $4.1 billion that we have declined to repurchase. We have recognized losses of $1.7 billion on the resolved repurchase claims, $631 million of which relates to monolines and $1.1 billion of which relates to whole loan and private-label investors, as described in more detail below.

As it relates to private investors, including those who have invested in private-label securitizations, a contractual liability to repurchase mortgage loans generally arises only if counterparties prove there is a breach of the representations and warranties that materially and adversely affects the interest of the investor or all investors in a securitization trust, or that there is a breach of other standards established by the terms of the related sale agreement. We believe that the longer a loan performs, the less likely an underwriting representations and warranties breach would have had a material impact on the loan s performance or that a breach even exists. Because the majority of the borrowers in this population would have made a significant amount of payments if they are not yet 180 days or more delinquent, we believe that the principal balance at the greatest risk for repurchase requests in this population of private-label investors is a combination of loans that have already defaulted and those that are currently 180 days or more past due. Additionally, the obligation to repurchase mortgage loans also requires that counterparties have the contractual right to demand repurchase of the loans. Based on a recent court ruling that dismissed a case against legacy Countrywide, we believe private-label securitization investors must generally aggregate 25 percent of the voting interests in each of the tranches of a particular securitization to instruct the securitization trustee to investigate potential repurchase claims. While a securitization trustee may elect to investigate or demand repurchase of loans on its own, individual investors typically have limited rights under the contracts to present repurchase claims directly. Also, the motivation of some private-label securitization investors to assert repurchase claims may be diminished by the fact that their investment is not materially impacted by the losses due to the credit enhancement coverage provided by cash flows from the tranches rated below AAA, for example.

Any amounts paid related to repurchase claims from a monoline are paid to the securitization trust and are applied in accordance with the terms of the

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governing securitization documents, which may include use by the securitization trust to repay any outstanding monoline advances or reduce future advances from the monolines. To the extent that a monoline has not advanced funds or does not anticipate that it will be required to advance funds to the securitization trust, the likelihood of receiving a repurchase request from a monoline may be reduced as the monoline would receive limited or no benefit from the payment of repurchase claims. Moreover, some monolines are not

currently performing their obligations under the financial guaranty policies they issued which may, in certain circumstances, impact their ability to present repurchase claims.
Table 11 details the population of loans sold as whole-loans or in non-agency securitizations by entity and product together with the principal at-risk stratified by the number of payments the borrower made prior to default or becoming severely delinquent.

Table 11 Overview of Non-Agency Securitization and Whole Loan Balances 2004-2008 Originations

(Dollars in billions)	Original Principal Balance	Principal Balance Outstanding Principal Balance 12/31/2010	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Principal at Risk	Borrower Made < 13 Payments	Principal at Risk Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made > 36 Payments
By Entity									
Bank of America	$ 100	$ 34	$ 4	$ 3	$ 7	$ 1	$ 2	$ 2	$ 2
Countrywide	716	293	86	80	166	24	46	49	47
Merrill Lynch	65	22	7	10	17	3	4	3	7
First Franklin	82	23	7	19	26	4	6	4	12
Total [1, 2, 3]	**$ 963**	**$ 372**	**$ 104**	**$ 112**	**$ 216**	**$ 32**	**$ 58**	**$ 58**	**$ 68**
By Product									
Prime	$ 302	$ 124	$ 16	$ 11	$ 27	$ 2	$ 6	$ 8	$ 11
Alt-A	172	82	22	21	43	7	12	12	12
Pay option	150	65	30	20	50	5	15	16	14
Subprime	245	82	36	43	79	16	19	17	27
Home Equity	88	18		16	16	2	5	5	4
Other	6	1		1	1		1		
Total	**$ 963**	**$ 372**	**$ 104**	**$ 112**	**$ 216**	**$ 32**	**$ 58**	**$ 58**	**$ 68**

(1) Includes $186 billion of original principal balance related to transactions with monoline participation.
(2) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were assumed.

(3) Includes exposures on third-party sponsored transactions related to legacy entity originations.

As of December 31, 2010, approximately 22 percent of the loans sold to non-GSEs that were originated from 2004 to 2008 have defaulted or are severely delinquent. As shown in Table 11, at least 25 payments have been made on approximately 58 percent of the loans included in principal at-risk. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of the loan s default.

We believe the agreements for private-label securitizations generally contain less rigorous representations and warranties and generally impose higher burdens on investors seeking loan repurchases than the comparable agreements with the GSEs. For example, borrower fraud representations and warranties were generally not given in private-label securitizations. The following represent some of the typical private-label securitization transaction terms (which differ substantially from those provided in GSE transactions):

- Representation of material compliance with underwriting guidelines (which often explicitly permit exceptions).
- Few transactions contain a representation that there has been no fraud or material misrepresentation by a borrower or third party.
- Many representations include materiality qualifiers.
- Breach of representation must materially and adversely affect certificate holders interest in the loan.
- No representation that the mortgage is of investment quality.
- Offering documents included extensive disclosures, including detailed risk factors, description of underwriting practices and guidelines, and loan attributes.
- Only parties to a pooling and servicing agreement (e.g., the trustee) can bring repurchase claims. Certificate holders cannot bring claims directly and do not have access to loan files. At least 25 percent of each tranche of certificate holders is generally required in order to direct a trustee to review

  loan files for potential claims. In addition, certificate holders must bear costs of a trustee s loan file review.
- Repurchase liability is generally limited to the seller.

These factors lead us to believe that only a portion of the principal at-risk with respect to loans included in private-label securitizations will be the subject of a repurchase request and only a portion of those requests would ultimately result in a repurchase. Although our experience with non-GSE claims remains limited, we expect additional activity in this area going forward and that the volume of repurchase claims from monolines, whole-loan investors and investors in private-label securitizations could increase in the future. It is reasonably possible that future losses may occur, and our estimate is that the upper range of possible loss related to non-GSE sales could be $7 billion to $10 billion over existing accruals. This estimate does not represent a probable loss, is based on currently available information, significant judgment, and a number of assumptions that are subject to change. A significant portion of this estimate relates to loans originated through legacy Countrywide, and the repurchase liability is generally limited to the original seller of the loan. Future provisions and possible loss or range of loss may be impacted if actual results are different from our assumptions regarding economic conditions, home prices and other matters and may vary by counterparty. The resolution of the repurchase claims process with the non-GSE counterparties will likely be a protracted process, and we will vigorously contest any request for repurchase if we conclude that a valid basis for the repurchase claim does not exist.

The following discussion provides more detailed information related to non-GSE counterparties.

Monoline Insurers

Legacy companies have sold $185.6 billion of loans originated from 2004 through 2008 into monoline-insured securitizations, which are included in Table 11, including $106.2 billion of first-lien mortgages and $79.4 billion of

second-lien mortgages. Of these balances, $45.8 billion of the first-lien mortgages and $48.5 billion of the second-lien mortgages have paid off and $32.9 billion of the first-lien mortgages and $14.5 billion of the second-lien mortgages have defaulted or are severely delinquent and are considered principal at-risk at December 31, 2010. At least 25 payments have been made on approximately 52 percent of the loans included in principal at-risk. Of the first-lien mortgages sold, $41.0 billion, or 39 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines typically insured one or more securities. Through December 31, 2010, we have received $5.6 billion of representations and warranties claims related to the monoline-insured transactions. Of these repurchase claims, $799 million have been resolved, with losses of $631 million. The majority of these resolved claims related to second-lien mortgages and $678 million of these claims were resolved through repurchase or indemnification while $121 million were rescinded by the investor or paid in full. At December 31, 2010, the unpaid principal balance of loans related to unresolved monoline repurchase requests was $4.8 billion, including $3.0 billion that have been reviewed where it is believed a valid defect has not been identified which would constitute an actionable breach of representations and warranties and $1.8 billion that are in the process of review. We have had limited experience with most of the monoline insurers in the repurchase process, which has constrained our ability to resolve the open claims with such counterparties. Also, certain monoline insurers have instituted litigation against legacy Countrywide and Bank of America, which limits our relationship with such monoline insurers and ability to enter into constructive dialogue to resolve the open claims. It is not possible at this time to reasonably estimate future repurchase obligations with respect to those monolines with whom we have limited repurchase experience and, therefore, no liability has been recorded in connection with these monolines, other than a liability for repurchase requests that are in the process of review and repurchase requests where we have determined that there are valid loan defects. However, certain other monoline insurers have engaged with us in a consistent repurchase process and we have used that experience to record a liability related to existing and projected future claims from such counterparties.

Whole Loan Sales and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold loans in whole loan sales or via private-label securitizations with a total principal balance of $777.1 billion originated from 2004 through 2008, which are included in Table 11, of which $384.0 billion have been paid off and $169.0 billion have defaulted or are severely delinquent and are considered principal at-risk at December 31, 2010. At least 25 payments have been made on approximately 60 percent of the loans included in principal at-risk. We have received approximately $8.1 billion of representations and warranties claims from whole loan investors and private-label securitization investors related to these vintages, including $5.6 billion from whole loan investors, $800 million from one private-label securitization counterparty which were submitted prior to 2008 and $1.7 billion in recent demands from private-label securitization investors. Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly. The inclusion of the $1.7 billion in recent demands from private-label securitization investors does not mean that we believe these claims have satisfied the contractual thresholds required for these investors to direct the securitization trustee to take action or are otherwise procedurally or substantively valid. Additionally, certain private-label securitizations are insured by the monolines, which are not reflected in these figures regarding whole loan sales and private-label securitizations.

We have resolved $5.2 billion of the claims received from whole loan investors and private-label securitization investors with losses of $1.1 billion. Approximately $2.1 billion of these claims were resolved through repurchase or indemnification and $3.1 billion were rescinded by the investor. Claims outstanding related to these vintages totaled $2.9 billion at December 31, 2010, $1.1 billion of which we have reviewed and declined to repurchase based on an assessment of whether a material breach exists, $91 million of which are in the process of review and $1.7 billion of which are demands from private-label securitization investors received in the fourth quarter of 2010. The majority of the claims that we have received so far are from whole loan investors and until we have meaningful repurchase experiences with counterparties other than whole loan investors, it is not possible to determine whether a loss related to our private-label securitizations has occurred or is probable. However, certain whole loan investors have engaged with us in a consistent repurchase process and we have used that experience to record a liability related to existing and future claims from such counterparties.

On October 18, 2010, Countrywide Home Loans Servicing, LP (which changed its name to BAC Home Loans Servicing, LP), a wholly-owned subsidiary of the Corporation, received a letter, in its capacity as servicer on 115 private-label securitizations which was subsequently extended to 225 securitizations. The letter asserted breaches of certain servicing obligations, including an alleged failure to provide notice of breaches of representations and warranties with respect to mortgage loans included in the transactions. See Recent Events Private-label Residential Mortgage-backed Securities Matters on page 35 for additional information.

See Complex Accounting Estimates Representations and Warranties on page 112 for information related to our estimated liability for representations and warranties and corporate guarantees related to mortgage-related securitizations. For additional information regarding representations and warranties and disputes involving monolines, whole loan sales and private-label securitizations, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Regulatory Matters

Refer to Item 1A. Risk Factors for additional information on recent or proposed legislative and regulatory initiatives as well as other risks to which we are exposed, including among others, enhanced regulatory scrutiny or potential legal liability as a result of the recent financial crisis.

Financial Reform Act

On July 21, 2010, the Financial Reform Act was signed into law. The Financial Reform Act enacts sweeping financial regulatory reform and will alter the way in which we conduct certain businesses, increase our costs and reduce our revenues.

Background

The Financial Reform Act mandates that the Federal Reserve limit debit card interchange fees. Provisions in the legislation also ban banking organizations from engaging in proprietary trading and restrict their sponsorship of, or investing in, hedge funds and private equity funds, subject to limited exceptions. The Financial Reform Act increases regulation of the derivative markets through measures that broaden the derivative instruments subject to regulation and requires clearing and exchange trading as well as imposing additional capital and margin requirements for derivative market participants. The Financial Reform Act also changes the methodology for calculating deposit insurance assessments from the amount of an insured depository institution s domestic deposits to its total assets minus tangible capital; provides for resolution authority to establish a process to unwind large systemically important financial companies; creates a new regulatory body to set requirements regarding the terms and conditions of consumer financial products and expands the role of state regulators in enforcing consumer protection requirements over banks; includes new minimum leverage and risk-based capital requirements for large financial institutions; disqualifies trust preferred securities and other hybrid capital securities from Tier 1 capital; and requires securitizers to retain a portion of the risk that would otherwise be transferred into certain securitization transactions. Many of these provisions have begun to be phased-in or will be phased-in over the next several months or years and will be subject both to further rulemaking and the discretion of applicable regulatory bodies.

The Financial Reform Act will continue to have a significant and negative impact on our earnings through fee reductions, higher costs and new restrictions, as well as reduce available capital. The Financial Reform Act may also continue to have a material adverse impact on the value of certain assets and liabilities held on our balance sheet. The ultimate impact of the Financial Reform Act on our businesses and results of operations will depend on regulatory interpretation and rulemaking, as well as the success of any of our actions to mitigate the negative earnings impact of certain provisions. For information on the impact of the Financial Reform Act on our credit ratings, see Liquidity Risk beginning on page 67.

The Financial Reform Act and other proposed regulatory initiatives may also have an adverse impact on capital. During 2010, the Basel Committee on Banking Supervision finalized rules on certain capital and liquidity measurements. For additional information on these rules, see Regulatory Capital Regulatory Capital Changes beginning on page 64.

Debit Interchange Fees

The limits that the Financial Reform Act places on debit interchange fees will significantly reduce our debit card interchange revenues. Interchange fees, or swipe fees, are charges that merchants pay to us and other credit card companies and card-issuing banks for processing electronic payment transactions. The legislation, which provides the Federal Reserve with authority over interchange fees received or charged by a card issuer, requires that fees must be reasonable and proportional to the costs of processing such transactions. The Federal Reserve considered the functional similarity between debit card transactions and traditional checking transactions and the incremental costs incurred by a card issuer in processing a particular debit card transaction. In addition, the legislation prohibits card issuers and networks from entering into exclusive arrangements requiring that debit card transactions be processed on a single network or only two affiliated networks, and allows merchants to determine transaction routing.

On December 16, 2010, the Federal Reserve issued a proposed rule that would establish debit card interchange fee standards and prohibit network exclusivity arrangements and routing restrictions. The Federal Reserve requested comments on two alternative interchange fee standards that would apply to all covered issuers: one based on each issuer s costs, with a safe harbor initially set at $0.07 per transaction and a cap initially set at $0.12 per transaction; and the other a stand-alone cap initially set at $0.12 per transaction. The Federal Reserve also requested comment on possible frameworks for an adjustment to the interchange fees to reflect certain issuer costs associated with fraud prevention. If the Federal Reserve adopts either of these proposed standards in the final rule, the maximum allowable interchange fee received by covered issuers for debit card transactions would be more than 70 percent lower than the 2009 average once the new rule takes effect on July 21, 2011. The proposed rule would also prohibit issuers and networks from restricting the number of networks over which debit card transactions may be processed. The Federal Reserve requested comment on two alternative approaches: one alternative would require at least two unaffiliated networks per debit card, and the other would require at least two unaffiliated networks per debit card for each type of cardholder authorization method (such as signature or PIN). Under both alternatives, the issuers and networks would be prohibited from inhibiting a merchant s ability to direct the routing of debit card transactions over any network that the issuer enabled to process them.

As previously announced on July 16, 2010, as a result of the Financial Reform Act and its related rules and subject to final rulemaking over the next year, we believe that our debit card revenue will be adversely impacted beginning in the third quarter of 2011. Our consumer and small business card products, including the debit card business, are part of an integrated platform within the *Global Card Services* business segment. In 2010, our estimate of revenue loss due to the debit card interchange fee standards to be adopted under the Financial Reform Act was approximately $2.0 billion annually based on 2010 volumes. As a result, we recorded a non-tax deductible goodwill impairment charge for *Global Card Services* of $10.4 billion in 2010. We have identified other potential mitigation actions within *Global Card Services*, but they are in the early stages of development and some of them may impact other segments. The impairment charge, which is a non-cash item, had no impact on our reported Tier 1 and tangible equity ratios. If the Federal Reserve sets the final interchange fee standards at the lowest proposed fee alternative, as described above (i.e., $0.07 per transaction) the lower interchange revenue may result in additional impairment of goodwill in *Global Card Services.* In view of the uncertainty with model inputs including the final ruling, changes in the economic outlook and the corresponding impact to revenues and asset quality, and the impacts of mitigation actions, it is not possible to estimate the amount or range of amounts of additional goodwill impairment, if any, associated with changes to interchange fee standards. For more information on goodwill and the impairment charge, refer to *Note 10 Goodwill and Intangible Assets* to the Consolidated Financial Statements and Complex Accounting Estimates beginning on page 107.

Limitations on Certain Activities

We anticipate that the final regulations associated with the Financial Reform Act will include limitations on certain activities, including limitations on the use of a bank s own capital for proprietary trading and sponsorship or investment in hedge funds and private equity funds (Volcker Rule). Regulations implementing the Volcker Rule are required to be in place by October 21, 2011, and the Volcker Rule becomes effective twelve months after such rules are final or on July 21, 2012, whichever is earlier. The Volcker Rule then gives banking entities two years from the effective date (with opportunities for additional extensions) to bring activities and investments into conformance. In anticipation of the adoption of the final regulations, we have begun winding down our proprietary trading line of business. The ultimate impact of the Volcker Rule or the winding down of this business, and the time it will take to comply or complete, continues to remain uncertain. The final regulations issued may impose additional operational and compliance costs on us.

Derivatives

The Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives, imposing new capital and margin requirements for certain market participants and imposing position limits on certain over-the-counter (OTC) derivatives. The Financial Reform Act grants the U.S. Commodity Futures Trading Commission (CFTC) and the SEC substantial new authority and requires numerous rulemakings by these agencies. Generally, the CFTC and SEC have until July 16, 2011 to promulgate the rulemakings necessary to implement these regulations. The ultimate impact of these derivatives regulations, and the time it will take to comply, continues to remain uncertain. The final regulations will impose additional operational and compliance costs on us and may require us to restructure certain businesses and negatively impact our revenues and results of operations.

FDIC Deposit Insurance Assessments

Since the financial crisis began several years ago, an increasing number of bank failures has imposed significant costs on the FDIC in resolving those failures, and the regulator s deposit insurance fund has been depleted. In order to

maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC has increased, and may increase in the future, assessment rates of insured institutions, including Bank of America.
Deposits placed at the U.S. Banks are insured by the FDIC, subject to limits and conditions of applicable law and the FDIC s regulations. Pursuant to the Financial Reform Act, FDIC insurance coverage limits were permanently increased to $250,000 per customer. The Financial Reform Act also provides for unlimited FDIC insurance coverage for non-interest bearing demand deposit accounts for a two-year period beginning on December 31, 2010 and ending on January 1, 2013. The FDIC administers the Deposit Insurance Fund, and all insured depository institutions are required to pay assessments to the FDIC that fund the Deposit Insurance Fund. The Financial Reform Act changed the methodology for calculating deposit insurance assessments from the amount of an insured depository institution s domestic deposits to its total assets minus tangible capital. On February 7, 2011 the FDIC issued a new regulation implementing revisions to the assessment system mandated by the Financial Reform Act. The new regulation will be effective April 1, 2011 and will be reflected in the June 30, 2011 FDIC fund balance and the invoices for assessments due September 30, 2011. As a result of the new regulations, we expect to incur higher annual deposit insurance assessments. We have identified potential mitigation actions, but they are in the early stages of development and we are not able to directly control the basis or the amount of premiums that we are required to pay for FDIC insurance or for other fees or assessment obligations imposed on financial institutions. Any future increases in required deposit insurance premiums or other bank industry fees could have a significant adverse impact on our financial condition and results of operations.

CARD Act
On May 22, 2009, the CARD Act was signed into law. The majority of the CARD Act provisions became effective in February 2010. The CARD Act legislation contains comprehensive credit card reform related to credit card industry practices including significantly restricting banks ability to change interest rates and assess fees to reflect individual consumer risk, changing the way payments are applied and requiring changes to consumer credit card disclosures. The provisions of the CARD Act negatively impacted net interest income and card income during 2010, and are expected to negatively impact future net interest income due to the restrictions on our ability to reprice credit cards based on risk, and card income due to restrictions imposed on certain fees. The 2010 full-year decrease in revenue was approximately $1.5 billion.

Regulation E
On November 12, 2009, the Federal Reserve issued amendments to Regulation E which implements the Electronic Fund Transfer Act. The rules became effective on July 1, 2010 for new customers and August 16, 2010 for existing customers. These amendments limit the way we and other banks charge an overdraft fee for non-recurring debit card transactions that overdraw a consumer s account unless the consumer affirmatively consents to the bank s payment of overdrafts for those transactions. Under previously announced plans, we do not offer customers the opportunity to opt-in to overdraft services related to non-recurring debit card transactions. However, customers are able to opt-in on a withdrawal-by-withdrawal basis to access cash through the Bank of America ATM network where the bank is able to alert customers that the transaction may overdraw their account and result in a fee if they choose to proceed. The impact of Regulation E, which was in effect beginning in the third quarter and fully in effect in the fourth quarter of 2010, and our overdraft policy changes, which were in effect for the full year of 2010, was a reduction in service charges during 2010 of approximately $1.7 billion. In 2011, the incremental reduction to service charges related to Regulation E and overdraft policy changes is expected

to be approximately $1.1 billion, or a full-year impact of approximately $2.8 billion, net of identified mitigation action.

U.K. Corporate Income Tax Rate
On July 27, 2010, the U.K. government enacted a law change reducing the corporate income tax rate by one percent effective for the 2011 U.K. tax financial year beginning on April 1, 2011. While this rate reduction favorably affects

income tax expense on future U.K. earnings, it also required us to remeasure our U.K. net deferred tax assets using the lower tax rate, which resulted in a charge to income tax expense of $392 million in 2010. A future rate reduction of one percent per year is generally expected to be enacted in each of 2011, 2012 and 2013, which would result in a similar charge to income tax expense of nearly $400 million during each of the three years. The U.K. Treasury has asked for taxpayer views on whether the U.K. government should alternatively enact the full remaining three-percent reduction entirely during 2011, which would accelerate the possible charges into 2011 for a total of approximately $1.1 billion.

Final Regulatory Guidance on Consolidation

On January 21, 2010, the Federal Reserve, Office of the Comptroller of the Currency, FDIC and Office of Thrift Supervision (collectively, joint agencies) issued a final rule regarding risk-based capital requirements related to the impact of the adoption of new consolidation guidance. The impact on the Corporation on January 1, 2010 due to the new consolidation guidance and the final rule was an increase in risk-weighted assets of $21.3 billion and a reduction in capital of $9.7 billion. The overall impact of the new consolidation guidance and the final rule was a decrease in Tier 1 capital and Tier 1 common ratios of 76 bps and 73 bps. For more information, see Balance Sheet Overview Impact of Adopting New Consolidation Guidance on page 29, Capital Management beginning on page 63 and Liquidity Risk beginning on page 67.

Payment Protection Insurance

In the U.K., the Corporation sells PPI through its *Global Card Services* business to credit card customers and has previously sold this insurance to consumer loan customers. In response to an elevated level of customer complaints of misleading sales tactics across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Services Authority (FSA) has investigated and raised concerns about the way some companies have handled complaints relating to the sale of these insurance policies. In August 2010, the FSA issued a policy statement on the assessment and remediation of PPI claims which is applicable to the Corporation s U.K. consumer businesses and is intended to address concerns among consumers and regulators regarding the handling of PPI complaints across the industry. The policy statement sets standards for the sale of PPI that apply to current and prior sales, and in the event a company does not or did not comply with the standards, it is alleged that the insurance was incorrectly sold, giving the customer rights to remedies. Given the new regulatory guidance, in 2010, the Corporation had a liability of $630 million based on its current claims history and an estimate of future claims that have yet to be asserted against the Corporation. For additional information on PPI, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements Payment Protection Insurance Claims Matter on page 196.

U.K. Bank Levy

On June 22, 2010, the U.K. government announced that it intended to introduce an annual bank levy. Beginning in 2011, the bank levy will be payable on the consolidated liabilities, subject to certain exclusions and offsets, of U.K. group companies and U.K. branches of foreign banking groups as of each year-end balance sheet date. As currently proposed, the bank levy rate for 2011 and future years will be 0.075 percent per annum for certain short-term liabilities with a rate of 0.0375 percent per annum for longer maturity liabilities and certain deposits. The legislation is expected to be enacted in the third quarter of 2011. We currently estimate that the cost of the U.K. bank levy will be approximately $125 million annually beginning in 2011.

Regulatory Guidance on Collateral Dependent Loans

On February 23, 2010, regulators issued clarifying guidance, effective in the first quarter of 2010, on modified consumer real estate loans that specifies criteria required to demonstrate a borrower s capacity to repay the modified loan. In connection with this guidance, we reviewed our modified consumer real estate loans and determined that a portion of these loans did not meet the criteria and, therefore, were deemed collateral dependent. The guidance requires that a modified loan deemed to be collateral dependent be written down to its estimated collateral value even if that loan is performing. The application of this guidance resulted in $1.0 billion of net charge-offs in 2010, of which $822 million were home equity, $207 million were residential mortgage and $9 million were discontinued real estate.

Making Home Affordable Program

On March 4, 2009, the U.S. Treasury provided details related to the $75 billion Making Home Affordable program (MHA) which is focused on reducing the number of foreclosures and making it easier for customers to refinance loans. The MHA consists of the Home Affordable Modification Program (HAMP) which provides guidelines on first-lien loan modifications, and the Home Affordable Refinance Program (HARP) which provides guidelines for loan refinancing.

As part of the MHA program, on April 28, 2009, the U.S. government announced intentions to create the second-lien modification program (2MP) that is designed to reduce the monthly payments on qualifying home equity loans and lines of credit under certain conditions, including completion of a HAMP modification on the first mortgage on the property. This program provides incentives to lenders to modify all eligible loans that fall under the guidelines of this program. Additional clarification on government guidelines for the program was announced early in 2010. On April 8, 2010, we began early implementation of the 2MP with the mailing of trial modification offers to eligible home equity customers. We will modify eligible second liens under this initiative regardless of whether the MHA modified first lien is serviced by the Corporation or another participating servicer.

On April 5, 2010, we implemented the Home Affordable Foreclosure Alternatives (HAFA) program, which is another addition to the HAMP that assists borrowers with non-retention options, such as short sale or deed-in-lieu options, instead of foreclosure. The HAFA program provides incentives to lenders to assist all eligible borrowers that fall under the guidelines of this program. Our first goal is to work with the borrower to determine if a loan modification or other homeownership retention solution is available before pursuing non-retention options such as short sales. Short sales are an important option for homeowners who are facing financial difficulty and do not have a viable option to remain in the home. HAFA s short sale guidelines are designed to streamline and standardize the process and will be compatible with Bank of America s new cooperative short sale program.

During 2010, 285,000 loan modifications were completed with a total unpaid principal balance of $65.7 billion, including 109,000 loans with a total unpaid principal amount of $25.5 billion that were converted from trial-period to permanent modifications under the MHA, which include HAMP first-lien modifications and 2MP second-lien modifications. In addition, on March 26, 2010, the U.S. government announced new changes to the MHA program guidelines that include principal forgiveness options to the HAMP for a sub-segment of qualified HAMP borrowers. The details around eligibility, forgiveness arrangements and the incentive structures are still being finalized. However, we

implemented a forgiveness program on a subset of HAMP eligible products under the National Home Retention Program (NHRP) in 2010.

In addition to the programs described above, we have implemented several programs designed to help our customers. For information on these programs, refer to Credit Risk Management beginning on page 71. We will continue to help our customers address financial challenges through these government programs and our own home retention programs.

Stress Tests

The Corporation has established management routines to periodically conduct stress tests to evaluate potential impacts to the Corporation under hypothetical economic scenarios. These stress tests will facilitate our contingency planning and management of capital and liquidity. These processes were also used to conduct the recent secondary stress testing imposed by the Federal Reserve and were incorporated into the Capital Plan that was submitted as part of this request, which included a proposed modest increase in our common dividend in the second half of 2011. The results of these stress tests may influence bank regulatory supervisory requirements concerning the Corporation and may impact the amount or timing of dividends or distributions to the Corporation s stockholders. For additional information, see Capital Management beginning on page 63 and Liquidity Risk beginning on page 67.

Other Matters

The Corporation has established guidelines and policies for managing capital across its subsidiaries. The guidance for the Corporation s subsidiaries with regulatory capital requirements, including branch operations of banking subsidiaries, requires each entity to maintain satisfactory capital levels. This includes setting internal capital targets for the U.S. bank subsidiaries to exceed well capitalized levels.

The U.K. has adopted increased capital and liquidity requirements for local financial institutions, including regulated U.K. subsidiaries of non-U.K. bank holding companies and other financial institutions as well as branches of non-U.K. banks located in the U.K. In addition, the U.K. has proposed the creation and production of recovery and resolution plans (commonly referred to as living wills) by such entities. We are currently monitoring the impact of these initiatives.

Managing Risk

Overview

Risk is inherent in every activity that we undertake. Our business exposes us to strategic, credit, market, liquidity, compliance, operational and reputational risk. We must manage these risks to maximize our long-term results by ensuring the integrity of our assets and the quality of our earnings.

Strategic risk is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk. Credit risk is the risk of loss arising from a borrower s or counterparty s inability to meet its obligations. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as interest rate movements. Liquidity risk is the inability to meet contractual and contingent financial obligations, on- or off-balance sheet, as they come due. Compliance risk is the risk that arises from the failure to adhere to laws, rules, regulations, or internal policies and procedures. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Reputational risk is the potential that negative publicity regarding an organization s conduct or business practices will adversely affect its profitability, operations or customer base, or require costly litigation or other measures. Reputational risk is evaluated within all of the risk categories and throughout the risk management process, and as such is not discussed separately herein. The following sections, Strategic Risk Management beginning on page 62, Capital Management beginning on page 63, Liquidity Risk beginning on page 67, Credit Risk Management beginning on page 71, Market Risk Management beginning on page 100, Compliance Risk Management on page 106 and Operational Risk Management beginning on page 106, address in more detail the specific procedures, measures and analyses of the major categories of risk that we manage.

In choosing when and how to take risks, we evaluate our capacity for risk and seek to protect our brand and reputation, our financial flexibility, the value of our assets and the strategic potential of our Corporation. We intend to maintain a strong and flexible financial position that will allow us to successfully weather challenging economic times and take advantage of opportunities to grow. We also intend to focus on maintaining our relevance and value to customers, associates and shareholders. To achieve these objectives, we have built a comprehensive risk management culture and have implemented governance and control measures to maintain that culture.

Our risk management infrastructure is continually evolving to meet the heightened challenges posed by the increased complexity of the financial services industry and markets, by our increased size and global footprint, and by the financial crisis. We have a defined risk framework and clearly articulated risk appetite which is approved annually by the Corporation s Board of Directors (the Board).

We take a comprehensive approach to risk management. Risk management planning is fully integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by executive management and the Board.

Executive management assesses, and the Board oversees, the risk-adjusted returns of each business segment through review and approval of strategic and financial operating plans. By allocating economic capital to and establishing a risk appetite for a business segment, we seek to effectively manage the ability to take on risk. Economic capital is assigned to each business segment using a risk-adjusted methodology incorporating each segment s stand-alone credit, market, interest rate and operational risk components, and is used to measure risk-adjusted returns. Businesses operate within their credit, market, compliance and operational risk standards and limits in order to adhere to the risk appetite. These limits are based on analyses of risk and reward in each line of business, and executive management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board monitors financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls through its committees.

On December 14, 2010, the Board completed its annual review and approval of the Risk Framework and the Risk Appetite Statement for the Corporation. The Risk Framework defines the accountability of the Corporation and its associates and the Risk Appetite Statement defines the parameters under which we will take risk. Both documents are intended to enable us to maximize our long-term results and ensure the integrity of our assets and the quality of our earnings. The Risk Framework is designed to be used by our associates to understand risk management activities, including their individual roles and accountabilities. It also defines how risk management is integrated into our core business processes, and it defines the risk management governance structure, including management s involvement. The risk management responsibilities of the lines of business, governance and control functions, and Corporate Audit are also clearly defined, and reflects how the

Board-approved risk appetite influences business and risk strategy. The risk management process contains four elements: identify and measure risk, mitigate and control risk, monitor and test risk, and report and review risk, and is applied across all business activities to enable an integrated and comprehensive review of risk consistent with the Board s Risk Appetite Statement.

Risk Management Processes and Methods

To support our corporate goals and objectives, risk appetite, and business and risk strategies, we maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Board. All associates have accountability for risk management. Each associate s risk management responsibilities falls into one of three major categories: lines of business, governance and control (Global Risk Management and enterprise control functions) and Corporate Audit.

Line of business managers and associates are accountable for identifying, managing and escalating attention, as appropriate, to all risks in their business units, including existing and emerging risks. Line of business managers must ensure that their business activities are conducted within the risk appetite defined by management and approved by the Board. The limits and controls for each business must be consistent with the Risk Appetite Statement. Line of business associates in client and customer facing businesses are responsible for day-to-day business activities, including developing and delivering profitable products and services, fulfilling customer requests and maintaining desirable customer relationships. These associates are accountable for conducting their daily work in accordance with policies and procedures. It is the responsibility of each associate to protect the Corporation and defend the interests of the shareholders.

Governance and control functions are comprised of Global Risk Management and the enterprise control functions. Global Risk Management is led by the Chief Risk Officer (CRO). The CRO leads senior management in managing risk, is independent from the Corporation s lines of business and enterprise control functions, and maintains sufficient autonomy to develop and implement meaningful risk management measures. This position serves to protect the Corporation and its shareholders. The CRO reports to the Chief Executive Officer (CEO) and is the management team lead or a participant in Board-level risk governance committees. The CRO has the mandate to ensure that appropriate risk management practices are in place, effective and consistent with our overall business strategy and risk appetite. Global Risk Management is comprised of two types of risk teams, Enterprise Risk Teams and independent line of business risk teams, which report to the CRO and are independent from the lines of business and enterprise control functions.

Enterprise Risk Teams are responsible for setting and establishing enterprise policies, programs and standards, assessing program adherence, providing enterprise-level risk oversight, and reporting and monitoring for systemic and emerging risk issues. In addition, the Enterprise Risk Teams are responsible for monitoring and ensuring that risk limits are reasonable and consistent with the risk appetite. These risk teams also carry out risk-based oversight of the enterprise control functions.

Independent line of business risk teams are responsible for establishing policies, limits, standards, controls, metrics and thresholds within the defined corporate standards for the lines of business to which they are aligned. The independent line of business risk teams are responsible for ensuring that risk limits and standards are reasonable and consistent with the risk appetite.

Enterprise control functions are independent of the lines of business and have risk governance and control responsibilities for enterprise programs. In this role, they are responsible for setting policies, standards and limits; providing risk reporting; monitoring for systemic risk issues including existing, emerging and reputational; and implementing procedures and controls at the enterprise and line of business levels for their respective control functions. Enterprise control functions consist of the Chief Financial Officer group, Global

Technology and Operations, Global Human Resources, Global Marketing and Corporate Affairs, and Legal.

The Corporate Audit function and the Corporate General Auditor maintain independence from the lines of business and governance and control functions by reporting directly to the Audit Committee of the Board. Corporate Audit provides independent assessment and validation through testing of key processes and controls across the Corporation. Corporate Audit provides an independent assessment of the Corporation s management and internal control systems. Corporate Audit activities are designed to provide reasonable assurance that resources are adequately protected; significant financial, managerial and operating information is materially complete, accurate and reliable; and employees actions are in compliance with the Corporation s policies, standards, procedures, and applicable laws and regulations.

To ensure that the Corporation s goals and objectives, risk appetite, and business and risk strategies are achieved, we utilize a risk management process that is applied across the execution of all business activities. This risk management process, which is an integral part of our Risk Framework, enables the Corporation to review risk in an integrated and comprehensive manner across all risk categories and make strategic and business decisions based on that comprehensive view. Corporate goals and objectives and our risk appetite are established by management, approved by the Board, and are key drivers to setting business and risk strategy.

One of the key tools of the risk management process is the use of Risk and Control Self Assessments (RCSAs). RCSAs are the primary method for facilitating the management of Business Environment and Internal Control Factor (BEICF) data. The end-to-end RCSA process incorporates risk identification and assessment of the control environment; monitoring, reporting and escalating risk; quality assurance and data validation; and integration with the risk appetite. The RCSA process also incorporates documentation by either the line of business or enterprise control function of the business environment, risks, controls, and monitoring and reporting. This results in a comprehensive risk management view that enables understanding of and action on operational risks and controls for all of our processes, products, activities and systems.

The formal processes used to manage risk represent a part of our overall risk management process. Corporate culture and the actions of our associates

are also critical to effective risk management. Through our Code of Ethics, we set a high standard for our associates. The Code of Ethics provides a framework for all of our associates to conduct themselves with the highest integrity in the delivery of our products or services to our customers. We instill a strong and comprehensive risk management culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the link between the associate performance management process and individual compensation to encourage associates to work toward enterprise-wide risk goals.

Board Oversight of Risk

We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Board. The majority of our directors, including the Chairman of the Board, are considered independent and meet the requirements of our Director Independence Categorical Standards and the criteria for independence in the listing standards of the New York Stock Exchange. Also, all members of the Audit and Enterprise Risk Committees are independent and all members of the Credit Committee are non-management directors.

The Board is responsible for the oversight of the management of the Corporation. As part of its oversight, the Board oversees the management of the various types of risk faced by the Corporation. Our corporate risk management governance structure is designed to align the interests of the Board and management with those of our stockholders and to foster integrity throughout the Corporation.

The Board, under the leadership of its independent Chairman, oversees the management of the Corporation through the governance structure, which includes Board committees and management committees. The Board maintains standing committees to oversee risk. The committees with the majority of risk oversight responsibilities include the Credit, Enterprise Risk and Audit Committees.

The figure below illustrates the inter-relationship between the Board, Board level committees and management level committees with the majority of risk oversight responsibilities for the Corporation.

(1) Compliance Risk activities, including Ethics Oversight, are required to be reviewed by the Audit Committee and Operational Risk activities are required to be reviewed by the Enterprise Risk Committee.
(2) The Disclosure Committee assists the CEO and CFO in fulfilling their responsibility for the accuracy and timeliness of the Corporation s disclosures and reports the results of the process to the Audit Committee.

The Credit Committee is responsible for oversight of senior management s identification and management of the Corporation s credit exposures on an enterprise-wide basis, as well as the Corporation s responses to trends affecting those exposures. The Credit Committee is also responsible for oversight of senior management s actions relating to the adequacy of the allowance for credit losses and the Corporation s credit-related policies.
The Enterprise Risk Committee is responsible for exercising oversight of senior management s responsibility to identify the material risks facing the Corporation and oversight of senior management s planning for and management of the Corporation s material risks, including market risk, interest rate risk, liquidity risk, operational risk and reputational risk. The Enterprise Risk Committee also oversees senior management s establishment of policies and guidelines articulating the Corporation s risk tolerances for material categories of risk, the performance and functioning of the Corporation s overall risk management function, and senior management s establishment of appropriate systems that support control of market risk, interest rate risk and liquidity risk.
The Audit Committee is responsible for assisting the Board in overseeing the integrity of the Corporation s Consolidated Financial Statements and the effectiveness of the Corporation s system of internal controls and policies and procedures for managing and assessing risk, including compliance with legal and regulatory requirements. The Audit Committee also provides approval and direct oversight of the independent registered public accounting firm, including such firm s assessment of management s assertion of the effectiveness of the Corporation s disclosure controls and procedures and

the Corporation s internal control over financial reporting; and oversight of such accountant s appointment, compensation, qualifications and independence. The Audit Committee also oversees the corporate audit function.
The Credit, Enterprise Risk and Audit Committees provide enterprise-wide oversight of the Corporation s management and handling of risk. Each of these three committees reports regularly to the Board on risk-related matters within its responsibilities and together they provide the Board with integrated, thorough insight about our management of strategic, credit, market, liquidity, compliance, legal, operational and reputational risks. At meetings of each Board committee and our Board, directors receive updates from management regarding all aspects of enterprise risk management, including our performance against our identified risk appetite.
Executive management develops for Board approval the Corporation s Risk Framework, Risk Appetite Statement, and strategic and financial operating plans. Management and the Board, through the Credit, Enterprise Risk and Audit Committees, monitor financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite, and the adequacy of internal controls.

Strategic Risk Management

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

Executive management and the Board approve a strategic plan every two to three years. Annually, executive management develops a financial operating plan and the Board reviews and approves the plan. With oversight by the Board, executive management ensures that the plans are consistent with the Corporation s strategic plan, core operating tenets and risk appetite. The following are assessed in their reviews: forecasted earnings and returns on capital, the current risk profile, current capital and liquidity requirements, staffing levels and changes required to support the plan, stress testing results, and other qualitative factors such as market growth rates and peer analysis. With oversight by the Board, executive management performs similar analyses throughout the year, and defines changes to the financial forecast or the risk, capital or liquidity positions as deemed appropriate to balance and optimize between achieving the targeted risk appetite and shareholder returns and maintaining the targeted financial strength.

We use proprietary models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each line of business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate client profitability.

Capital Management

Bank of America manages its capital position to maintain a strong and flexible financial position in order to perform through economic cycles, take advantage of organic growth opportunities, maintain ready access to financial markets, remain a source of financial strength for its subsidiaries, and return capital to its shareholders as appropriate.

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from investors, ratings agencies and regulators. Based upon this analysis we set capital guidelines for Tier 1 common capital and Tier 1 capital to ensure we can maintain an adequate capital position in a severe adverse economic scenario. We also target to maintain capital in excess of the capital required per our economic capital measurement process (see Economic Capital on page 66).

Management and the Board annually approve a comprehensive Capital Plan which documents the ICAAP and related results, analysis and support for the capital guidelines, and planned capital actions and capital adequacy assessment. The ICAAP incorporates capital forecasts, stress test results, economic capital, qualitative risk assessments and assessment of regulatory changes. We generate monthly regulatory capital and economic capital forecasts that are aligned to the most recent earnings, balance sheet and risk forecasts. We utilize quarterly stress tests to assess the potential impacts to earnings, capital and liquidity for a variety of economic stress scenarios. We perform qualitative risk assessments to identify and assess material risks not fully captured in the forecasts, stress tests or economic capital. Given the significant proposed regulatory capital changes, we also regularly assess the potential capital impacts and monitor associated mitigation actions. Management continuously assesses ICAAP results and provides documented quarterly assessments of the adequacy of the capital guidelines and capital position to the Board.

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

Regulatory Capital

As a financial services holding company, we are subject to the risk-based capital guidelines (Basel I) issued by the Federal Reserve. At December 31, 2010, we operated banking activities primarily under two charters: Bank of America, N.A. and FIA Card Services, N.A. which are subject to the risk-based capital guidelines issued by the Office of the Comptroller of the Currency (OCC). Under these guidelines, the Corporation and its affiliated banking entities measure capital adequacy based on Tier 1 common capital, Tier 1 capital and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio.

Tier 1 capital is calculated as the sum of core capital elements. The predominate components of core capital elements are qualifying common stockholders equity, any CES and qualifying noncumulative perpetual preferred stock. Also included in Tier 1 capital are qualifying trust preferred capital debt securities (Trust Securities), hybrid securities and qualifying non-controlling interest in subsidiaries which are subject to the rules governing restricted core capital elements. Goodwill, other disallowed intangible assets, disallowed deferred tax assets and the cumulative changes in fair value of all financial liabilities accounted for under a fair value option that are included in retained earnings and are attributable to changes in the company s own creditworthiness are deducted from the sum of the core capital elements. Total capital is Tier 1 plus supplementary Tier 2 capital elements such as qualifying subordinated debt, a limited portion of the allowance for loan and lease losses, and a portion of net unrealized gains on AFS marketable equity securities. Tier 1 common capital is not an official regulatory ratio, but was introduced by the Federal Reserve during the Supervisory Capital Assessment Program in 2009. Tier 1 common capital is Tier 1 capital less preferred stock, Trust Securities, hybrid securities and qualifying non-controlling interest in subsidiaries.

Risk-weighted assets are calculated for credit risk for all on- and off-balance sheet credit exposures and for market risk on trading assets and liabilities, including derivative exposures. Credit risk risk-weighted assets are calculated by assigning a prescribed risk-weight to all on-balance sheet assets and to the credit equivalent amount of certain off-balance sheet exposures. The risk-weight is defined in the regulatory rules based upon the obligor or guarantor type and collateral if applicable. Off-balance sheet exposures include financial guarantees, unfunded lending commitments, letters of credit and derivatives. Market risk risk-weighted assets are calculated using risk models for the trading account positions, including all foreign exchange and commodity positions regardless of the applicable accounting guidance. Under Basel I there are no risk-weighted assets calculated for operational risk. Any assets that are a direct deduction from the computation of capital are excluded from risk-weighted assets and adjusted average total assets consistent with regulatory guidance.

For additional information on these and other regulatory requirements, see *Note 18 Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

Capital Composition and Ratios

On January 21, 2010, the joint agencies issued a final rule regarding the impact of the new consolidation guidance on risk-based capital. The incremental impact on January 1, 2010 was an increase in assets of $100.4 billion and risk-weighted assets of $21.3 billion and a reduction in Tier 1 common capital and Tier 1 capital of $9.7 billion. The overall effect of the new consolidation guidance and the final rule was a decrease in Tier 1 capital and Tier 1 common capital ratios of 76 bps and 73 bps on January 1, 2010.

We continued to strengthen capital in 2010 as evidenced by the $4.7 billion growth in Tier 1 common capital or $14.4 billion before the impact of the new consolidation guidance. The increase was driven by the $10.2 billion in earnings generated in 2010, excluding the goodwill impairment charges of $12.4 billion. Tier 1 capital and Total capital grew by $3.2 billion and $3.5 billion in 2010 or by $13.0 billion and $12.9 billion when adjusted for the impact of the new consolidation guidance.

Risk-weighted assets declined by $87 billion in 2010 including the impact of the new consolidation guidance. The risk-weighted asset reduction is consistent with our continued efforts to reduce non-core assets and legacy loan portfolios.

As a result of the increased capital position and reduced risk-weighted assets, the Tier 1 common capital ratio increased 79 bps to 8.60 percent, the Tier 1 capital ratio increased 84 bps to 11.24 percent and Total capital increased 111 bps to 15.77 percent in 2010. When adjusted for the impacts of the new consolidation guidance, the growth in the ratios was more significant.

The Tier 1 leverage ratio increased 33 bps to 7.21 percent, reflecting both the strengthening of the capital position previously mentioned and a $62 billion reduction in adjusted quarterly average total assets including the impact of the new consolidation guidance.

The $12.4 billion goodwill impairment charges recognized during 2010 did not impact the regulatory capital ratios.

The table below presents the Corporation s capital ratios and related information at December 31, 2010 and 2009.

Table 12 Regulatory Capital

	December 31	
(Dollars in billions)	**2010**	2009
Tier 1 common equity ratio	**8.60%**	7.81%
Tier 1 capital ratio	**11.24**	10.40
Total capital ratio	**15.77**	14.66
Tier 1 leverage ratio	**7.21**	6.88
Risk-weighted assets	**$ 1,456**	$ 1,543
Adjusted quarterly average total assets [(1)]	**2,270**	2,332

(1) Reflects adjusted average total assets for the three months ended December 31, 2010 and 2009.

The table below presents the capital composition at December 31, 2010 and 2009.

Table 13 Capital Composition

	December 31	
(Dollars in millions)	**2010**	2009
Total common shareholders equity	**$ 211,686**	$ 194,236
Goodwill	**(73,861)**	(86,314)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	**(6,846)**	(8,299)

Net unrealized gains or losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	**(4,137)**	1,034
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	**3,947**	4,092
Exclusion of fair value adjustment related to structured notes [1]	**2,984**	2,981
Common Equivalent Securities		19,290
Disallowed deferred tax asset	**(8,663)**	(7,080)
Other	**29**	454
Total Tier 1 common capital	**125,139**	120,394
Preferred stock	**16,562**	17,964
Trust preferred securities	**21,451**	21,448
Noncontrolling interest	**474**	582
Total Tier 1 capital	**163,626**	160,388
Long-term debt qualifying as Tier 2 capital	**41,270**	43,284
Allowance for loan and lease losses	**41,885**	37,200
Reserve for unfunded lending commitments	**1,188**	1,487
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	**(24,690)**	(18,721)
45 percent of the pre-tax net unrealized gains on AFS marketable equity securities	**4,777**	1,525
Other	**1,538**	907
Total capital	**$ 229,594**	$ 226,070

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

Regulatory Capital Changes

In June 2004, the Basel II Accord was published by the Basel Committee on Banking Supervision (the Basel Committee) with the intent of more closely aligning regulatory capital requirements with underlying risks, similar to economic capital. While economic capital is measured to cover unexpected losses, we also manage regulatory capital to adhere to regulatory standards of capital adequacy.

The Basel II Final Rule (Basel II) which was published in December 2007 established requirements for U.S. implementation of the Basel Committee s Basel II Accord and provides detailed requirements for a new regulatory capital framework. This regulatory capital framework includes requirements related to credit and operational risk (Pillar 1), supervisory requirements

(Pillar 2) and disclosure requirements (Pillar 3). We began the Basel II parallel qualification period on April 1, 2010. Designated U.S. financial institutions are required to complete a minimum parallel qualification period under Basel II of four consecutive successful quarters before receiving regulatory approval to report regulatory capital using the Basel II methodology and exiting the parallel period. During the parallel period, the resulting capital calculations under both the current risk-based capital rules (Basel I) and Basel II will be reported to the financial institutions regulatory supervisors. Once the parallel period is successfully completed and we have received approval to exit parallel, we will transition to Basel II as the methodology for calculating regulatory capital. Basel II provides for a three-year transitional floor subsequent to exiting parallel, after which Basel I may be discontinued. The Collins Amendment within the Financial

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Reform Act and the U.S. banking regulators subsequent Notice of Proposed Rulemaking published by the Federal Reserve on December 14, 2010 propose however that the current three-year transitional floors under Basel II be replaced with a permanent risk based capital floor as defined under Basel I.

On December 16, 2010, U.S. regulators issued a Notice of Proposed Rulemaking on the Risk-Based Capital Guidelines for Market Risk (Market Risk Rules), reflecting partial adoption of the Basel Committee s July 2009 consultative document on the topic. We anticipate U.S. regulators will adopt the Market Risk Rules in mid-2011. This change is expected to significantly increase the capital requirements for our trading assets and liabilities, including derivatives exposures which meet the definition established by the regulatory agencies. We continue to evaluate the capital impact of the proposed rules and currently anticipate being fully compliant with any final rules by the projected implementation date of year-end 2011.

On December 16, 2010, the Basel Committee issued Basel III: A global regulatory framework for more resilient banks and banking systems (Basel III), proposing a January 2013 implementation date for Basel III. If implemented by U.S. regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of trust preferred securities from Tier 1 capital, with the Financial Reform Act proposing the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, MSRs, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of other comprehensive income in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. The phase-in period for the capital deductions is proposed to occur in 20 percent increments from 2014 through 2018 with full implementation by December 31, 2018. The increase in capital requirements for counterparty credit risk is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. regulators are expected to begin the final rulemaking processes for Basel III in early 2011 and have indicated a goal to adopt final rules by year-end 2011 or early 2012. For additional information on our MSRs, refer to *Note 25 Mortgage Servicing Rights* to the Consolidated Financial Statements. For additional information on deferred tax assets, refer to *Note 21 Income Taxes* to the Consolidated Financial Statements.

If Basel III is implemented in the U.S. consistent with Basel Committee rules, beginning in January 2013, we would be required to maintain minimum capital ratio requirements of 6.0 percent for Tier 1 capital and 8.0 percent for Total capital. Basel III also includes a proposed minimum requirement for common equity Tier 1 capital of 3.5 percent beginning in 2013 which would

increase to 4.5 percent in 2015. Basel III also includes three capital buffers which would be phased in over time and impact all three capital ratios. These buffers include a capital conservation buffer that would start at 0.63 percent in 2016 and increase to 2.5 percent in 2019. Thus, the minimum capital ratio requirements including the capital conservation buffer in 2019 would be 7.0 percent for common equity Tier 1 capital, 8.5 percent for Tier 1 capital and 10.5 percent for Total capital. If ratios fall below the minimum requirement plus the capital conservation buffer, such as 10.5 percent for Total capital, an institution would be required to restrict dividends, share repurchases and discretionary bonuses. Additionally, Basel III also includes a countercyclical buffer of up to 2.5 percent that regulators could require in periods of excess credit growth. The countercyclical buffer is to be comprised of loss-absorbing capital, such as common equity, and is meant to retain additional capital during periods of excess credit growth providing incremental protection in the event of a material market downturn. The ratios presented above do not include the third buffer requirement for systemically important financial institutions, which the Basel Committee continues to assess and has not yet quantified. The countercyclical and systemic buffers are scheduled to be phased in from 2013 through 2019. U.S. regulators are expected to begin the rulemaking processes for Basel III in early 2011 and have indicated a goal to adopt final rules by the end of 2011 or early 2012.

These regulatory changes also require approval by the agencies of analytical models used as part of our capital measurement and assessment, especially in the case of more complex models. If these more complex models are not approved, it could require financial institutions to hold additional capital, which in some cases could be significant. We expect to maintain a Tier 1 common capital ratio in excess of eight percent as the regulatory rule changes are implemented without needing to raise new equity capital. We have made the implementation and mitigation of these regulatory changes a strategic priority. We also note there remains significant uncertainty on the final impacts as the U.S. has issued final rules only for Basel II and a Notice of Proposal Rulemaking for the Market Risk Rules at this time. Impacts may change as the U.S. finalizes rules and the regulatory agencies interpret the final rules for Basel III during the implementation process.

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

The table below presents regulatory capital information for Bank of America N.A. and FIA Card Services, N.A. at December 31, 2010 and 2009. The goodwill impairment charges recognized in 2010 did not impact the regulatory capital ratios.

Table 14 Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	December 31			
	2010		2009	
(Dollars in millions)	**Ratio**	**Amount**	Ratio	Amount
Tier 1				
Bank of America, N.A.	**10.78%**	**$ 114,345**	10.30%	$ 111,916
FIA Card Services, N.A.	**15.30**	**25,589**	15.21	28,831
Total				
Bank of America, N.A.	**14.26**	**151,255**	13.76	149,528
FIA Card Services, N.A.	**16.94**	**28,343**	17.01	32,244
Tier 1 leverage				
Bank of America, N.A.	**7.83**	**114,345**	7.38	111,916
FIA Card Services, N.A.	**13.21**	**25,589**	23.09	28,831

The Bank of America, N.A. Tier 1 and Total capital ratio increased 48 bps to 10.78 percent and 50 bps to 14.26 percent at December 31, 2010 compared to December 31, 2009. The increase in the ratios was driven by $11.1 billion

in earnings generated in 2010 combined with a $26.4 billion decline in risk-weighted assets. The Tier 1 leverage ratio increased 45 bps to 7.83 percent benefiting from the improvement in Tier 1 capital combined with a $56.0 billion

decrease in adjusted quarterly average total assets. The reduction in risk-weighted assets and adjusted quarterly average total assets is consistent with our continued efforts to reduce non-core assets and legacy loan portfolios.
The FIA Card Services, N.A. Tier 1 capital ratio increased 9 bps to 15.30 percent and Total capital ratio decreased 7 bps to 16.94 percent compared to December 31, 2009. The increase in Tier 1 capital ratio was due to a decrease in risk-weighted assets of $22.3 billion. The decrease in the Total capital ratio was due to a reduction in Tier 2 capital resulting from a $390 million decrease in qualifying term subordinated debt combined with a net increase in the allowance for credit losses limitation of $269 million. The Tier 1 leverage ratio decreased to 13.21 percent at December 31, 2010 from 23.09 percent at December 31, 2009 due to a $68.9 billion increase in adjusted quarterly average total assets. The increase in adjusted quarterly average total assets was the result of the adoption of new consolidation guidance.

Broker/Dealer Regulatory Capital

Bank of America s principal U.S. broker/dealer subsidiaries are Merrill Lynch, Pierce, Fenner & Smith (MLPF&S) and Merrill Lynch Professional Clearing Corp (MLPCC). MLPCC is a subsidiary of MLPF&S and provides clearing and settlement services. Both entities are subject to the net capital requirements of SEC Rule 15c3-1. Both entities are also registered as futures commission merchants and subject to the Commodity Futures Trading Commission (CFTC) Regulation 1.17.
MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At December 31, 2010, MLPF&S s regulatory net capital as defined by Rule 15c3-1 was $9.8 billion and exceeded the minimum requirement of $736 million by $9.1 billion. MLPCC s net capital of $2.3 billion exceeded the minimum requirement by $2.1 billion.
In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1 billion and notify the SEC in the event its tentative net capital is less than $5 billion. At December 31, 2010, MLPF&S had tentative net capital in excess of the minimum and notification requirements.

Economic Capital

Our economic capital measurement process provides a risk-based measurement of the capital required for unexpected credit, market and operational losses over a one-year time horizon at a 99.97 percent confidence level, consistent with a AA credit rating. Economic capital is allocated to each business unit based upon its risk positions and contribution to enterprise risk, and is used for capital adequacy, performance measurement and risk management purposes. The strategic planning process utilizes economic capital with the goal of allocating risk appropriately and measuring returns consistently across all businesses and activities.

Credit Risk Capital

Economic capital for credit risk captures two types of risks: default risk, which represents the loss of principal due to outright default or the borrower s inability to repay an obligation in full, and migration risk, which represents potential loss in market value due to credit deterioration over the one-year capital time horizon. Credit risk is assessed and modeled for all on- and off-balance sheet credit exposures within sub-categories for commercial, retail, counterparty and investment securities. The economic capital methodology captures dimensions such as concentration and country risk and originated securitizations. The economic capital methodology is based on the probability

of default, loss given default, exposure at default and maturity for each credit exposure, and the portfolio correlations across exposures. See page 71 for more information on Credit Risk Management.

Market Risk Capital

Market risk reflects the potential loss in the value of financial instruments or portfolios due to movements in foreign exchange and interest rates, credit spreads, and security and commodity prices. Bank of America s primary market risk exposures are in its trading portfolio, equity investments, MSRs and the interest rate exposure of its core balance sheet. Economic capital is determined by utilizing the same models the Corporation used to manage these risks including, for example, Value-at-Risk, simulation, stress testing and scenario analysis. See page 100 for additional information on Market Risk Management.

Operational Risk Capital

We calculate operational risk capital at the business unit level using actuarial-based models and historical loss data. We supplement the calculations with scenario analysis and risk control assessments. See Operational Risk Management beginning on page 106 for more information.

Capital Actions

The Corporation held a special meeting of stockholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of authorized shares of our common stock from 10.0 billion to 11.3 billion. On February 24, 2010, approximately 1.3 billion shares of common stock were issued through the conversion of CES into common stock. For more information regarding this conversion, see Preferred Stock Issuances and Exchanges on page 67.

In January 2009, we issued approximately 1.4 billion shares of common stock in connection with the acquisition of Merrill Lynch. For additional information regarding the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements. In addition, in 2009, we issued warrants to purchase approximately 199.1 million shares of common stock in connection with preferred stock issuances to the U.S. government. For more information, see Preferred Stock Issuances and Exchanges on page 67. In 2009, we issued 1.3 billion shares of common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion. In addition, during 2010 and 2009, we issued approximately 98.6 million and 7.4 million shares under employee stock plans.

Troubled Asset Relief Program Related Asset Sales

We received notification from the Federal Reserve confirming that we fulfilled our commitment to increase equity by $3.0 billion through asset sales to be completed by December 31, 2010. The commitment was made in connection with the approval we received in December 2009 to repurchase the preferred stock that we issued as a result of our participation in the Troubled Asset Relief Program (TARP).

There were no common shares repurchased in 2010 except for shares acquired under equity incentive plans, as discussed in Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this Form 10-K. Currently, there is no existing Board authorized share repurchase program. For more information regarding our common share issuances, see *Note 15 Shareholders Equity* to the Consolidated Financial Statements.

We currently intend to modestly increase the common stock dividends in the second half of 2011 subject to approval by the Federal Reserve.

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Common Stock Dividends

The table below is a summary of our declared quarterly cash dividends on common stock during 2010 and through February 25, 2011.

Table 15 Common Stock Cash Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
January 26, 2011	March 4, 2011	March 25, 2011	$ 0.01
October 25, 2010	December 3, 2010	December 24, 2010	0.01
July 28, 2010	September 3, 2010	September 24, 2010	0.01
April 28, 2010	June 4, 2010	June 25, 2010	0.01
January 27, 2010	March 5, 2010	March 26, 2010	0.01

Preferred Stock Issuances and Exchanges

In 2009, we completed an offer to exchange outstanding depositary shares of portions of certain series of preferred stock up to approximately 200 million shares of common stock at an average price of $12.70 per share. In addition, we also entered into agreements with certain holders of other non-government perpetual preferred shares to exchange their holdings of approximately $10.9 billion aggregate liquidation preference of perpetual preferred stock into approximately 800 million shares of common stock. In total, the exchange offer and these privately negotiated exchanges covered the exchange of $14.8 billion aggregate liquidation preference of perpetual preferred stock into 1.0 billion shares of common stock. In 2009, we recorded an increase to retained earnings and net income applicable to common shareholders of $576 million related to these exchanges. This represents the net of a $2.6 billion benefit due to the excess of the carrying value of our non-convertible preferred stock over the fair value of the common stock exchanged. This was partially offset by a $2.0 billion inducement to convertible preferred shareholders representing the excess of the fair value of the common stock exchanged, which was accounted for as an induced conversion of convertible preferred stock, over the fair value of the common stock that would have been issued under the original conversion terms.

On December 2, 2009, we received approval from the U.S. Treasury and Federal Reserve to repay the U.S. government s $45.0 billion preferred stock investment provided under TARP. In accordance with the approval, on December 9, 2009, we repurchased all outstanding shares of Cumulative Perpetual Preferred Stock Series N, Series Q and Series R issued to the U.S. Treasury as part of the TARP. While participating in the TARP we recorded $7.4 billion in dividends and accretion on the TARP Preferred Stock and repayment saved us approximately $3.6 billion in annual dividends and accretion. We did not repurchase the related common stock warrants issued to the U.S. Treasury in connection with its TARP investment. The U.S. Treasury auctioned these warrants in March 2010. For more detail on the TARP Preferred Stock, refer to *Note 15 Shareholders Equity* to the Consolidated Financial Statements.

We repurchased the TARP Preferred Stock through the use of $25.7 billion in excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion units of CES valued at $15.00 per unit. The CES consisted of depositary shares representing interests in shares of Common Equivalent Junior Preferred Stock Series S (Common Equivalent Stock) and warrants (Contingent Warrants) to purchase an aggregate 60 million shares of the Corporation s common stock. Each depositary share represented a 1/1,000th interest in a share of Common Equivalent Stock and each Contingent Warrant granted the holder the right to purchase 0.0467 of a share of a common stock for $0.01 per share. Each depositary share entitled the holder, through the depository, to a proportional fractional interest in all rights and preferences of the Common Equivalent Stock, including conversion, dividend, liquidation and voting rights.

The Corporation held a special meeting of stockholders on February 23, 2010 at which we obtained stockholder approval of an amendment to our amended and restated certificate of incorporation to increase the number of

authorized shares of our common stock. Following effectiveness of the amendment, on February 24, 2010, the Common Equivalent Stock converted in full into our common stock and the Contingent Warrants automatically expired without becoming exercisable, and the CES ceased to exist.

On October 15, 2010, all of the outstanding shares of the mandatory convertible Preferred Stock, Series 2 and Series 3, of Merrill Lynch automatically converted into an aggregate of 50 million shares of the Corporation s Common Stock in accordance with the terms of these preferred securities.

For more information on cash dividends declared on preferred stock, see Table III.

Enterprise-wide Stress Testing

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

Liquidity Risk

Funding and Liquidity Risk Management

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

Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

The Enterprise Risk Committee approves the Corporation s liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALMRC, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. ALMRC is responsible for managing liquidity risks and ensuring exposures remain within the established tolerance levels. ALMRC delegates additional oversight responsibilities to the ROC, which reports to ALMRC. The ROC reviews and monitors our liquidity position, cash flow forecasts, stress testing scenarios and results, and implements our liquidity limits and guidelines. For more information, refer to Board Oversight of Risk beginning on page 61.

Under this governance framework, we have developed certain funding and liquidity risk management practices which include: maintaining excess

liquidity at the parent company and selected subsidiaries, including our bank and broker/dealer subsidiaries; determining what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions; diversifying funding sources, considering our asset profile and legal entity structure; and performing contingency planning.

Global Excess Liquidity Sources and Other Unencumbered Assets

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

Our global excess liquidity sources increased $122 billion to $336 billion at December 31, 2010 compared to $214 billion at December 31, 2009 and were maintained as presented in the table below. This increase was due primarily to liquidity generated by our bank subsidiaries through deposit growth, loan repayments combined with lower loan demand and other factors.

Table 16 Global Excess Liquidity Sources

	December 31	
(Dollars in billions)	**2010**	2009
Parent company	**$ 121**	$ 99
Bank subsidiaries	**180**	89
Broker/dealers	**35**	26
Total global excess liquidity sources	**$ 336**	$ 214

As noted above, the excess liquidity available to the parent company is held in cash and high-quality, liquid, unencumbered securities and totaled $121 billion and $99 billion at December 31, 2010 and 2009. Typically, parent company cash is deposited overnight with Bank of America, N.A.

Our bank subsidiaries excess liquidity sources at December 31, 2010 and 2009 were $180 billion and $89 billion. These amounts are distinct from the cash deposited by the parent company, as described above. In addition to their excess liquidity sources, our bank subsidiaries hold significant amounts of other unencumbered securities that we believe could also be used to generate liquidity, such as investment-grade ABS, MBS and municipal bonds. Another way our bank subsidiaries can generate incremental liquidity is by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically identified eligible assets was approximately $170 billion and $187 billion at December 31, 2010 and 2009. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and cannot be transferred to the parent company or nonbank subsidiaries.

Our broker/dealer subsidiaries excess liquidity sources at December 31, 2010 and 2009 consisted of $35 billion and $26 billion in cash and high-quality, liquid, unencumbered securities. Our broker/dealers also held

significant amounts of other unencumbered securities we believe could also be used to generate additional liquidity, including investment-grade corporate securities and equities. Liquidity held in a broker/dealer subsidiary is only available to meet the obligations of that entity and cannot be transferred to the parent company or to any other subsidiary, often due to regulatory restrictions and minimum requirements.

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is Time to Required Funding. This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation or Merrill Lynch & Co., Inc., including certain unsecured debt instruments, primarily structured notes, which we may be required to settle for cash prior to maturity. The ALMRC has established a target for Time to Required Funding of 21 months. Time to Required Funding was 24 months at December 31, 2010 compared to 25 months at December 31, 2009.

We utilize liquidity stress models to assist us in determining the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. These risk sensitive models have become increasingly important in analyzing our potential contractual and contingent cash outflows beyond those outflows considered in the Time to Required Funding analysis.

We evaluate the liquidity requirements under a range of scenarios with varying levels of severity and time horizons. These scenarios incorporate market-wide and Corporation-specific events, including potential credit ratings downgrades for the parent company and our subsidiaries. We consider and utilize scenarios based on historical experience, regulatory guidance, and both expected and unexpected future events.

The types of contractual and contingent cash outflows we consider in our scenarios may include, but are not limited to: upcoming contractual maturities of unsecured debt and reductions in new debt issuance; diminished access to secured financing markets; potential deposit withdrawals and reduced rollover of maturing term deposits by customers; increased draws on loan commitments and liquidity facilities; additional collateral that counterparties could call if our credit ratings were downgraded; collateral, margin and subsidiary capital requirements arising from losses; and potential liquidity required to maintain businesses and finance customer activities.

We consider all sources of funds that we could access during each stress scenario and focus particularly on matching available sources with corresponding liquidity requirements by legal entity. We also use the stress modeling results to manage our asset-liability profile and establish limits and guidelines on certain funding sources and businesses.

Basel III Liquidity Standards

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

The first liquidity measure is the Liquidity Coverage Ratio (LCR) which identifies the amount of unencumbered, high quality liquid assets a financial institution holds that can be used to offset the net cash outflows the institution would encounter under an acute 30-day stress scenario. The second liquidity measure is the Net Stable Funding Ratio (NSFR) which measures the amount of longer-term, stable sources of funding employed by a financial institution relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations over a one-year period. The Basel Committee expects the LCR to be implemented in January 2015 and the NSFR in January 2018, following observation periods beginning in 2012. We continue to monitor the development and the potential impact of these evolving proposals and expect to be able to meet the final requirements.

Diversified Funding Sources

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

We fund a substantial portion of our lending activities through our deposit base which was $1.0 trillion and $992 billion at December 31, 2010 and 2009. Deposits are primarily generated by our *Deposits, Global Commercial Banking, GWIM* and *GBAM* segments. These deposits are diversified by clients, product type and geography. Certain of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources.

Certain consumer lending activities, primarily in our banking subsidiaries, may be funded through securitizations. Included in these consumer lending activities are the extension of mortgage, credit card, auto loans, home equity loans and lines of credit. If securitization markets are not available to us on favorable terms, we typically finance these loans with deposits or with wholesale borrowings. For additional information on securitizations, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

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

Unsecured debt, both short- and long-term, is also an important source of funding. We may issue unsecured debt through syndicated U.S. registered offerings, U.S. registered and unregistered medium-term note programs, non-U.S. medium-term note programs, non-U.S. private placements, U.S. and non-U.S. commercial paper and through other methods. We distribute a significant portion of our debt offerings through our retail and institutional sales forces to a large, diversified global investor base. Maintaining relationships with our investors is an important aspect of our funding strategy. We may, from time to time, purchase outstanding Bank of America Corporation debt securities in various transactions, depending upon prevailing market conditions, liquidity and other factors. In addition, we may also make markets in our debt instruments to provide liquidity for investors.

In addition, our parent company, bank and broker-dealer subsidiaries regularly access short-term secured and unsecured markets through federal funds purchased, commercial paper and other short-term borrowings to support customer activities, short-term financing requirements and cash management.

At December 31, 2010, commercial paper and other short-term borrowings included $6.7 billion of VIEs that were consolidated in accordance with new consolidation guidance effective January 1, 2010. For average and year-end balance discussions, see Balance Sheet Overview beginning on page 29. For more information, see *Note 12 Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings* to the Consolidated Financial Statements.

We issue the majority of our long-term unsecured debt at the parent company and Bank of America, N.A. During 2010, the parent company and Bank of America, N.A. issued $28.8 billion and $3.5 billion of long-term senior

unsecured debt.
We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.
The primary benefits of our centralized funding strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.
At December 31, 2010 and 2009, our long-term debt was in the currencies presented in the table below.

Table 17 Long-term Debt By Major Currency

	December 31	
(Dollars in millions)	**2010**	2009
U.S. Dollar	**$ 302,487**	$ 281,692
Euros	**87,482**	99,917
Japanese Yen	**19,901**	19,903
British Pound	**16,505**	16,460
Australian Dollar	**6,924**	7,973
Canadian Dollar	**6,628**	4,894
Swiss Franc	**3,069**	2,666
Other	**5,435**	5,016
Total long-term debt	**$ 448,431**	$ 438,521

At December 31, 2010, the above table includes $71.0 billion of primarily U.S. Dollar long-term debt of VIEs that were consolidated in accordance with new consolidation guidance effective January 1, 2010.
We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, refer to Interest Rate Risk Management for Nontrading Activities beginning on page 103.
We also diversify our funding sources by issuing various types of debt instruments including structured notes, which are debt obligations that pay investors with returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these notes with derivative positions and/or in the underlying instruments so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to immediately settle certain structured note obligations for cash or other securities under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the

earliest put or redemption date. We had outstanding structured notes of $61.1 billion and $57.0 billion at December 31, 2010 and 2009.

Substantially all of our senior and subordinated debt obligations contain no provisions that could trigger a requirement for an early repayment, require additional collateral support, result in changes to terms, accelerate maturity or create additional financial obligations upon an adverse change in our credit ratings, financial ratios, earnings, cash flows or stock price.

We participated in the FDIC s Temporary Liquidity Guarantee Program (TLGP) which allowed us to issue senior unsecured debt that the FDIC guaranteed in return for a fee based on the amount and maturity of the debt. At December 31, 2010, we had $27.5 billion outstanding under the program. We no longer issue debt under this program and all of our debt issued under TLGP will mature by June 30, 2012. Under this program, our debt received the highest long-term ratings from the major credit ratings agencies which resulted in a lower total cost of issuance than if we had issued non-FDIC guaranteed long-term debt. The associated FDIC fee for the 2009 issuances was $554 million and is being amortized into expense over the stated term of the debt.

For additional information on debt funding, see *Note 13 Long-term Debt* to the Consolidated Financial Statements.

Contingency Planning

We maintain contingency funding plans that outline our potential responses to liquidity stress events at various levels of severity. These policies and plans are based on stress scenarios and include potential funding strategies, and communication and notification procedures that we would implement in the event we experienced stressed liquidity conditions. We periodically review and test the contingency funding plans to validate efficacy and assess readiness.

Our U.S. bank subsidiaries can access contingency funding through the Federal Reserve Discount Window. Certain non-U.S. subsidiaries have access to central bank facilities in the jurisdictions in which they operate. While we do not rely on these sources in our liquidity modeling, we maintain the policies, procedures and governance processes that would enable us to access these sources if necessary.

Credit Ratings

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions including OTC derivatives. Thus, it is our objective to maintain high-quality credit ratings.

Credit ratings and outlooks are opinions on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the ratings agencies and thus may change from time to time based on a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control, such as ratings agency-specific criteria or frameworks for our industry or certain security types, which are subject to revision from time to time, and conditions affecting the financial services industry generally. In light of the recent difficulties in the financial services industry and financial markets, there can be no assurance that we will maintain our current ratings.

During 2009 and 2010, the ratings agencies took numerous actions, many of which were negative, to adjust our credit ratings and the outlooks for those ratings. Currently, Bank of America Corporation s long-term senior debt

and outlook expressed by the ratings agencies are as follows: A2 (negative) by Moody s Investors Services, Inc. (Moody s), A (negative) by Standard and Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P), and A+ (Rating Watch Negative) by Fitch, Inc. (Fitch). Bank of America, N.A. s long-term debt and outlook currently are as follows: A+ (negative), Aa3 (negative) and A+ (Rating Watch Negative) by those same three credit ratings agencies, respectively. The ratings agencies have indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. All three ratings agencies, however, have indicated they will reevaluate, and could reduce the uplift they include in our ratings for government support for reasons arising from financial services regulatory reform proposals or legislation. In February 2010, S&P affirmed our current credit ratings but revised the outlook to negative from stable based on its belief that it is less certain whether the U.S. government would be willing to provide extraordinary support. On July 27, 2010, Moody s affirmed our current ratings but revised the outlook to negative from stable due to its expectation for lower levels of government support over time as a result of the passage of the Financial Reform Act. Also, on October 22, 2010, Fitch placed our credit ratings on Rating Watch Negative from stable outlook due to proposed rulemaking that could negatively impact its assessment of future systemic government support. Other factors that influence our credit ratings include changes to the ratings agencies methodologies, the ratings agencies assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices and current or future regulatory and legislative initiatives.

A reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations would likely have a material adverse effect on our liquidity, access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. Under the terms of certain OTC derivatives contracts and other trading agreements, in the event of a credit ratings downgrade, the counterparties to those agreements may require us to provide additional collateral or to terminate these contracts or agreements. Such collateral calls or terminations could cause us to sustain losses, impair our liquidity, or both, by requiring us to provide the counterparties with additional collateral in the form of cash or highly liquid securities. If Bank of America Corporation s or Bank of America, N.A. s commercial paper or short-term credit ratings (which currently have the following ratings: P-1 by Moody s, A-1 by S&P and F1+ by Fitch) were downgraded by one or more levels, the potential loss of short-term funding sources such as commercial paper or repo financing and effect on our incremental cost of funds would be material. For information regarding the additional collateral and termination payments that would be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit ratings downgrade, see *Note 4 Derivatives* to the Consolidated Financial Statements and Item 1A. Risk Factors.

The credit ratings of Merrill Lynch & Co., Inc. from the three major credit ratings agencies are the same as those of Bank of America Corporation. The major credit ratings agencies have indicated that the primary drivers of Merrill Lynch s credit ratings are Bank of America Corporation s credit ratings.

Credit Risk Management

Credit quality continued to show improvement during 2010; although, net charge-offs, and nonperforming loans, leases and foreclosed properties remained elevated. Signs of economic stability and our proactive credit risk management initiatives positively impacted the credit portfolio as charge-offs and delinquencies continued to improve across almost all portfolios along with risk rating improvements in the commercial portfolio. Global and national economic uncertainty, regulatory initiatives and reform, however, continued to weigh on the credit portfolios through December 31, 2010. For more information, see 2010 Economic and Business Environment on page 25. Credit metrics were also impacted by loans added to the balance sheet on January 1, 2010 in connection with the adoption of new consolidation guidance.

Credit risk is the risk of loss arising from the inability of a borrower or counterparty to meet its obligations. Credit risk can also arise from operational failures that result in an erroneous advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications including loans and leases, deposit overdrafts, derivatives, assets held-for-sale and unfunded lending commitments which include loan commitments, letters of credit and financial guarantees. Derivative positions are recorded at fair value and assets held-for-sale are recorded at fair value or the lower of cost or fair value. Certain loans and unfunded commitments are accounted for under the fair value option. Credit risk for these categories of assets is not accounted for as part of the allowance for credit losses but as part of the fair value adjustments recorded in earnings. For derivative positions, our credit risk is measured as the net replacement cost in the event the counterparties with contracts in which we are in a gain position fail to perform under the terms of those contracts. We use the current mark-to-market value to represent credit exposure without giving consideration to future mark-to-market changes. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements and cash collateral. Our consumer and commercial credit extension and review procedures take into account funded and unfunded credit exposures. For additional information on derivative and credit extension commitments, see *Note 4 Derivatives* and *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

We manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations. We classify our portfolios as either consumer or commercial and monitor credit risk in each as discussed below.

We proactively refine our underwriting and credit management practices, as well as credit standards, to meet the changing economic environment. To actively mitigate losses and enhance customer support in our consumer businesses, we have expanded collections, loan modification and customer assistance infrastructures. We also have implemented a number of actions to mitigate losses in the commercial businesses including increasing the frequency and intensity of portfolio monitoring, hedging activity and our practice of transferring management of deteriorating commercial exposures to independent special asset officers as credits approach criticized levels.

Since January 2008, and through 2010, Bank of America and Countrywide have completed nearly 775,000 loan modifications with customers. During 2010, we completed nearly 285,000 customer loan modifications with a total unpaid principal balance of approximately $65.7 billion, which included 109,000 customers who converted from trial period to permanent modifications under the government s MHA program. Of the loan modifications

completed in 2010, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications during the year include a combination of rate reduction and capitalization of past due amounts which represent 68 percent of the volume of modifications completed in 2010, while principal forbearance represented 15 percent and capitalization of past due amounts represented nine percent. We also provide rate reductions, rate and payment extensions, principal forgiveness and other actions. These modification types are generally considered troubled debt restructurings (TDRs). For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity beginning on page 81 and *Note 6 Outstanding*

Loans and Leases to the Consolidated Financial Statements.

On October 1, 2010, we voluntarily stopped taking residential mortgage foreclosure proceedings to judgment in judicial states. On October 8, 2010, we stopped foreclosure sales in all states in order to complete an assessment of the related business processes. As a result of that assessment, we identified and began implementing process and control enhancements and we intend to monitor ongoing quality results of each process. After these enhancements were put in place, we resumed foreclosure sales in most non-judicial states during the fourth quarter of 2010, and expect sales to resume in the remaining non-judicial states in the first quarter of 2011. The process of preparing affidavits in pending proceedings in judicial states is expected to continue into the first quarter of 2011 and could result in prolonged adversary proceedings that delay certain foreclosure sales. We took these precautionary steps in order to ensure our processes for handling foreclosures include the appropriate controls and quality assurance. These initiatives further support our credit risk management and mitigation efforts. For more information, see Recent Events beginning on page 33.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continue to experience varying degrees of financial stress. Risks and ongoing concerns about the debt crisis in Europe could result in a disruption of the financial markets which could have a detrimental impact on the global economic recovery, including the impact of non-sovereign debt in these countries. For more information on our direct sovereign and non-sovereign exposures in these countries, see Non-U.S. Portfolio beginning on page 94.

The Financial Accounting Standards Board (FASB) issued new disclosure guidance, effective on a prospective basis for the Corporation s 2010 year-end reporting, that addresses disclosure of loans and other financing receivables and the related allowance. The new disclosure guidance defines a portfolio segment as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Corporation s portfolio segments are home loans, credit card and other consumer, and commercial. The classes within the home loans portfolio segment are residential mortgage, home equity and discontinued real estate. The classes within the credit card and other consumer portfolio segment are U.S. credit card, non-U.S. credit card, direct/indirect consumer and other consumer. The classes within the commercial portfolio segment are U.S. commercial, commercial real estate, commercial lease financing, non-U.S. commercial and U.S. small business commercial. Under this new disclosure guidance, the allowance is presented by portfolio segment.

Consumer Portfolio Credit Risk Management

Credit risk management for the consumer portfolio begins with initial underwriting and continues throughout a borrower s credit cycle. Statistical techniques in conjunction with experiential judgment are used in all aspects of portfolio management including underwriting, product pricing, risk appetite, setting credit limits and establishing operating processes and metrics to quantify and balance risks and returns. Statistical models are built using detailed behavioral information from external sources such as credit bureaus and/or internal historical experience. These models are a component of our consumer credit risk management process and are used, in part, to help determine both new and existing credit decisions, portfolio management strategies including authorizations and line management, collection practices and strategies, determination of the allowance for loan and lease losses, and economic capital allocations for credit risk.

For information on our accounting policies regarding delinquencies, nonperforming status, charge-offs and TDRs for the consumer portfolio, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Consumer Credit Portfolio

Although unemployment rates remained at elevated levels, improvement in the U.S. economy and stabilization in the labor markets during 2010 resulted in lower losses and lower delinquencies in almost all consumer portfolios during 2010 when compared to 2009 on a managed basis. However, economic deterioration throughout 2009 and weakness in the economic recovery in 2010 drove continued stress in the housing markets and tighter availability of credit in the market place resulting in elevated net charge-offs in most portfolios. In addition, during 2010, our consumer real estate portfolios were impacted by net charge-offs on certain modified loans deemed to be collateral dependent pursuant to clarification of regulatory guidance. For more information on regulatory guidance on collateral dependent modified loans, see Regulatory Matters beginning on page 56.

Under the new consolidation guidance, we consolidated all previously off-balance sheet securitized credit card receivables along with certain home equity and auto loan securitization trusts. The 2010 consumer credit card credit quality statistics include the impact of consolidation of VIEs. The following tables include the December 31, 2009 balances as well as the January 1, 2010 balances to show the impact of the adoption of the new consolidation guidance. Accordingly, the December 31, 2010 credit quality statistics under the new consolidation guidance should be compared to the amounts presented in the January 1, 2010 column.

The table below presents our outstanding consumer loans and the Countrywide PCI loan portfolio. Loans that were acquired from Countrywide and considered credit-impaired were written down to fair value upon acquisition. In addition to being included in the Outstandings columns in the table below, these loans are also shown separately, net of purchase accounting adjustments, in the Countrywide Purchased Credit-impaired Loan Portfolio column. Loans that were acquired from Merrill Lynch were recorded at fair value including those that were considered credit-impaired upon acquisition. The Merrill Lynch consumer PCI loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios and is, therefore, excluded from the Countrywide Purchased Credit-impaired Loan Portfolio column and the following discussion. For additional information, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. The impact of the Countrywide PCI loan portfolio on certain credit statistics is reported where appropriate. See Countrywide Purchased Credit-impaired Loan Portfolio beginning on page 78 for more information. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified from pay option or subprime loans into loans with more conventional terms and are now included in the residential mortgage portfolio shown below.

Table 18 Consumer Loans

	Outstandings			Countrywide Purchased Credit-impaired Loan Portfolio	
				December 31	
	December 31	January 1	December 31		
(Dollars in millions)	**2010 (1)**	2010 (1)	2009	**2010 (1)**	2009
Residential mortgage (2)	**$ 257,973**	$ 242,129	$ 242,129	**$ 10,592**	$ 11,077
Home equity	**137,981**	154,202	149,126	**12,590**	13,214
Discontinued real estate (3)	**13,108**	14,854	14,854	**11,652**	13,250
U.S. credit card	**113,785**	129,642	49,453	**n/a**	n/a
Non-U.S. credit card	**27,465**	31,182	21,656	**n/a**	n/a
Direct/Indirect consumer (4)	**90,308**	99,812	97,236	**n/a**	n/a
Other consumer (5)	**2,830**	3,110	3,110	**n/a**	n/a
Total	**$ 643,450**	$ 674,931	$ 577,564	**$ 34,834**	$ 37,541

(1) Balances reflect the impact of new consolidation guidance. Adoption of the new consolidation guidance did not impact the Countrywide PCI loan portfolio.

(2) Outstandings include non-U.S. residential mortgages of $90 million and $552 million at December 31, 2010 and 2009.

(3) Outstandings include $11.8 billion and $13.4 billion of pay option loans and $1.3 billion and $1.5 billion of subprime loans at December 31, 2010 and 2009. We no longer originate these products.

(4) Outstandings include dealer financial services loans of $42.9 billion and $41.6 billion, consumer lending loans of $12.9 billion and $19.7 billion, U.S. securities-based lending margin loans of $16.6 billion and $12.9 billion, student loans of $6.8 billion and $10.8 billion, non-U.S. consumer loans of $8.0 billion and $8.0 billion and other consumer loans of $3.1 billion and $4.2 billion at December 31, 2010 and 2009, respectively.

(5) Outstandings include consumer finance loans of $1.9 billion and $2.3 billion, other non-U.S. consumer loans of $803 million and $709 million and consumer overdrafts of $88 million and $144 million at December 31, 2010 and 2009.

n/a = not applicable

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The table below presents our accruing consumer loans past due 90 days or more and our consumer nonperforming loans. Nonperforming loans do not include past due consumer credit card loans, consumer non-real estate-secured loans or unsecured consumer loans as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans insured by the FHA are reported as accruing as opposed to nonperforming since the

principal repayment is insured by the FHA. FHA insured loans accruing past due 90 days or more are primarily related to our purchases of delinquent loans pursuant to our servicing agreements with GNMA. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide PCI loans even though the customer may be contractually past due.

Table 19 Consumer Credit Quality

	Accruing Past Due 90 Days or More			Nonperforming		
(Dollars in millions)	**December 31 2010 (1)**	January 1 2010 (1)	December 31 2009	**December 31 2010 (1)**	January 1 2010 (1)	December 31 2009
Residential mortgage (2, 3)	**$ 16,768**	$ 11,680	$ 11,680	**$ 17,691**	$ 16,596	$ 16,596
Home equity (2)				**2,694**	4,252	3,804
Discontinued real estate (2)				**331**	249	249
U.S. credit card	**3,320**	5,408	2,158	**n/a**	n/a	n/a
Non-U.S. credit card	**599**	814	515	**n/a**	n/a	n/a
Direct/Indirect consumer	**1,058**	1,492	1,488	**90**	86	86
Other consumer	**2**	3	3	**48**	104	104
Total	**$ 21,747**	$ 19,397	$ 15,844	**$ 20,854**	$ 21,287	$ 20,839

(1) Balances reflect the impact of new consolidation guidance.

(2) Our policy is to classify consumer real estate-secured loans as nonperforming at 90 days past due, except Countrywide PCI loans and FHA loans as referenced in footnote (3).

(3) At December 31, 2010 and 2009, balances accruing past due 90 days or more represent loans insured by the FHA. These balances include $8.3 billion and $2.2 billion of loans that are no longer accruing interest or interest has been curtailed by the FHA although principal is still insured and $8.5 billion and $9.5 billion of loans that were still accruing interest. Our policy is to classify delinquent consumer loans secured by real estate and insured by the FHA as accruing past due 90 days or more.

n/a = not applicable

Accruing consumer loans and leases past due 90 days or more as a percentage of outstanding consumer loans and leases were 3.38 percent (0.90 percent excluding the Countrywide PCI and FHA insured loan portfolios) and 2.74 percent (0.79 percent excluding the Countrywide PCI and FHA insured loan portfolios) at December 31, 2010 and 2009. Nonperforming consumer loans as a percentage of outstanding consumer loans were

3.24 percent (3.76 percent excluding the Countrywide PCI and FHA insured loan portfolios) and 3.61 percent (3.95 percent excluding the Countrywide PCI and FHA insured loan portfolios) at December 31, 2010 and 2009. The table below presents net charge-offs and related ratios for our consumer loans and leases for 2010 and 2009 (managed basis for 2009).

Table 20 Consumer Net Charge-offs, Net Losses and Related Ratios

	Net Charge-offs		**Net Charge-offs (1, 2)**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Held basis				
Residential mortgage	**$ 3,670**	$ 4,350	**1.49%**	1.74%
Home equity	**6,781**	7,050	**4.65**	4.56
Discontinued real estate	**68**	101	**0.49**	0.58
U.S. credit card	**13,027**	6,547	**11.04**	12.50
Non-U.S. credit card	**2,207**	1,239	**7.88**	6.30
Direct/Indirect consumer	**3,336**	5,463	**3.45**	5.46
Other consumer	**261**	428	**8.89**	12.94
Total held	**$ 29,350**	$ 25,178	**4.51**	4.22
	Net Losses		**Net Losses (1)**	
Supplemental managed basis data				
U.S. credit card	**n/a**	$ 16,962	**n/a**	12.07
Non-U.S. credit card	**n/a**	2,223	**n/a**	7.43
Total credit card managed	**n/a**	$ 19,185	**n/a**	11.25

(1) Net charge-off and net loss ratios are calculated as held net charge-offs or managed net losses divided by average outstanding held or managed loans and leases.

(2) Net charge-off ratios excluding the Countrywide PCI and FHA insured loan portfolio were 1.79 percent and 1.83 percent for residential mortgage, 5.10 percent and 5.00 percent for home equity, 4.20 percent and 5.57 percent for discontinued real estate and 5.02 percent and 4.53 percent for the total held portfolio for 2010 and 2009. These are the only product classifications materially impacted by the Countrywide PCI loan portfolio for 2010 and 2009. For all loan and lease categories, the net charge-offs were unchanged.

n/a = not applicable

We believe that the presentation of information adjusted to exclude the impact of the Countrywide PCI and FHA insured loan portfolios is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home

equity and discontinued real estate portfolios, we provide information that is adjusted to exclude the impact of the Countrywide PCI and FHA insured loan portfolios. In addition, beginning on page 78, we separately disclose information on the Countrywide PCI loan portfolio.

Residential Mortgage

The residential mortgage portfolio, which excludes the discontinued real estate portfolio acquired with Countrywide, makes up the largest percentage of our consumer loan portfolio at 40 percent of consumer loans at December 31, 2010. Approximately 14 percent of the residential mortgage portfolio is in *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our affluent clients. The remaining portion of the portfolio is mostly in *All Other* and is comprised of both residential loans originated for our customers and used in our overall ALM activities as well as purchased loans.

Outstanding balances in the residential mortgage portfolio increased $15.8 billion at December 31, 2010 compared to December 31, 2009 as new FHA insured origination volume was partially offset by paydowns, the sale

of First Republic, transfers to foreclosed properties and charge-offs. In addition, FHA repurchases of delinquent loans pursuant to our servicing agreements with GNMA also increased the residential mortgage portfolio during 2010. At December 31, 2010 and 2009, the residential mortgage portfolio included $53.9 billion and $12.9 billion of outstanding loans that were insured by the FHA. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of FHA insurance. The table below presents certain residential mortgage key credit statistics on both a reported basis and excluding the Countrywide PCI and FHA insured loan portfolios. We believe the presentation of information adjusted to exclude the impacts of the Countrywide PCI and FHA insured loan portfolios is more representative of the credit risk in this portfolio. For more information on the Countrywide PCI loan portfolio, see the discussion beginning on page 78.

Table 21 Residential Mortgage Key Credit Statistics

	December 31			
	Reported Basis		Excluding Countrywide Purchased Credit-impaired and FHA Insured Loans	
(Dollars in millions)	**2010**	2009	**2010**	2009
Outstandings	**$ 257,973**	$ 242,129	**$ 193,435**	$ 218,147
Accruing past due 90 days or more	**16,768**	11,680	**n/a**	n/a
Nonperforming loans	**17,691**	16,596	**17,691**	16,596
Percent of portfolio with refreshed LTVs greater than 90 but less than 100	**15%**	12%	**10%**	11%
Percent of portfolio with refreshed LTVs greater than 100	**32**	27	**23**	23
Percent of portfolio with refreshed FICOs below 620	**20**	17	**14**	12
Percent of portfolio in the 2006 and 2007 vintages	**32**	42	**38**	42
Net charge-off ratio	**1.49**	1.74	**1.79**	1.83

n/a = not applicable

The following discussion presents the residential mortgage portfolio excluding the Countrywide PCI and FHA insured loan portfolios.
We have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles and long-term standby agreements with FNMA and FHLMC as described in *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements. At December 31, 2010 and 2009, the synthetic securitization vehicles referenced $53.9 billion and $70.7 billion of residential mortgage loans and provided loss protection up to $1.1 billion and $1.4 billion. At December 31, 2010 and 2009, the Corporation had a receivable of $722 million and $1.0 billion from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio for 2010 would have been reduced by seven bps compared to 27 bps for 2009. Synthetic securitizations and the protection provided by FNMA and FHLMC together mitigated risk on 35 percent of our residential mortgage portfolio at both December 31, 2010 and 2009. These credit protection agreements reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At December 31, 2010 and 2009, these transactions had the cumulative effect of reducing our risk-weighted assets by $8.6 billion and $16.8 billion, and increased our Tier 1 capital ratio by seven bps and 11 bps and our Tier 1 common capital ratio by five bps and eight bps. At December 31, 2010 and 2009, $14.3 billion and $6.6 billion in loans were protected by long-term standby agreements. The Corporation does not record an allowance for credit losses on loans protected by these long-term standby agreements.

Nonperforming residential mortgage loans increased $1.1 billion compared to December 31, 2009 as new inflows, which continued to slow in 2010 due to favorable delinquency trends, continued to outpace nonperforming loans returning to performing status, charge-offs, and paydowns and payoffs. At December 31, 2010, $12.7 billion, or 72 percent, of the nonperforming residential mortgage loans were 180 days or more past due and had been written down to the fair value of the underlying collateral. Net charge-offs decreased $680 million to $3.7 billion in 2010, or 1.79 percent of total average residential mortgage loans compared to 1.83 percent for 2009 driven primarily by favorable delinquency trends which were due in part to improvement in the U.S. economy. Net charge-off ratios were further impacted by lower loan balances primarily due to paydowns, the sale of First Republic and charge-offs. Certain risk characteristics of the residential mortgage portfolio continued to contribute to higher losses. These characteristics include loans with a high refreshed loan-to-value (LTV), loans originated at the peak of home prices in 2006 and 2007, loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices have been experienced, as well as interest-only loans. Although the following disclosures address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised five percent and seven percent of the residential mortgage portfolio at December 31, 2010 and 2009, but accounted for 26 percent of the residential mortgage net charge-offs in 2010 compared to 31 percent in 2009.

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Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented 10 percent and 11 percent of the residential mortgage portfolio at December 31, 2010 and 2009. Loans with a refreshed LTV greater than 100 percent represented 23 percent of the residential mortgage loan portfolio at both December 31, 2010 and 2009. Of the loans with a refreshed LTV greater than 100 percent, 88 percent were performing at both December 31, 2010 and 2009. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent due primarily to home price deterioration from the weakened economy. Loans to borrowers with refreshed FICO scores below 620 represented 14 percent and 12 percent of the residential mortgage portfolio at December 31, 2010 and 2009.

The 2006 and 2007 vintage loans, which represented 38 percent and 42 percent of our residential mortgage portfolio at December 31, 2010 and 2009, have higher refreshed LTVs and accounted for 67 percent and 69 percent of nonperforming residential mortgage loans at December 31, 2010 and 2009. These vintages of loans accounted for 77 percent of residential mortgage net charge-offs during 2010 and 75 percent during 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. California and Florida combined represented 42 percent of outstandings and 48 percent of nonperforming loans at December 31, 2010. These states accounted for 54 percent of the net charge-offs for 2010 compared to 58 percent for 2009. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 13 percent of outstandings at both December 31, 2010 and 2009, but comprised only seven percent of net charge-offs for both 2010 and 2009.

Table 22 Residential Mortgage State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
California	**$ 68,341**	$ 81,508	**$ 6,389**	$ 5,967	**$ 1,392**	$ 1,726
Florida	**13,616**	15,088	**2,054**	1,912	**604**	796
New York	**12,545**	15,752	**772**	632	**44**	66
Texas	**9,077**	9,865	**492**	534	**52**	59
Virginia	**6,960**	7,496	**450**	450	**72**	89
Other U.S./Non-U.S.	**82,896**	88,438	**7,534**	7,101	**1,506**	1,614
Total residential mortgage loans (1)	**$ 193,435**	$ 218,147	**$ 17,691**	$ 16,596	**$ 3,670**	$ 4,350
Total FHA insured loans	**53,946**	12,905				
Total Countrywide purchased credit-impaired residential mortgage portfolio	**10,592**	11,077				
Total residential mortgage loan portfolio	**$ 257,973**	$ 242,129				

(1) Amount excludes the Countrywide PCI residential mortgage and FHA insured loan portfolios.

Of the residential mortgage loans, $62.5 billion, or 32 percent, at December 31, 2010 are interest-only loans of which 87 percent were performing. Nonperforming balances on interest-only residential mortgage loans were $8.0 billion, or 45 percent of total nonperforming residential mortgages. Additionally, net charge-offs on the interest-only portion of the portfolio represented 53 percent of the total residential mortgage net charge-offs during 2010.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At December 31, 2010, our CRA portfolio was eight percent of the residential mortgage loan balances but comprised 17 percent of nonperforming residential mortgage loans. This portfolio also represented 23 percent of residential mortgage net charge-offs during 2010.

For information on representations and warranties related to our residential mortgage portfolio, see Representations and Warranties beginning on page 52 and *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Home Equity

The home equity portfolio makes up 21 percent of the consumer portfolio and is comprised of home equity lines of credit, home equity loans and reverse mortgages. At December 31, 2010, approximately 88 percent of the home equity portfolio was included in *Home Loans & Insurance*, while the remainder of the portfolio was primarily in *GWIM*.

Outstanding balances in the home equity portfolio decreased $11.1 billion at December 31, 2010 compared to December 31, 2009 due to charge-offs, paydowns and the sale of First Republic, partially offset by the adoption of new consolidation guidance, which resulted in the consolidation of $5.1 billion of home equity loans on January 1, 2010. Of the loans in the home equity portfolio at December 31, 2010 and 2009, $24.8 billion and $26.0 billion, or 18 percent for both periods, were in first-lien positions (20 percent and 19 percent excluding the Countrywide PCI home equity loan portfolio). For more information on the Countrywide PCI home equity loan portfolio, see the discussion beginning on page 78.

Home equity unused lines of credit totaled $80.1 billion at December 31, 2010 compared to $92.7 billion at December 31, 2009. This decrease was due primarily to account attrition as well as line management initiatives on deteriorating accounts and the sale of First Republic, which more than offset new production. The home equity line of credit utilization rate was 59 percent at December 31, 2010 compared to 57 percent at December 31, 2009.

The table below presents certain home equity key credit statistics on both a reported basis as well as excluding the Countrywide PCI loan portfolio. We believe the presentation of information adjusted to exclude the impacts of the Countrywide PCI loan portfolio is more representative of the credit risk in this portfolio.

Table 23 Home Equity Key Credit Statistics

	December 31			
	Reported Basis		Excluding Countrywide Purchased Credit-impaired Loans	
(Dollars in millions)	**2010**	2009	**2010**	2009
Outstandings	**$ 137,981**	$ 149,126	**$ 125,391**	$ 135,912
Nonperforming loans	**2,694**	3,804	**2,694**	3,804
Percent of portfolio with refreshed CLTVs greater than 90 but less than 100	**11%**	12%	**11%**	12%
Percent of portfolio with refreshed CLTVs greater than 100	**34**	35	**30**	31
Percent of portfolio with refreshed FICOs below 620	**14**	13	**12**	13
Percent of portfolio in the 2006 and 2007 vintages	**50**	52	**47**	49
Net charge-off ratio	**4.65**	4.56	**5.10**	5.00

The following discussion presents the home equity portfolio excluding the Countrywide PCI loan portfolio. Nonperforming home equity loans decreased $1.1 billion to $2.7 billion compared to December 31, 2009 driven primarily by charge-offs, including those recorded in connection with regulatory guidance clarifying the timing of charge-offs on collateral dependent modified loans, and nonperforming loans returning to performing status which together outpaced delinquency inflows and the impact of the adoption of new consolidation guidance. At December 31, 2010, $916 million, or 34 percent, of the nonperforming home equity loans were 180 days or more past due and had been written down to their fair values. Net charge-offs decreased $269 million to $6.8 billion, or 5.10 percent, of total average home equity loans for 2010 compared to $7.1 billion, or 5.00 percent, for 2009. The decrease was primarily driven by favorable portfolio trends due in part to improvement in the U.S. economy. This was partially offset by $822 million of net charge-offs related to the implementation of regulatory guidance on collateral dependent modified loans and $463 million of net charge-offs related to home equity loans that were consolidated on January 1, 2010 under new consolidation guidance. Net charge-off ratios were further impacted by lower loan balances primarily as a result of charge-offs, paydowns and the sale of First Republic.

There are certain risk characteristics of the home equity portfolio which have contributed to higher losses including loans with a high refreshed combined loan-to-value (CLTV), loans originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity loans are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the following disclosures address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Home equity loans with all of these higher risk characteristics comprised 10 percent and 11 percent of the total home equity portfolio at December 31, 2010 and 2009, but have accounted for 29 percent of the home equity net charge-offs in 2010 compared to 38 percent in 2009.

Home equity loans with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 11 percent and 12 percent of the home equity portfolio at December 31, 2010 and 2009. Loans with refreshed CLTVs greater than 100 percent comprised 30 percent and 31 percent of the home equity portfolio at December 31, 2010 and 2009. Of those loans with a refreshed CLTV greater than 100 percent, 97 percent were performing at December 31, 2010 while 95 percent were performing at December 31, 2009. Home equity loans and lines of credit with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the LTV of the first lien, there may be collateral in excess of the first lien that is available to reduce the severity of loss on the second lien. The majority of these high refreshed CLTV ratios are due to home price declines. In addition, loans to borrowers with a refreshed FICO score below 620 represented 12 percent and 13 percent of the home equity loans at December 31, 2010 and 2009. Of the total home equity portfolio, 75 percent and 72 percent at December 31, 2010 and 2009 were interest-only loans.

The 2006 and 2007 vintage loans, which represent 47 percent and 49 percent of our home equity portfolio at December 31, 2010 and 2009, have higher refreshed CLTVs and accounted for 57 percent of nonperforming home equity loans at December 31, 2010 compared to 62 percent at December 31, 2009. These vintages of loans accounted for 66 percent of net charge-offs in 2010 compared to 72 percent in 2009.

The table below presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the home equity loan portfolio. California and Florida combined represented 40 percent of the total home equity portfolio and 44 percent of nonperforming home equity loans at December 31, 2010. These states accounted for 55 percent of the home equity net charge-offs for 2010 compared to 60 percent of the home equity net charge-offs for 2009. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of outstanding home equity loans at both December 31, 2010 and 2009. This MSA comprised only six percent

of net charge-offs for both 2010 and 2009. The Los Angeles-Long Beach-Santa Ana MSA within California made up 11 percent of outstanding home equity loans at both December 31, 2010 and 2009 and comprised 11 percent of net charge-offs for 2010 compared to 13 percent for 2009.
For information on representations and warranties related to our home equity portfolio, see Representations and Warranties beginning on page 52 and *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Table 24 Home Equity State Concentrations

	December 31				Year Ended December 31	
	Outstandings		**Nonperforming**		**Net Charge-offs**	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
California	**$ 35,426**	$ 38,573	**$ 708**	$ 1,178	**$ 2,341**	$ 2,669
Florida	**15,028**	16,735	**482**	731	**1,420**	1,583
New Jersey	**8,153**	8,732	**169**	192	**219**	225
New York	**8,061**	8,752	**246**	274	**273**	262
Massachusetts	**5,657**	6,155	**71**	90	**102**	93
Other U.S./Non-U.S.	**53,066**	56,965	**1,018**	1,339	**2,426**	2,218
Total home equity loans (1)	**$ 125,391**	$ 135,912	**$ 2,694**	$ 3,804	**$ 6,781**	$ 7,050
Total Countrywide purchased credit-impaired home equity loan portfolio	**12,590**	13,214				
Total home equity loan portfolio	**$ 137,981**	$ 149,126				

(1) Amount excludes the Countrywide PCI home equity loan portfolio.

Discontinued Real Estate

The discontinued real estate portfolio, totaling $13.1 billion at December 31, 2010, consisted of pay option and subprime loans acquired in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered credit-impaired and written down to fair value. At December 31, 2010, the Countrywide PCI loan portfolio comprised $11.7 billion, or 89 percent, of the total discontinued real estate portfolio. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See Countrywide Purchased Credit-impaired Loan Portfolio beginning on page 78 for more information on the discontinued real estate portfolio.

At December 31, 2010, the purchased discontinued real estate portfolio that was not credit-impaired was $1.4 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 29 percent of the portfolio and those with refreshed FICO scores below 620 represented 46 percent of the portfolio. California represented 37 percent of the portfolio and 34 percent of the nonperforming loans while Florida represented 10 percent of the portfolio and 15 percent of the nonperforming loans at December 31, 2010. The Los Angeles-Long Beach-Santa Ana MSA within California made up 16 percent of outstanding discontinued real estate loans at December 31, 2010.

Pay option adjustable-rate mortgages (ARMs), which are included in the discontinued real estate portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually, subject to resetting of the loan if minimum payments are made and deferred interest limits are reached. Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully amortizing loan payment amount is re-established after the initial five or 10-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan

balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause a loan s principal balance to reach a certain level within the first 10 years of the life of the loan, the payment is reset to the interest-only payment; then at the 10-year point, the fully amortizing payment is required.

The difference between the frequency of changes in the loans interest rates and payments along with a limitation on changes in the minimum monthly payments of 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest charges are added to the loan balance until the loan balance increases to a specified limit, which can be no more than 115 percent of the original loan amount, at which time a new monthly payment amount adequate to repay the loan over its remaining contractual life is established.

At December 31, 2010, the unpaid principal balance of pay option loans was $14.6 billion, with a carrying amount of $11.8 billion, including $11.0 billion of loans that were credit-impaired upon acquisition. The total unpaid principal balance of pay option loans with accumulated negative amortization was $12.5 billion including $858 million of negative amortization. The percentage of borrowers electing to make only the minimum payment on option ARMs was 69 percent at December 31, 2010. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the Countrywide PCI pay option loan portfolio and have taken into consideration several assumptions regarding this evaluation (e.g., prepayment rates). Based on our expectations, 11 percent and three percent of the pay option loan portfolio are expected to reset in 2011 and 2012. Approximately four percent are expected to reset thereafter and approximately 82 percent are expected to default or repay prior to being reset.

Countrywide Purchased Credit-impaired Loan Portfolio

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that we will be unable to collect all contractually required payments are accounted for under the accounting guidance for PCI loans, which addresses accounting for differences between contractual and expected cash flows to be collected from the purchaser s initial investment in loans if those differences are attributable, at least in part, to credit quality. Evidence of credit quality deterioration as of the acquisition date may include statistics such as past due status, refreshed FICO scores and refreshed LTVs. PCI loans are recorded at fair value upon acquisition and

the applicable accounting guidance prohibits carrying over or recording valuation allowances in the initial accounting. The Merrill Lynch PCI consumer loan portfolio did not materially alter the reported credit quality statistics of the consumer portfolios. As such, the Merrill Lynch consumer PCI loans are excluded from the following discussion and credit statistics.

Acquired loans from Countrywide that were considered credit-impaired were written down to fair value at the acquisition date. The following table presents the unpaid principal balance, carrying value, allowance for loan and lease losses and the net carrying value as a percentage of the unpaid principal balance for the Countrywide PCI loan portfolio at December 31, 2010.

Table 25 Countrywide Purchased Credit-impaired Loan Portfolio

	December 31, 2010				
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Allowance	Carrying Value Net of Allowance	% of Unpaid Principal Balance
Residential mortgage	$ 11,481	$ 10,592	$ 229	$ 10,363	90.26%
Home equity	15,072	12,590	4,514	8,076	53.58
Discontinued real estate	14,893	11,652	1,591	10,061	67.56
Total Countrywide purchased credit-impaired loan portfolio	**$ 41,446**	**$ 34,834**	**$ 6,334**	**$ 28,500**	**68.76%**

Of the unpaid principal balance at December 31, 2010, $15.5 billion was 180 days or more past due, including $10.9 billion of first-lien and $4.6 billion of home equity. Of the $25.9 billion that is less than 180 days past due, $21.5 billion, or 83 percent of the total unpaid principal balance, was current based on the contractual terms while $2.2 billion, or eight percent, was in early stage delinquency. During 2010, we recorded $2.3 billion of provision for credit losses on PCI loans which was comprised mainly of $1.4 billion for home equity and $689 million for discontinued real estate loans compared to a total provision for PCI loans of $3.3 billion in 2009. Provision expense in 2010 was driven primarily by a slower pace of expected recovery in home prices, the result of a deteriorating view on defaults on more seasoned loans in the portfolio and a reassessment of modification and short sale benefits as we gain more experience with troubled borrowers. The Countrywide PCI allowance for loan losses increased $2.5 billion from

December 31, 2009 to $6.3 billion at December 31, 2010 as a result of the increase in the provision for credit losses and the reclassification of a portion of nonaccretable difference to the allowance. For further information on the PCI loan portfolio, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.
Additional information on the Countrywide PCI residential mortgage, home equity and discontinued real estate loan portfolios follows.

Purchased Credit-impaired Residential Mortgage Loan Portfolio
The Countrywide PCI residential mortgage loan portfolio outstandings were $10.6 billion at December 31, 2010 and comprised 30 percent of the total Countrywide PCI loan portfolio. Those loans to borrowers with a refreshed FICO score below 620 represented 38 percent of the Countrywide PCI residential mortgage loan portfolio at December 31, 2010. Refreshed LTVs greater than 90 percent represented 68 percent of the PCI residential mortgage loan portfolio after consideration of purchase accounting adjustments and 82 percent based on the unpaid principal balance at December 31, 2010. Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now included in the residential mortgage outstandings. The table below presents outstandings net of purchase accounting adjustments, by certain state concentrations.

Table 26 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio Residential Mortgage State Concentrations

	December 31	
(Dollars in millions)	**2010**	2009
California	**$ 5,882**	$ 6,142
Florida	**779**	843
Virginia	**579**	617
Maryland	**271**	278
Texas	**164**	166
Other U.S./Non-U.S.	**2,917**	3,031
Total Countrywide purchased credit-impaired residential mortgage loan portfolio	**$ 10,592**	$ 11,077

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Purchased Credit-impaired Home Equity Loan Portfolio

The Countrywide PCI home equity loan portfolio outstandings were $12.6 billion at December 31, 2010 and comprised 36 percent of the total Countrywide PCI loan portfolio. Those loans with a refreshed FICO score below 620 represented 26 percent of the Countrywide PCI home equity loan portfolio at December 31, 2010. Refreshed CLTVs greater than 90 percent represented 85 percent of the PCI home equity loan portfolio after consideration of purchase accounting adjustments and 85 percent based on the unpaid principal balance at December 31, 2010. The table below presents outstandings net of purchase accounting adjustments, by certain state concentrations.

Table 27 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio Home Equity State Concentrations

	December 31	
(Dollars in millions)	**2010**	2009
California	**$ 4,178**	$ 4,311
Florida	**750**	765
Virginia	**532**	550
Arizona	**520**	542
Colorado	**375**	416
Other U.S./Non-U.S.	**6,235**	6,630
Total Countrywide purchased credit-impaired home equity loan portfolio	**$ 12,590**	$ 13,214

Purchased Credit-impaired Discontinued Real Estate Loan Portfolio

The Countrywide PCI discontinued real estate loan portfolio outstandings were $11.7 billion at December 31, 2010 and comprised 34 percent of the total Countrywide PCI loan portfolio. Those loans to borrowers with a refreshed FICO score below 620 represented 62 percent of the Countrywide PCI discontinued real estate loan portfolio at December 31, 2010. Refreshed LTVs and CLTVs greater than 90 percent represented 55 percent of the PCI discontinued real estate loan portfolio after consideration of purchase accounting adjustments and 83 percent based on the unpaid principal balance at December 31, 2010. Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from this portfolio and included in the Countrywide PCI residential mortgage loan portfolio, but remain in the PCI loan pool. The table below presents outstandings net of purchase accounting adjustments, by certain state concentrations.

Table 28 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio Discontinued Real Estate State Concentrations

	December 31	
(Dollars in millions)	**2010**	2009
California	**$ 6,322**	$ 7,148
Florida	**1,121**	1,315
Washington	**368**	421
Virginia	**344**	399

Arizona	**339**	430
Other U.S./Non-U.S.	**3,158**	3,537
Total Countrywide purchased credit-impaired discontinued real estate loan portfolio	**$ 11,652**	$ 13,250

U.S. Credit Card

Prior to the adoption of new consolidation guidance, the U.S. credit card portfolio was reported on both a held and managed basis. Managed basis assumed that securitized loans were not sold into credit card securitizations and presented credit quality information as if the loans had not been sold. Under the new consolidation guidance effective January 1, 2010, we consolidated the credit card securitization trusts and the new held basis is comparable to the previously reported managed basis. For more information on the adoption of the new consolidation guidance, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

The table below presents certain U.S. credit card key credit statistics on a held basis for 2010 and managed basis for December 31, 2009.

Table 29 U.S. Credit Card Key Credit Statistics

(Dollars in millions)	**December 31 2010** [1]	January 1 2010 [1]	December 31 2009
Outstandings	**$ 113,785**	$ 129,642	$ 49,453
Accruing past due 30 days or more	**5,913**	9,866	3,907
Accruing past due 90 days or more	**3,320**	5,408	2,158

	2010	2009
Net charge-offs		
Amount	**$ 13,027**	$ 6,547
Ratios	**11.04%**	12.50%
Supplemental managed basis data		
Amount	**n/a**	$ 16,962
Ratios	**n/a**	12.07%

(1) Balances reflect the impact of new consolidation guidance.

n/a = not applicable

The consumer U.S. credit card portfolio is managed in *Global Card Services*. Outstandings in the U.S. credit card loan portfolio increased $64.3 billion compared to December 31, 2009 due to the adoption of the new consolidation guidance. Compared to 2009, net charge-offs increased $6.5 billion to $13.0 billion also due to the adoption of the new consolidation guidance. U.S. credit card loans 30 days or more past due and still accruing interest increased $2.0 billion while loans 90 days or more past due and still accruing interest increased $1.2 billion compared to December 31, 2009 due to the adoption of new consolidation guidance.

Compared to December 31, 2009 on a managed basis, outstandings decreased $15.9 billion primarily as a result of charge-offs and lower origination volume. Net losses decreased $3.9 billion due to lower levels of delinquencies and bankruptcies as a result of improvement in the U.S. economy compared to 2009 on a managed basis. The net charge-off ratio was 11.04 percent of total average U.S. credit card loans in 2010 compared to 12.07 percent in 2009 on a managed basis. U.S. credit card loans 30 days or more past due and still accruing interest decreased $4.0 billion and loans 90 days or more past due and still accruing interest decreased $2.1 billion compared to December 31, 2009 on a managed basis. These declines were due to improvement in the U.S. economy including stabilization in the levels of unemployment.

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The table below presents certain state concentrations for the U.S. credit card portfolio on a held basis for 2010 and managed basis for December 31, 2009.

Table 30 U.S. Credit Card State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
California	**$ 17,028**	$ 20,048	**$ 612**	$ 1,097	**$ 2,752**	$ 3,558
Florida	**9,121**	10,858	**376**	676	**1,611**	2,178
Texas	**7,581**	8,653	**207**	345	**784**	960
New York	**6,862**	7,839	**192**	295	**694**	855
New Jersey	**4,579**	5,168	**132**	189	**452**	559
Other U.S.	**68,614**	77,076	**1,801**	2,806	**6,734**	8,852
Total U.S. credit card portfolio	**$ 113,785**	$ 129,642	**$ 3,320**	$ 5,408	**$ 13,027**	$ 16,962

Unused lines of credit for U.S. credit card totaled $399.7 billion at December 31, 2010 compared to $438.5 billion at December 31, 2009 on a managed basis. The $38.8 billion decrease was driven by a combination of account management initiatives on higher risk or inactive accounts and tighter underwriting standards for new originations.

Non-U.S. Credit Card

Prior to the adoption of new consolidation guidance, the non-U.S. credit card portfolio was reported on both a held and managed basis. Under the new consolidation guidance effective January 1, 2010, we consolidated the credit card securitization trusts and the new held basis is comparable to the previously reported managed basis. For more information on the adoption of the new consolidation guidance, see *Note 8 Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements.

The table below presents certain non-U.S. credit card key credit statistics on a held basis for 2010 and managed basis for December 31, 2009.

Table 31 Non-U.S. Credit Card Key Credit Statistics

(Dollars in millions)	**December 31 2010** [(1)]	January 1 2010 [(1)]	December 31 2009
Outstandings	**$ 27,465**	$ 31,182	$ 21,656
Accruing past due 30 days or more	**1,354**	1,744	1,104
Accruing past due 90 days or more	**599**	814	515

	2010	2009
Net charge-offs		

Amount	**$ 2,207**	$ 1,239
Ratio	**7.88%**	6.30%
Supplemental managed basis data		
Amount	**n/a**	$ 2,223
Ratio	**n/a**	7.43%

(1) Balances reflect the impact of new consolidation guidance.
n/a = not applicable

The consumer non-U.S. credit card portfolio is managed in *Global Card Services*. Outstandings in the non-U.S. credit card portfolio increased $5.8 billion compared to December 31, 2009 due to the adoption of the new consolidation guidance. Additionally, net charge-off levels and ratios for 2010, when compared to 2009, were impacted by the adoption of the new consolidation guidance. Net charge-offs increased $1.0 billion to $2.2 billion in 2010. Outstandings declined $3.7 billion compared to December 31, 2009 on a managed basis primarily due to charge-offs, lower origination volume and the strengthening of the U.S. dollar against certain foreign currencies. Net losses

were substantially flat for 2010, decreasing $16 million from managed losses in 2009. The net loss ratio increased to 7.88 percent of total average non-U.S. credit card compared to 7.43 percent in 2009, due to the decrease in outstandings.

Unused lines of credit for non-U.S. credit card totaled $60.3 billion at December 31, 2010 compared to $69.6 billion at December 31, 2009 on a managed basis. The $9.3 billion decrease was driven by the combination of account management initiatives on inactive accounts, tighter underwriting standards for new originations and the strengthening of the U.S. dollar against certain foreign currencies, particularly the British Pound and the Euro.

Direct/Indirect Consumer

At December 31, 2010, approximately 48 percent of the direct/indirect portfolio was included in *Global Commercial Banking* (dealer financial services automotive, marine and recreational vehicle loans), 29 percent was included in *GWIM* (principally other non-real estate-secured, unsecured personal loans and securities-based lending margin loans), 15 percent was included in *Global Card Services* (consumer personal loans and other non-real estate-secured loans) and the remainder was in *All Other* (student loans).

Outstanding loans and leases decreased $6.9 billion to $90.3 billion at December 31, 2010 compared to December 31, 2009 as lower outstandings in the *Global Card Services* unsecured consumer lending portfolio and the sale of a portion of the student loan portfolio were partially offset by the adoption of new consolidation guidance, growth in securities-based lending and the purchase of auto receivables within the dealer financial services portfolio.

Direct/indirect loans that were past due 30 days or more and still accruing interest declined $1.1 billion compared to December 31, 2009, to $2.6 billion due to a combination of reduced outstandings and improvement in the unsecured consumer lending portfolio. Net charge-offs decreased $2.1 billion to $3.3 billion in 2010, or 3.45 percent of total average direct/indirect loans compared to 5.46 percent in 2009. This decrease was primarily driven by reduced outstandings from changes in underwriting criteria and lower levels of delinquencies and bankruptcies in the unsecured consumer lending portfolio as a result of improvement in the U.S. economy including stabilization in the levels of unemployment. An additional driver was lower net charge-offs in the dealer financial services portfolio due to the impact of higher credit quality originations and higher resale values. Net charge-offs for the unsecured consumer lending portfolio decreased $1.6 billion to $2.7 billion and the net charge-off ratio decreased to 16.74 percent in 2010 compared to 17.75 percent in 2009. Net charge-offs for the dealer financial services portfolio decreased $404 million to $487 million and the loss rate decreased to 1.08 percent in 2010 compared to 2.16 percent in 2009.

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The table below presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 32 Direct/Indirect State Concentrations

	December 31				Year Ended December 31	
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
California	**$ 10,558**	$ 11,664	**$ 132**	$ 228	**$ 591**	$ 1,055
Texas	**7,885**	8,743	**78**	105	**262**	382
Florida	**6,725**	7,559	**80**	130	**343**	597
New York	**4,770**	5,111	**56**	73	**183**	272
Georgia	**2,814**	3,165	**44**	52	**126**	205
Other U.S./Non-U.S.	**57,556**	60,994	**668**	900	**1,831**	2,952
Total direct/indirect loans	**$ 90,308**	$ 97,236	**$ 1,058**	$ 1,488	**$ 3,336**	$ 5,463

Other Consumer

At December 31, 2010, approximately 69 percent of the $2.8 billion other consumer portfolio was associated with portfolios from certain consumer finance businesses that we previously exited and is included in *All Other*. The remainder consisted of the non-U.S. consumer loan portfolio, of which the vast majority we previously exited and is largely in *Global Card Services* and deposit overdrafts which are recorded in *Deposits.*

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 33 presents nonperforming consumer loans and foreclosed properties activity during 2010 and 2009. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans and in general, past due consumer loans not secured by real estate as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans insured by the FHA are not reported as nonperforming as principal repayment is insured by the FHA. Additionally, nonperforming loans do not include the Countrywide PCI loan portfolio. For further information regarding nonperforming loans, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements. Nonperforming loans remained relatively flat at $20.9 billion at December 31, 2010 compared to $20.8 billion at December 31, 2009 as delinquency inflows to nonaccrual loans slowed driven by favorable portfolio trends due in part to the improving U.S. economy. These inflows were offset by charge-offs, nonperforming loans returning to performing status, and paydowns and payoffs.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value, after reducing the property value for costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due unless repayment of the loan is insured by the FHA. At December 31, 2010, $15.1 billion, or 69 percent, of the nonperforming consumer real estate loans and foreclosed properties had been written down to their fair values. This was comprised of $13.9 billion of nonperforming loans 180 days or more past due and $1.2 billion of foreclosed properties.

Foreclosed properties decreased $179 million in 2010. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date. However, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. Net changes to foreclosed properties related to PCI loans were an increase of $100 million in 2010. Not included in foreclosed properties at December 31, 2010 was $1.4 billion of real estate that was acquired by the Corporation upon foreclosure of delinquent FHA insured loans. We hold this real estate on our balance sheet until we convey

these properties to the FHA. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we will be reimbursed once the property is conveyed to the FHA for principal and up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower s sustained repayment performance under revised payment terms for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the Countrywide PCI loan portfolio, are included in Table 33.

Residential mortgage TDRs totaled $11.8 billion at December 31, 2010, an increase of $4.6 billion compared to December 31, 2009. Of these loans, $3.3 billion were nonperforming representing an increase of $130 million in 2010, and $8.5 billion were performing representing an increase of $4.5 billion in 2010 driven by TDRs returning to performing status and new additions. These performing TDRs are excluded from nonperforming loans in Table 33. Residential mortgage TDRs deemed collateral dependent totaled $3.2 billion at December 31, 2010 and included $921 million of loans classified as nonperforming and $2.3 billion classified as performing. At December 31, 2010, performing residential mortgage TDRs included $2.5 billion that were FHA insured.

Home equity TDRs totaled $1.7 billion at December 31, 2010, a decrease of $673 million compared to December 31, 2009. Of these loans, $541 million were nonperforming representing a decrease of $1.2 billion in 2010 driven primarily by nonperforming TDRs returning to performing status and charge-offs taken to comply with regulatory guidance clarifying the timing of charge-offs on collateral dependent modified loans. Home equity TDRs that were performing in accordance with their modified terms were $1.2 billion representing an increase of $514 million in 2010. These performing TDRs are excluded from nonperforming loans in Table 33. Home equity TDRs deemed collateral dependent totaled $796 million at December 31, 2010 and included $245 million of loans classified as nonperforming and $551 million classified as performing.

Discontinued real estate TDRs totaled $395 million at December 31, 2010, an increase of $13 million in 2010. Of these loans, $206 million were nonperforming while the remaining $189 million were classified as performing at December 31, 2010. Discontinued real estate TDRs deemed collateral dependent totaled $213 million at December 31, 2010 and included $97 million of loans classified as nonperforming and $116 million classified as performing.

We also work with customers that are experiencing financial difficulty by renegotiating credit card, consumer lending and small business loans (the renegotiated TDR portfolio), while complying with Federal Financial Institutions Examination Council (FFIEC) guidelines. Substantially all renegotiated portfolio modifications are considered to be TDRs. The renegotiated TDR portfolio may include modifications, both short- and long-term, of interest rates or payment amounts or a combination of interest rates and payment amounts. We make modifications primarily through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded from Table 33 as we do not generally classify consumer non-real estate loans as nonperforming. At December 31, 2010, our renegotiated TDR portfolio was $12.1 billion of which $9.2 billion was current or less than 30 days past due under the modified terms, compared to an $8.1 billion portfolio, on a held basis at December 31, 2009, of which $5.9 billion was current or less than 30 days past due under the modified terms. At December 31, 2009, our renegotiated

TDR portfolio, on a managed basis, was $15.8 billion of which $11.5 billion was current or less than 30 days past due under the modified terms. For more information on the renegotiated TDR portfolio, see *Note 6 Outstanding Loans and Leases* to the Consolidated Financial Statements.

As a result of new accounting guidance on PCI loans, beginning January 1, 2010, modifications of loans in the PCI loan portfolio do not result in removal of the loan from the PCI loan pool. TDRs in the consumer real estate portfolio that were removed from the PCI loan portfolio prior to the adoption of new accounting guidance were $2.1 billion and $2.3 billion at December 31, 2010 and 2009, of which $426 million and $395 million were nonperforming. These nonperforming loans are excluded from the table below.

Nonperforming consumer real estate TDRs, included in the table below, as a percentage of total nonperforming consumer loans and foreclosed properties, declined to 16 percent at December 31, 2010 from 21 percent at December 31, 2009. This was due to nonperforming TDRs returning to performing status and charge-offs, including those charged off to comply with regulatory guidance clarifying the timing of charge-offs on collateral dependent modified loans, both of which outpaced new additions of nonperforming TDRs.

Table 33 Nonperforming Consumer Loans and Foreclosed Properties Activity [(1)]

(Dollars in millions)	**2010**	2009
Nonperforming loans		
Balance, January 1	**$ 20,839**	$ 9,888
Additions to nonperforming loans:		
Consolidation of VIEs	**448**	n/a
New nonaccrual loans [(2)]	**21,136**	29,271
Reductions in nonperforming loans:		
Paydowns and payoffs	**(2,809)**	(1,459)
Returns to performing status [(3)]	**(7,647)**	(4,540)
Charge-offs [(4)]	**(9,772)**	(10,702)
Transfers to foreclosed properties	**(1,341)**	(1,619)
Total net additions to nonperforming loans	**15**	10,951

Total nonperforming loans, December 31 [5]	**20,854**	20,839
Foreclosed properties		
Balance, January 1	**1,428**	1,506
Additions to foreclosed properties:		
New foreclosed properties [6, 7]	**2,337**	1,976
Reductions in foreclosed properties:		
Sales	**(2,327)**	(1,687)
Write-downs	**(189)**	(367)
Total net reductions to foreclosed properties	**(179)**	(78)
Total foreclosed properties, December 31	**1,249**	1,428
Nonperforming consumer loans and foreclosed properties, December 31	**$ 22,103**	$ 22,267
Nonperforming consumer loans as a percentage of outstanding consumer loans	**3.24%**	3.61%
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties	**3.43**	3.85

(1) Balances do not include nonperforming LHFS of $1.0 billion and $1.6 billion at December 31, 2010 and 2009. For more information on our definition of nonperforming loans, see the discussion beginning on page 81.

(2) 2009 includes $465 million of nonperforming loans acquired from Merrill Lynch.

(3) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months.

(4) Our policy is not to classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.

(5) At December 31, 2010, 67 percent of nonperforming loans are 180 days or more past due and have been written down through charge-offs to 69 percent of the unpaid principal balance.

(6) Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan into foreclosed properties. Thereafter, all gains and losses in value are recorded in noninterest expense. New foreclosed properties in the table above are net of $575 million and $818 million of charge-offs during 2010 and 2009, taken during the first 90 days after transfer.

(7) 2009 includes $21 million of foreclosed properties acquired from Merrill Lynch.

n/a = not applicable

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Commercial Portfolio Credit Risk Management
Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of its financial position. As part of the overall credit risk assessment, our commercial credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis, and if necessary, adjusted to reflect changes in the financial condition, cash flow, risk profile, or outlook of a borrower or counterparty. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship. Our lines of business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations. We use risk rating aggregations to measure and evaluate concentrations within portfolios. In addition, risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses.
For information on our accounting policies regarding delinquencies, nonperforming status and net charge-offs for the commercial portfolio, refer to *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Management of Commercial Credit Risk Concentrations
Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate exposures by region and by country. Tables 38, 42, 48 and 49 summarize our concentrations. We also utilize syndication of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.
As part of our ongoing risk mitigation initiatives, we attempt to work with clients to modify their loans to terms that better align with their current ability to pay. In situations where an economic concession has been granted to a borrower experiencing financial difficulty, we identify these loans as TDRs.
We account for certain large corporate loans and loan commitments, including issued but unfunded letters of credit which are considered utilized for credit risk management purposes, that exceed our single name credit risk concentration guidelines under the fair value option. Lending commitments,

both funded and unfunded, are actively managed and monitored, and as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation s credit view and market perspectives determining the size and timing of the hedging activity. In addition, we purchase credit protection to cover the funded portion as well as the unfunded portion of certain other credit exposures. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. These credit derivatives do not meet the requirements for treatment as accounting hedges. They are carried at fair value with changes in fair value recorded in other income (loss).

Commercial Credit Portfolio
U.S.-based loan balances continued to decline on weak loan demand as businesses aggressively managed their working capital and production capacity by maintaining lean inventories, staff levels, physical locations and capital expenditures. Additionally, many borrowers continued to access the capital markets for financing while reducing their use of bank credit facilities. Risk mitigation strategies and net charge-offs further contributed to the decline in loan balances. Fourth-quarter balances showed stabilization relative to prior quarters. Non-U.S. commercial loans showed strong growth from client demand, driven by regional economic conditions and the positive impact of our initiatives in Asia and other emerging markets.

Reservable criticized balances, net charge-offs and nonperforming loans, leases and foreclosed property balances in the commercial credit portfolio declined in 2010. These reductions were driven primarily by the U.S. commercial and commercial real estate portfolios. U.S. commercial was driven by broad-based improvements in terms of clients, industries and lines of business. Commercial real estate also continued to show signs of stabilization during 2010; however, levels of stressed commercial real estate loans remained elevated. Most other credit indicators across the remaining commercial portfolio have also improved.

Table 34 presents our commercial loans and leases, and related credit quality information at December 31, 2010 and 2009.

Loans that were acquired from Merrill Lynch that were considered purchased credit-impaired were written down to fair value upon acquisition and amounted to $204 million and $692 million at December 31, 2010 and 2009. These loans are excluded from the nonperforming loans and accruing balances 90 days or more past due even though the customer may be contractually past due.

Table 34 Commercial Loans and Leases

	Outstandings			**Nonperforming**		**Accruing Past Due 90 Days or More**	
(Dollars in millions)	**December 31 2010** [1]	January 1 2010 [1]	December 31 2009	**December 31 2010**	December 31 2009	**December 31 2010**	December 31 2009
U.S. commercial [2]	**$ 175,586**	$ 186,675	$ 181,377	**$ 3,453**	$ 4,925	**$ 236**	$ 213
Commercial real estate [3]	**49,393**	69,377	69,447	**5,829**	7,286	**47**	80
Commercial lease financing	**21,942**	22,199	22,199	**117**	115	**18**	32
Non-U.S. commercial	**32,029**	27,079	27,079	**233**	177	**6**	67
	278,950	305,330	300,102	**9,632**	12,503	**307**	392
U.S. small business commercial [4]	**14,719**	17,526	17,526	**204**	200	**325**	624
Total commercial loans excluding loans measured at fair value	**293,669**	322,856	317,628	**9,836**	12,703	**632**	1,016
Total measured at fair value [5]	**3,321**	4,936	4,936	**30**	138		87
Total commercial loans and leases	**$ 296,990**	$ 327,792	$ 322,564	**$ 9,866**	$ 12,841	**$ 632**	$ 1,103

(1) Balance reflects impact of new consolidation guidance.

(2) Excludes U.S. small business commercial loans.

(3) Includes U.S. commercial real estate loans of $46.9 billion and $66.5 billion and non-U.S. commercial real estate loans of $2.5 billion and $3.0 billion at December 31, 2010 and 2009.

(4) Includes card-related products.

(5) Commercial loans accounted for under the fair value option include U.S. commercial loans of $1.6 billion and $3.0 billion, non-U.S. commercial loans of $1.7 billion and $1.9 billion and commercial real estate loans of $79 million and $90 million at December 31, 2010 and 2009. See *Note 23 Fair Value Option* to the Consolidated

Financial Statements for additional information on the fair value option.

Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases were 3.32 percent (3.35 percent excluding loans accounted for under the fair value option) and 3.98 percent (4.00 percent excluding loans accounted for under the fair value option) at December 31, 2010 and 2009. Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases were 0.21 percent (0.22 percent excluding loans accounted for under

the fair value option) and 0.34 percent (0.32 percent excluding loans accounted for under the fair value option) at December 31, 2010 and 2009.

Table 35 presents net charge-offs and related ratios for our commercial loans and leases for 2010 and 2009. Commercial real estate net charge-offs for 2010 declined in the homebuilder portfolio and in certain segments of the non-homebuilder portfolio.

Table 35 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	**2010**	2009	**2010**	2009
U.S. commercial [2]	**$ 881**	$ 2,190	**0.50%**	1.09%
Commercial real estate	**2,017**	2,702	**3.37**	3.69
Commercial lease financing	**57**	195	**0.27**	0.89
Non-U.S. commercial	**111**	537	**0.39**	1.76
	3,066	5,624	**1.07**	1.72
U.S. small business commercial	**1,918**	2,886	**12.00**	15.68
Total commercial	**$ 4,984**	$ 8,510	**1.64**	2.47

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

(2) Excludes U.S. small business commercial loans.

Table 36 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs, financial guarantees, bankers acceptances and commercial letters of credit for which the Corporation is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure decreased $68.1 billion, or eight percent, at December 31, 2010 compared to December 31, 2009 driven primarily by reductions in both funded and unfunded loan and lease exposure.

Total commercial utilized credit exposure decreased $45.1 billion, or nine percent, at December 31, 2010 compared to December 31, 2009. Utilized loans and leases declined as businesses continued to aggressively manage working capital and production capacity, maintain low inventories and defer capital expenditures as the economic outlook remained uncertain. Clients also continued to access the capital markets for their funding needs to reduce reliance on bank credit facilities. The decline in utilized loans and leases was also due to the sale of First Republic effective July 1, 2010 and the transfer of certain exposures into LHFS partially offset by the increase in conduit balances related to the adoption of new consolidation guidance. The utilization rate for loans and leases, letters of credit and financial guarantees, and bankers acceptances was 57 percent at both December 31, 2010 and 2009.

Table 36 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized (1)		**Commercial Unfunded** (2, 3)		**Total Commercial Committed**	
(Dollars in millions)	**2010**	2009	**2010**	2009	**2010**	2009
Loans and leases	**$ 296,990**	$ 322,564	**$ 272,172**	$ 298,048	**$ 569,162**	$ 620,612
Derivative assets (4)	**73,000**	87,622			**73,000**	87,622
Standby letters of credit and financial guarantees	**62,027**	67,975	**1,511**	1,767	**63,538**	69,742
Debt securities and other investments (5)	**10,216**	11,754	**4,546**	1,508	**14,762**	13,262
Loans held-for-sale	**10,380**	8,169	**242**	781	**10,622**	8,950
Commercial letters of credit	**3,372**	2,958	**1,179**	569	**4,551**	3,527
Bankers acceptances	**3,706**	3,658	**23**	16	**3,729**	3,674
Foreclosed properties and other	**731**	797			**731**	797
Total commercial credit exposure	**$ 460,422**	$ 505,497	**$ 279,673**	$ 302,689	**$ 740,095**	$ 808,186

(1) Total commercial utilized exposure at December 31, 2010 and 2009 includes loans and issued letters of credit accounted for under the fair value option including loans outstanding of $3.3 billion and $4.9 billion and letters of credit with a notional value of $1.4 billion and $1.7 billion.

(2) Total commercial unfunded exposure at December 31, 2010 and 2009 includes loan commitments accounted for under the fair value option with a notional value of $25.9 billion and $25.3 billion.

(3) Excludes unused business card lines which are not legally binding.

(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $58.3 billion and $51.5 billion at December 31, 2010 and 2009. Not reflected in utilized and committed exposure is additional derivative collateral held of $17.7 billion and $16.2 billion which consists primarily of other marketable securities.

(5) Total commercial committed exposure consists of $14.2 billion and $9.8 billion of debt securities and $590 million and $3.5 billion of other investments at December 31, 2010 and 2009.

Table 37 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. In addition to reservable loans and leases, excluding those accounted for under the fair value option, exposure includes SBLCs, financial guarantees, bankers acceptances and commercial letters of credit for which we are legally bound to advance funds under prescribed conditions, during a specified time period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial

utilized reservable criticized exposure decreased $16.1 billion at December 31, 2010 compared to December 31, 2009, due to decreases across all portfolios, primarily U.S. commercial and commercial real estate driven largely by continued paydowns, payoffs and, to a diminishing extent, charge-offs. Despite the improvements, utilized reservable criticized levels remain elevated in commercial real estate. At December 31, 2010, approximately 88 percent of the loans within commercial utilized reservable criticized exposure were secured.

Table 37 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2010		2009	
(Dollars in millions)	**Amount**	**Percent[(1)]**	Amount	Percent [(1)]
U.S. commercial [(2)]	**$ 17,195**	**7.44%**	$ 28,259	11.77%
Commercial real estate	**20,518**	**38.88**	23,804	32.13
Commercial lease financing	**1,188**	**5.41**	2,229	10.04
Non-U.S. commercial	**2,043**	**5.01**	2,605	7.12
	40,944	**11.81**	56,897	15.26
U.S. small business commercial	**1,677**	**11.37**	1,789	10.18
Total commercial utilized reservable criticized exposure	**$ 42,621**	**11.80**	$ 58,686	15.03

(1) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

(2) Excludes U.S. small business commercial exposure.

U.S. Commercial

At December 31, 2010, 57 percent and 25 percent of the U.S. commercial loan portfolio, excluding small business, were included in *Global Commercial Banking* and *GBAM*. The remaining 18 percent was mostly included in *GWIM* (business-purpose loans for wealthy clients). Outstanding U.S. commercial loans, excluding loans accounted for under the fair value option, decreased $5.8 billion primarily due to reduced customer demand and continued client utilization of the capital markets, partially offset by the adoption of new consolidation guidance which increased loans by $5.3 billion on January 1, 2010. Compared to December 31, 2009, reservable criticized balances and nonperforming loans and leases declined $11.1 billion and $1.5 billion. The declines were broad-based in terms of borrowers and industries and were driven by improved client credit profiles and liquidity. Net charge-offs decreased $1.3 billion in

2010 compared to 2009.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in *Global Commercial Banking* and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans decreased $20.1 billion at December 31, 2010 compared

to December 31, 2009 due to portfolio attrition, the sale of First Republic, transfer of certain assets to LHFS and net charge-offs. The portfolio remains diversified across property types and geographic regions. California represents the largest state concentration at 18 percent of commercial real estate loans and leases at December 31, 2010. For more information on geographic and property concentrations, refer to Table 38.

Credit quality for commercial real estate is showing signs of stabilization; however, we expect that elevated unemployment and ongoing pressure on vacancy and rental rates will continue to affect primarily the non-homebuilder portfolio. Compared to December 31, 2009, nonperforming commercial real estate loans and foreclosed properties decreased in the homebuilder, retail and land development property types, partially offset by an increase in office and multi-use property types. Reservable criticized balances declined by $3.3 billion primarily due to stabilization in the homebuilder portfolio and retail and unsecured segments in the non-homebuilder portfolio, partially offset by continued deterioration in the multi-family rental and office property types within the non-homebuilder portfolio. Net charge-offs decreased $685 million in 2010 compared to 2009 due to declines in the homebuilder portfolio resulting from a slower rate of declining appraisal values.

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The table below presents outstanding commercial real estate loans by geographic region and property type. Commercial real estate primarily includes commercial loans and leases secured by non owner-occupied real estate which are dependent on the sale or lease of the real estate as the primary source of repayment. The decline in California is due primarily to the sale of First Republic.

Table 38 Outstanding Commercial Real Estate Loans

	December 31	
(Dollars in millions)	**2010**	2009
By Geographic Region (1)		
California	**$ 9,012**	$ 14,554
Northeast	**7,639**	12,089
Southwest	**6,169**	8,641
Southeast	**5,806**	7,019
Midwest	**5,301**	6,662
Florida	**3,649**	4,589
Illinois	**2,811**	4,527
Midsouth	**2,627**	3,459
Northwest	**2,243**	3,097
Non-U.S.	**2,515**	2,994
Other (2)	**1,701**	1,906
Total outstanding commercial real estate loans (3)	**$ 49,473**	$ 69,537
By Property Type		
Office	**$ 9,688**	$ 12,511
Multi-family rental	**7,721**	11,169
Shopping centers/retail	**7,484**	9,519
Industrial/warehouse	**5,039**	5,852
Homebuilder (4)	**4,299**	7,250
Multi-use	**4,266**	5,924
Hotels/motels	**2,650**	6,946
Land and land development	**2,376**	3,215
Other (5)	**5,950**	7,151
Total outstanding commercial real estate loans (3)	**$ 49,473**	$ 69,537

(1) Distribution is based on geographic location of collateral.

(2) Includes unsecured outstandings to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions and properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.

(3) Includes commercial real estate loans accounted for under the fair value option of $79 million and $90 million at December 31, 2010 and 2009.

(4) Homebuilder includes condominiums and residential land.

(5) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

During 2010, we continued to see stabilization in the homebuilder portfolio. Certain portions of the non-homebuilder portfolio remain most at-risk as occupancy rates, rental rates and commercial property prices remain under pressure. We have adopted a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios.

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The tables below present commercial real estate credit quality data by non-homebuilder and homebuilder property types. The homebuilder portfolio includes condominiums and other residential real estate.

Table 39 Commercial Real Estate Credit Quality Data

	December 31			
	Nonperforming Loans and Foreclosed Properties (1)		Utilized Reservable Criticized Exposure (2)	
(Dollars in millions)	**2010**	2009	**2010**	2009
Commercial real estate non-homebuilder				
Office	**$ 1,061**	$ 729	**$ 3,956**	$ 3,822
Multi-family rental	**500**	546	**2,940**	2,496
Shopping centers/retail	**1,000**	1,157	**2,837**	3,469
Industrial/warehouse	**420**	442	**1,878**	1,757
Multi-use	**483**	416	**1,316**	1,578
Hotels/motels	**139**	160	**1,191**	1,140
Land and land development	**820**	968	**1,420**	1,657
Other (3)	**168**	417	**1,604**	2,210
Total non-homebuilder	**4,591**	4,835	**17,142**	18,129
Commercial real estate homebuilder	**1,963**	3,228	**3,376**	5,675
Total commercial real estate	**$ 6,554**	$ 8,063	**$ 20,518**	$ 23,804

(1) Includes commercial foreclosed properties of $725 million and $777 million at December 31, 2010 and 2009.
(2) Utilized reservable criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. This includes loans, excluding those accounted for under the fair value option, SBLCs and bankers acceptances.
(3) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

Table 40 Commercial Real Estate Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios (1)	
(Dollars in millions)	**2010**	2009	**2010**	2009
Commercial real estate non-homebuilder				
Office	**$ 273**	$ 249	**2.49%**	2.01%
Multi-family rental	**116**	217	**1.21**	1.96
Shopping centers/retail	**318**	239	**3.56**	2.30
Industrial/warehouse	**59**	82	**1.07**	1.34
Multi-use	**143**	146	**2.92**	2.58
Hotels/motels	**45**	5	**1.02**	0.08
Land and land development	**377**	286	**13.04**	8.00

Other (2)	**220**	140	**3.14**	1.72
Total non-homebuilder	**1,551**	1,364	**2.86**	2.13
Commercial real estate homebuilder	**466**	1,338	**8.26**	14.41
Total commercial real estate	**$ 2,017**	$ 2,702	**3.37**	3.69

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.
(2) Represents loans to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types or is unsecured.

At December 31, 2010, we had total committed non-homebuilder exposure of $64.2 billion compared to $84.4 billion at December 31, 2009, with the decrease due to the sale of First Republic, repayments and net charge-offs. Non-homebuilder nonperforming loans and foreclosed properties were $4.6 billion, or 10.08 percent of total non-homebuilder loans and foreclosed properties at December 31, 2010 compared to $4.8 billion, or 7.73 percent, at December 31, 2009. Non-homebuilder utilized reservable criticized exposure decreased to $17.1 billion, or 35.55 percent, at December 31, 2010 compared to $18.1 billion, or 27.27 percent, at December 31, 2009. The decrease in criticized exposure was primarily in the retail and unsecured segments, with the ratio increasing due to declining loan balances. For the non-homebuilder portfolio, net charge-offs increased $187 million for 2010 compared to 2009. The changes were concentrated in land development and retail.

At December 31, 2010, we had committed homebuilder exposure of $6.0 billion compared to $10.4 billion at December 31, 2009 of which $4.3 billion and $7.3 billion were funded secured loans. The decline in homebuilder committed exposure was due to repayments, net charge-offs,

reductions in new home construction and continued risk mitigation initiatives. At December 31, 2010, homebuilder nonperforming loans and foreclosed properties declined $1.3 billion due to repayments, net charge-offs, fewer risk rating downgrades and a slowdown in the rate of home price declines compared to December 31, 2009. Homebuilder utilized reservable criticized exposure decreased by $2.3 billion to $3.4 billion due to repayments and net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the homebuilder portfolio were 42.80 percent and 74.27 percent at December 31, 2010 compared to 42.16 percent and 74.44 percent at December 31, 2009. Net charge-offs for the homebuilder portfolio decreased $872 million in 2010 compared to 2009.

At December 31, 2010 and 2009, the commercial real estate loan portfolio included $19.1 billion and $27.4 billion of funded construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. This portfolio is mostly secured and diversified across property types and geographies but faces significant challenges in the current housing and rental markets. Weak rental demand and cash flows, along with declining property valuations have resulted in elevated levels of reservable criticized exposure, nonperforming loans and foreclosed properties, and net charge-offs. Reservable criticized construction and land development loans totaled $10.5 billion and $13.9 billion at December 31, 2010 and 2009. Nonperforming construction and land development loans and foreclosed properties totaled $4.0 billion and $5.2 billion at December 31, 2010 and 2009. During a property s construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest begins to be paid from operating cash flows. Loans continue to be classified as construction loans until they are refinanced. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

The non-U.S. commercial loan portfolio is managed primarily in *GBAM*. Outstanding loans, excluding loans accounted for under the fair value option, showed growth from client demand driven by regional economic conditions and the positive impact of our initiatives in Asia and other emerging markets. Net charge-offs decreased $426 million in 2010 compared to 2009 due to stabilization in the portfolio. For additional information on the non-U.S. commercial portfolio, refer to Non-U.S. Portfolio beginning on page 94.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of business card and small business loans managed in *Global Card Services* and *Global Commercial Banking*. U.S. small business commercial net charge-offs decreased $968 million in 2010 compared to 2009. Although losses remain

elevated, the reduction in net charge-offs was driven by lower levels of delinquencies and bankruptcies resulting from U.S. economic improvement as well as the reduction of higher risk vintages and the impact of higher quality originations. Of the U.S. small business commercial net charge-offs for 2010, 79 percent were credit card-related products compared to 81 percent during 2009.

Commercial Loans Carried at Fair Value

The portfolio of commercial loans accounted for under the fair value option is managed primarily in *GBAM*. Outstanding commercial loans accounted for under the fair value option decreased $1.6 billion to an aggregate fair value of $3.3 billion at December 31, 2010 compared to December 31, 2009 due primarily to reduced corporate borrowings under bank credit facilities. We recorded net losses of $89 million resulting from new originations, loans being paid off at par value and changes in the fair value of the loan portfolio during 2010 compared to net gains of $515 million during 2009. These amounts were primarily attributable to changes in instrument-specific credit risk and were largely offset by gains or losses from hedging activities.

In addition, unfunded lending commitments and letters of credit had an aggregate fair value of $866 million and $950 million at December 31, 2010 and 2009 and were recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option were $27.3 billion and $27.0 billion at December 31, 2010 and 2009. Net gains resulting from new originations, terminations and changes in the fair value of commitments and letters of credit of $172 million were recorded during 2010 compared to net gains of $1.4 billion for 2009. These gains were primarily attributable to changes in instrument-specific credit risk.

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Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

The table below presents the nonperforming commercial loans, leases and foreclosed properties activity during 2010 and 2009. The $2.9 billion decrease at December 31, 2010 compared to December 31, 2009 was driven by paydowns, payoffs and charge-offs in the commercial real estate and U.S. commercial portfolios. Approximately 95 percent of commercial

nonperforming loans, leases and foreclosed properties are secured and approximately 40 percent are contractually current. In addition, commercial nonperforming loans are carried at approximately 68 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated net realizable value.

Table 41 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

(Dollars in millions)	**2010**	2009
Nonperforming loans and leases, January 1	**$ 12,703**	$ 6,497
Additions to nonperforming loans and leases:		
Merrill Lynch balance, January 1, 2009		402
New nonaccrual loans and leases	**7,809**	16,190
Advances	**330**	339
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(3,938)**	(3,075)
Sales	**(841)**	(630)
Returns to performing status [3]	**(1,607)**	(461)
Charge-offs [4]	**(3,221)**	(5,626)
Transfers to foreclosed properties	**(1,045)**	(857)
Transfers to loans held-for-sale	**(354)**	(76)
Total net additions (reductions) to nonperforming loans and leases	**(2,867)**	6,206
Total nonperforming loans and leases, December 31	**9,836**	12,703
Foreclosed properties, January 1	**777**	321
Additions to foreclosed properties:		
New foreclosed properties	**818**	857
Reductions in foreclosed properties:		
Sales	**(780)**	(310)
Write-downs	**(90)**	(91)
Total net additions (reductions) to foreclosed properties	**(52)**	456

Total foreclosed properties, December 31	**725**	777
Nonperforming commercial loans, leases and foreclosed properties, December 31	**$ 10,561**	$ 13,480
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases (5)	**3.35%**	4.00%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties (5)	**3.59**	4.23

(1) Balances do not include nonperforming LHFS of $1.5 billion and $4.5 billion at December 31, 2010 and 2009.
(2) Includes U.S. small business commercial activity.
(3) Commercial loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.
(4) Business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.
(5) Outstanding commercial loans and leases exclude loans accounted for under the fair value option.

At December 31, 2010, the total commercial TDR balance was $1.2 billion. Nonperforming TDRs were $952 million and are included in Table 41. Nonperforming TDRs increased $466 million while performing TDRs increased $147 million during 2010.
U.S. commercial TDRs were $356 million, an increase of $60 million for the year ended December 31, 2010. Nonperforming U.S. commercial TDRs decreased $52 million during 2010, while performing TDRs excluded from nonperforming loans in Table 41 increased $112 million.
At December 31, 2010, the commercial real estate TDR balance was $815 million, an increase of $547 million during 2010. Nonperforming TDRs increased $524 million during the year, while performing TDRs increased $23 million.
At December 31, 2010 the non-U.S. commercial TDR balance was $19 million, an increase of $6 million. Nonperforming TDRs decreased $6 million during the year, while performing TDRs increased $12 million.

Industry Concentrations

Table 42 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial

credit exposure is diversified across a broad range of industries. The decline in commercial committed exposure of $68.1 billion from December 31, 2009 to December 31, 2010 was broad-based across most industries.
Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits, as well as to provide ongoing monitoring. Management s Credit Risk Committee (CRC) oversees industry limit governance.
Diversified financials, our largest industry concentration, experienced a decrease in committed exposure of $25.8 billion, or 24 percent, at December 31, 2010 compared to December 31, 2009. This decrease was driven primarily by a reduction in exposure to conduits tied to the consumer finance industry.
Real estate, our second largest industry concentration, experienced a decrease in committed exposure of $21.1 billion, or 23 percent, at December 31, 2010 compared to December 31, 2009 due primarily to portfolio attrition. Real estate construction and land development exposure represented 27 percent of the total real estate industry committed exposure at December 31, 2010. For more information on the commercial real estate and related portfolios, refer to Commercial Real Estate beginning on page 85.

The $11.8 billion, or 34 percent, decline in individuals and trusts committed exposure was largely due to the unwinding of two derivative transactions. Committed exposure in the banking industry increased $6.3 billion, or 27 percent, at December 31, 2010 compared to December 31, 2009 primarily due to increases in both traded products and loan exposure as a result of momentum from growth initiatives. The decline of $4.5 billion, or 10 percent, in consumer services was concentrated in gaming and restaurants. Committed exposure for the commercial services and supplies industry declined $4.1 billion, or 12 percent, primarily due to reduced loan demand and the sale of First Republic.

The recent economic downturn has had a residual effect on debt issued by state and local municipalities and certain exposures to these municipalities. While historically default rates were low, stress on the municipalities financials due to the economic downturn has increased the potential for defaults in the near term. As part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications surrounding certain at-risk counterparties and/or sectors are regularly circulated ensuring exposure levels are compliant with established concentration guidelines.

Monoline and Related Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits. Direct loan exposure to monolines consisted of revolvers in the amount of $51 million and $41 million at December 31, 2010 and 2009.

We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations and credit-enhanced securities as part of our public finance business and other selected products. Such indirect exposure exists when we purchase credit protection

from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and CDOs. We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monolines, primarily in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined or we are required to indemnify or provide recourse for a guarantor s loss. For additional information regarding our exposure to representations and warranties, see *Note 9 Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements and Representations and Warranties beginning on page 52. For additional information regarding monolines, see *Note 14 Commitments and Contingencies* to the Consolidated Financial Statements.

Monoline derivative credit exposure at December 31, 2010 had a notional value of $38.4 billion compared to $42.6 billion at December 31, 2009. Mark-to-market monoline derivative credit exposure was $9.2 billion at December 31, 2010 compared to $11.1 billion at December 31, 2009 with the decrease driven by positive valuation adjustments on legacy assets and terminated monoline contracts. At December 31, 2010, the counterparty credit valuation adjustment related to monoline derivative exposure was $5.3 billion compared to $6.0 billion at December 31, 2009. This reduced our net mark-to-market exposure to $3.9 billion at December 31, 2010 compared to $5.1 billion at December 31, 2009. At December 31, 2010, approximately 62 percent of this exposure was related to one monoline compared to approximately 54 percent at December 31, 2009. We do not hold collateral against these derivative exposures. For more information on our monoline exposure, see *GBAM* beginning on page 45.

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We also have indirect exposure to monolines as we invest in securities where the issuers have purchased wraps (i.e., insurance). For example, municipalities and corporations purchase insurance in order to reduce their cost of borrowing. If the ratings agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying

securities and then to recovery on the purchased insurance. Investments in securities issued by municipalities and corporations with purchased wraps at December 31, 2010 and 2009 had a notional value of $2.4 billion and $5.0 billion. Mark-to-market investment exposure was $2.2 billion at December 31, 2010 compared to $4.9 billion at December 31, 2009.

Table 42 Commercial Credit Exposure by Industry (1)

	December 31			
	Commercial Utilized		**Total Commercial Committed**	
(Dollars in millions)	**2010**	2009	**2010**	2009
Diversified financials	**$ 55,196**	$ 69,259	**$ 83,248**	$ 109,079
Real estate (2)	**58,531**	75,049	**72,004**	93,147
Government and public education	**44,131**	44,151	**59,594**	61,998
Healthcare equipment and services	**30,420**	29,584	**47,569**	46,870
Capital goods	**21,940**	23,911	**46,087**	48,184
Retailing	**24,660**	23,671	**43,950**	42,414
Consumer services	**24,759**	28,704	**39,694**	44,214
Materials	**15,873**	16,373	**33,046**	33,233
Commercial services and supplies	**20,056**	23,892	**30,517**	34,646
Banks	**26,831**	20,299	**29,667**	23,384
Food, beverage and tobacco	**14,777**	14,812	**28,126**	28,079
Energy	**9,765**	9,605	**26,328**	23,619
Insurance, including monolines	**17,263**	20,613	**24,417**	28,033
Utilities	**6,990**	9,217	**24,207**	25,316
Individuals and trusts	**18,278**	25,941	**22,899**	34,698
Media	**11,611**	14,020	**20,619**	22,886
Transportation	**12,070**	13,724	**18,436**	20,101
Pharmaceuticals and biotechnology	**3,859**	2,875	**11,009**	10,626
Technology hardware and equipment	**4,373**	3,416	**10,932**	10,516
Religious and social organizations	**8,409**	8,920	**10,823**	11,374
Software and services	**3,837**	3,216	**9,531**	9,359
Telecommunication services	**3,823**	3,558	**9,321**	9,478
Consumer durables and apparel	**4,297**	4,409	**8,836**	9,998
Food and staples retailing	**3,222**	3,680	**6,161**	6,562
Automobiles and components	**2,090**	2,379	**5,941**	6,359
Other	**13,361**	10,219	**17,133**	14,013
Total commercial credit exposure by industry	**$ 460,422**	$ 505,497	**$ 740,095**	$ 808,186

Net credit default protection purchased on total commitments [3]	**$ (20,118)**	$ (19,025)

(1) Includes U.S. small business commercial exposure.
(2) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers or counterparties primary business activity using operating cash flows and primary source of repayment as key factors.
(3) Represents net notional credit protection purchased. See Risk Mitigation below for additional information.

Risk Mitigation

We purchase credit protection to cover the funded portion as well as the unfunded portion of certain credit exposures. To lower the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection.

At December 31, 2010 and 2009, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $20.1 billion and $19.0 billion. The mark-to-market effects, including the cost of net credit default protection hedging our

credit exposure, resulted in net losses of $546 million during 2010 compared to net losses of $2.9 billion in 2009. The average Value-at-Risk (VaR) for these credit derivative hedges was $53 million for 2010 compared to $76 million for 2009. The average VaR for the related credit exposure was $65 million in 2010 compared to $130 million in 2009. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VaR was $41 million for 2010, compared to $89 million for 2009. Refer to Trading Risk Management beginning on page 100 for a description of our VaR calculation for the market-based trading portfolio.

Tables 43 and 44 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at December 31, 2010 and 2009. The distribution of debt ratings for net notional credit default protection purchased is shown as a negative amount and the net notional credit protection sold is shown as a positive amount.

Table 43 Net Credit Default Protection by Maturity Profile

	December 31	
	2010	2009
Less than or equal to one year	**14%**	16%
Greater than one year and less than or equal to five years	**80**	81
Greater than five years	**6**	3
Total net credit default protection	**100%**	100%

Table 44 Net Credit Default Protection by Credit Exposure Debt Rating [(1)]

	December 31			
	2010		2009	
(Dollars in millions)	**Net Notional**	**Percent of Total**	Net Notional	Percent of Total
Ratings [(2)]				
AAA	**$**	**0.0%**	$ 15	(0.1)%
AA	**(188)**	**0.9**	(344)	1.8
A	**(6,485)**	**32.2**	(6,092)	32.0
BBB	**(7,731)**	**38.4**	(9,573)	50.4
BB	**(2,106)**	**10.5**	(2,725)	14.3
B	**(1,260)**	**6.3**	(835)	4.4
CCC and below	**(762)**	**3.8**	(1,691)	8.9
NR [(3)]	**(1,586)**	**7.9**	2,220	(11.7)
Total net credit default protection	**$ (20,118)**	**100.0%**	$ (19,025)	100.0%

(1) Ratings are refreshed on a quarterly basis.
(2) The Corporation considers ratings of BBB- or higher to meet the definition of investment grade.
(3) In addition to names which have not been rated, NR includes $(1.5) billion and $2.3 billion in net credit default swaps index positions at December 31, 2010 and 2009. While index positions are principally investment grade, credit default swaps indices include names in and across each of the ratings categories.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker/dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also

subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

The notional amounts presented in Table 45 represent the total contract/notional amount of credit derivatives outstanding and include both purchased and written credit derivatives. The credit risk amounts are measured as the net replacement cost, in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those contracts. For information on the performance risk of our written credit derivatives, see *Note 4 Derivatives* to the Consolidated Financial Statements.

The credit risk amounts discussed on page 92 and noted in the table below take into consideration the effects of legally enforceable master netting agreements while amounts disclosed in *Note 4 Derivatives* to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing the Corporation s overall exposure.

Table 45 Credit Derivatives

	December 31			
	2010		2009	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	**$ 2,184,703**	**$ 18,150**	$ 2,800,539	$ 25,964
Total return swaps/other	**26,038**	**1,013**	21,685	1,740
Total purchased credit derivatives	**2,210,741**	**19,163**	2,822,224	27,704
Written credit derivatives:				
Credit default swaps	**2,133,488**	**n/a**	2,788,760	n/a
Total return swaps/other	**22,474**	**n/a**	33,109	n/a
Total written credit derivatives	**2,155,962**	**n/a**	2,821,869	n/a
Total credit derivatives	**$ 4,366,703**	**$ 19,163**	$ 5,644,093	$ 27,704

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty.

During 2010 and 2009, credit valuation gains (losses) of $731 million and $3.1 billion ($(8) million and $1.7 billion, net of hedges) were recognized in trading account profits (losses) for counterparty credit risk related to derivative assets. For additional information on gains or losses related to the counterparty credit risk on derivative assets, refer to *Note 4 Derivatives* to the Consolidated Financial Statements. For information on our monoline counterparty credit risk, see the discussions beginning on pages 47 and 90, and for information on our CDO-related counterparty credit risk, see *GBAM* beginning on page 45.

Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is provided by the Regional Risk Committee, a subcommittee of the CRC.

The following table sets forth total non-U.S. exposure broken out by region at December 31, 2010 and 2009. Non-U.S. exposure includes credit

exposure net of local liabilities, securities and other investments issued by or domiciled in countries other than the U.S. Total non-U.S. exposure can be adjusted for externally guaranteed loans outstanding and certain collateral types. Exposures which are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty consistent with FFIEC reporting requirements.

Table 46 Regional Non-U.S. Exposure (1, 2, 3)

	December 31	
(Dollars in millions)	**2010**	2009
Europe	**$ 148,078**	$ 170,796
Asia Pacific	**73,255**	47,645
Latin America	**14,848**	19,516
Middle East and Africa	**3,688**	3,906
Other	**22,188**	15,799
Total	**$ 262,057**	$ 257,662

(1) Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements.
(2) Derivative assets included in the exposure amounts have been reduced by the amount of cash collateral applied of $44.2 billion and $34.3 billion at December 31, 2010 and 2009.
(3) Generally, resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

Our total non-U.S. exposure was $262.1 billion at December 31, 2010, an increase of $4.4 billion from December 31, 2009. Our non-U.S. exposure remained concentrated in Europe which accounted for $148.1 billion, or 57 percent, of total non-U.S. exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries. The decrease of $22.7 billion in Europe was primarily driven by our efforts to reduce exposure in the peripheral Eurozone countries and sale or maturity of securities in the U.K. Select European countries are further detailed in Table 49. Asia Pacific was our second largest non-U.S. exposure at $73.3 billion, or 28 percent. The $25.6 billion increase in Asia Pacific was predominantly driven by a required change in accounting for our CCB investment, increased securities exposure in Japan, and increased securities and loan exposure in other Asia Pacific emerging markets. For more information on the required change in accounting for our CCB investment, refer to

Note 5 Securities to the Consolidated Financial Statements. Latin America accounted for $14.8 billion, or six percent, of total non-U.S. exposure. The $4.7 billion decrease in Latin America was primarily driven by the sale of our equity investments in Itaú Unibanco and Santander. Other non-U.S. exposure was $22.2 billion at

December 31, 2010, an increase of $6.4 billion from the prior year resulting from an increase in Canadian cross-border loans. For more information on our Asia Pacific and Latin America exposure, see non-U.S. exposure to selected countries defined as emerging markets on page 95.

As shown in Table 47, the United Kingdom, France and China had total cross-border exposure greater than one percent of our total assets and were the only countries where total cross-border exposure exceeded one percent of our total assets at December 31, 2010. At December 31, 2010, Canada and Japan had total cross-border exposure of $17.9 billion and $17.0 billion representing 0.79 percent and 0.75 percent of total assets. Canada and Japan were the only other countries that had total cross-border exposure that exceeded 0.75 percent of our total assets at December 31, 2010.

Exposure includes cross-border claims by our non-U.S. offices including loans, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, SBLCs, commercial letters of credit and formal guarantees. Sector definitions are consistent with FFIEC reporting requirements for preparing the Country Exposure Report.

Table 47 Total Cross-border Exposure Exceeding One Percent of Total Assets [1]

(Dollars in millions)	December 31	Public Sector	Banks	Private Sector	Cross-border Exposure	Exposure as a Percentage of Total Assets
United Kingdom	**2010**	**$ 101**	**$ 5,544**	**$ 32,354**	**$ 37,999**	**1.68%**
	2009	157	8,478	52,080	60,715	2.73
France [2]	**2010**	**978**	**8,110**	**15,685**	**24,773**	**1.09**
China [2]	**2010**	**777**	**21,617**	**1,534**	**23,928**	**1.06**

(1) At December 31, 2010, total cross-border exposure for the United Kingdom, France and China included derivatives exposure of $2.3 billion, $1.7 billion and $870 million, respectively, which has been reduced by the amount of cash collateral applied of $13.0 billion, $6.9 billion and $130 million, respectively. Derivative assets were collateralized by other marketable securities of $96 million, $26 million and $71 million, respectively, at December 31, 2010.

(2) At December 31, 2009, total cross-border exposure for France and China was $17.4 billion and $12.1 billion, representing 0.78 percent and 0.54 percent of total assets.

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As presented in Table 48, non-U.S. exposure to borrowers or counterparties in emerging markets increased $14.5 billion to $65.1 billion at December 31, 2010 compared to $50.6 billion at December 31, 2009. The increase was due to an increase in the Asia Pacific region which was partially offset by a

decrease in Latin America. Non-U.S. exposure to borrowers or counterparties in emerging markets represented 25 percent and 20 percent of total non-U.S. exposure at December 31, 2010 and 2009.

Table 48 Selected Emerging Markets [1]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [2]	Derivative Assets [3]	Securities/ Other Investments [4]	Total Cross-border Exposure [5]	Local Country Exposure Net of Local Liabilities [6]	**Total Emerging Market Exposure at December 31, 2010**	Increase (Decrease) From December 31, 2009
Region/Country								
Asia Pacific								
China	$ 1,064	$ 1,237	$ 870	$ 20,757	$ 23,928	$	**$ 23,928**	$ 11,865
India	3,292	1,590	607	2,013	7,502	766	**8,268**	2,108
South Korea	621	1,156	585	2,009	4,371	908	**5,279**	268
Singapore	560	75	442	1,469	2,546		**2,546**	1,678
Hong Kong	349	516	242	935	2,042		**2,042**	940
Taiwan	283	64	84	692	1,123	732	**1,855**	1,126
Thailand	20	17	39	569	645	24	**669**	482
Other Asia Pacific [7]	298	32	145	239	714		**714**	(130)
Total Asia Pacific	6,487	4,687	3,014	28,683	42,871	2,430	**45,301**	18,337
Latin America								
Brazil	1,033	293	560	2,355	4,241	1,565	**5,806**	(3,648)
Mexico	1,917	305	303	1,860	4,385		**4,385**	(1,086)
Chile	954	132	401	38	1,525	1	**1,526**	365
Colombia	132	460	10	75	677		**677**	481
Peru	231	150	16	121	518		**518**	248
Other Latin America [7]	74	167	10	456	707	153	**860**	(154)
Total Latin America	4,341	1,507	1,300	4,905	12,053	1,719	**13,772**	(3,794)

Middle East and Africa								
United Arab Emirates	967	6	154	49	1,176		**1,176**	456
Bahrain	78		3	1,079	1,160		**1,160**	27
South Africa	406	7	56	102	571		**571**	(577)
Other Middle East and Africa (7)	441	55	132	153	781		**781**	13
Total Middle East and Africa	1,892	68	345	1,383	3,688		**3,688**	(81)
Central and Eastern Europe								
Russian Federation	264	133	35	104	536		**536**	(133)
Turkey	269	165	14	52	500		**500**	112
Other Central and Eastern Europe (7)	148	210	277	618	1,253		**1,253**	35
Total Central and Eastern Europe	681	508	326	774	2,289		**2,289**	14
Total emerging market exposure	$ 13,401	$ 6,770	$ 4,985	$ 35,745	$ 60,901	$ 4,149	**$ 65,050**	$ 14,476

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. At December 31, 2010, there was $460 million in emerging market exposure accounted for under the fair value option, none at December 31, 2009.

(2) Includes acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees.

(3) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $1.2 billion and $557 million at December 31, 2010 and 2009. At December 31, 2010 and 2009, there were $408 million and $616 million of other marketable securities collateralizing derivative assets.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

(5) Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country of residence other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting requirements.

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Total amount of available local liabilities funding local country exposure at December 31, 2010 was $15.7 billion compared to $17.6 billion at December 31, 2009. Local liabilities at December 31, 2010 in Asia Pacific, Latin America, and Middle East and Africa were $15.1 billion, $451 million and $193 million, respectively, of which $7.9 billion was in Singapore, $1.8 billion in both China and Hong Kong, $1.2 billion in India, $802 million in South Korea and $573 million in Taiwan. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) No country included in Other Asia Pacific, Other Latin America, Other Middle East and Africa, and Other Central and Eastern Europe had total non-U.S. exposure of more than $500 million.

At December 31, 2010 and 2009, 70 percent and 53 percent of the emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific increased by $18.3 billion primarily driven by our equity investment in CCB, which accounted for $10.6 billion, or 58 percent, of the increase in Asia, and increases in loans in India and securities in Singapore. The increase in our equity investment in CCB was driven by a required change in accounting. For more information on our CCB investment, refer to *Note 5 Securities* to the Consolidated Financial Statements.

At December 31, 2010 and 2009, 21 percent and 35 percent of the emerging markets exposure was in Latin America. Latin America emerging markets exposure decreased $3.8 billion driven by the sale of our equity investments in Itaú Unibanco and Santander, which accounted for $5.4 billion and $2.5 billion at December 31, 2009, partially offset by increased loans across the region. For more information on these sales, refer to *Note 5 Securities* to the Consolidated Financial Statements.

At December 31, 2010 and 2009, six percent and seven percent of the emerging markets exposure was in Middle East and Africa, with a decrease of

$81 million primarily driven by a decrease in securities in South Africa, offset by increases in loans in the United Arab Emirates and South Africa, and securities in Bahrain. At December 31, 2010 and 2009, three percent and five percent of the emerging markets exposure was in Central and Eastern Europe.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, are currently experiencing varying degrees of financial stress. These countries have had certain credit ratings lowered by ratings services during 2010. Risks from the debt crisis in Europe could result in a disruption of the

financial markets which could have a detrimental impact on the global economic recovery and sovereign and non-sovereign debt in these countries. The table below shows our direct sovereign and non-sovereign exposures, excluding consumer credit card exposure, in these countries at December 31, 2010. The total exposure to these countries was $15.8 billion at December 31, 2010 compared to $25.5 billion at December 31, 2009. The $9.7 billion decrease since December 31, 2009 was driven primarily by the sale or maturity of sovereign and non-sovereign securities in all countries.

Table 49 Selected European Countries

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [(1)]	Derivative Assets [(2)]	Securities/ Other Investments [(3)]	Total Cross-border Exposure [(4)]	Local Country Exposure Net of Local Liabilities [(5)]	**Total Non-U.S. Exposure at December 31, 2010**	Credit Default Protection [(6)]
Greece								
Sovereign	$	$	$	$ 103	$ 103	$	**$ 103**	$ (23)
Non-sovereign	260	2	43	69	374		**374**	
Total Greece	$ 260	$ 2	$ 43	$ 172	$ 477	$	**$ 477**	$ (23)
Ireland								
Sovereign	$ 7	$ 326	$ 22	$ 52	$ 407	$	**$ 407**	$
Non-sovereign	1,641	524	152	267	2,584		**2,584**	(15)
Total Ireland	$ 1,648	$ 850	$ 174	$ 319	$ 2,991	$	**$ 2,991**	$ (15)
Italy								
Sovereign	$	$	$ 1,247	$ 21	$ 1,268	$ 1	**$ 1,269**	$ (1,136)
Non-sovereign	967	639	560	1,310	3,476	1,792	**5,268**	(67)
Total Italy	$ 967	$ 639	$ 1,807	$ 1,331	$ 4,744	$ 1,793	**$ 6,537**	$ (1,203)
Portugal								
Sovereign	$	$	$ 36	$	$ 36	$	**$ 36**	$ (19)

Non-sovereign	65	55	26	344	490		**490**	
Total Portugal	$ 65	$ 55	$ 62	$ 344	$ 526	$	**$ 526**	$ (19)
Spain								
Sovereign	$ 25	$	$ 36	$	$ 61	$ 40	**$ 101**	$ (57)
Non-sovereign	1,028	40	382	1,872	3,322	1,835	**5,157**	(7)
Total Spain	$ 1,053	$ 40	$ 418	$ 1,872	$ 3,383	$ 1,875	**$ 5,258**	$ (64)
Total								
Sovereign	$ 32	$ 326	$ 1,341	$ 176	$ 1,875	$ 41	**$ 1,916**	$ (1,235)
Non-sovereign	3,961	1,260	1,163	3,862	10,246	3,627	**13,873**	(89)
Total selected European exposure	$ 3,993	$ 1,586	$ 2,504	$ 4,038	$ 12,121	$ 3,668	**$ 15,789**	$ (1,324)

(1) Includes acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees.
(2) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $2.9 billion at December 31, 2010. At December 31, 2010, there was $41 million of other marketable securities collateralizing derivative assets.
(3) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.
(4) Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country of residence other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting requirements.
(5) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Of the $838 million applied for exposure reduction, $459 million was in Italy, $208 million in Ireland, $137 million in Spain and $34 million in Greece.
(6) Represents net notional credit default protection purchased to hedge counterparty risk.

Provision for Credit Losses

The provision for credit losses decreased $20.1 billion to $28.4 billion for 2010 compared to 2009. The provision for credit losses for the consumer portfolio decreased $11.4 billion to $25.4 billion for 2010 compared to 2009 reflecting lower delinquencies and decreasing bankruptcies in the consumer credit card and unsecured consumer lending portfolios resulting from an improving economic outlook. Also contributing to the improvement were lower reserve additions in consumer real estate due to improving portfolio trends. The addition to reserves in the consumer PCI loan portfolios reflected further reductions in expected principal cash flows of $2.2 billion for 2010 compared to $3.5 billion a year earlier. Consumer net charge-offs of $29.4 billion for 2010 were $4.2 billion higher than the prior year due to the impact of the adoption of new

consolidation guidance resulting in the consolidation of certain securitized loan balances in our consumer credit card and home equity portfolios, offset by benefits from economic improvement during the year which impacted all consumer portfolios.

The provision for credit losses for the commercial portfolio, including the provision for unfunded lending commitments, decreased $8.7 billion to $3.0 billion for 2010 compared to 2009 due to improved borrower credit profiles, stabilization of appraisal values in the commercial real estate portfolio and lower delinquencies and bankruptcies in the small business portfolio. These same factors resulted in a decrease in commercial net charge-offs of $3.5 billion to $5.0 billion in 2010 compared to 2009.

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Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is allocated based on two components, described below, based on whether a loan or lease is performing or whether it has been individually identified as being impaired or has been modified as a TDR. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components. The allowance for loan and lease losses excludes loans held-for-sale and loans accounted for under the fair value option, as fair value adjustments related to loans measured at fair value include a credit risk component.

The first component of the allowance for loan and lease losses covers nonperforming commercial loans, consumer real estate loans that have been modified in a TDR, renegotiated credit card, unsecured consumer and small business loans. These loans are subject to impairment measurement primarily at the loan level based either on the present value of expected future cash flows discounted at the loan s original effective interest rate, or discounted at the portfolio average contractual annual percentage rate, excluding renegotiated and promotionally priced loans for the renegotiated TDR portfolio. Impairment measurement may also be based upon the collateral value or the loan s observable market price. When the determined or measured values are lower than the carrying value of the loan, impairment is recognized. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers performing consumer and commercial loans and leases which have incurred losses that are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of our homogeneous loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. Included within this second component of the allowance for loan and lease losses and determined separately from the procedures outlined above are reserves which are maintained to cover uncertainties that affect our estimate of probable losses including domestic and global economic uncertainty and large single name defaults. We evaluate the adequacy of the allowance for loan and lease losses based on the combined total of these two components. As of December 31, 2010, inputs to the loss forecast process resulted in reductions in the allowance for most consumer portfolios.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize the Corporation s historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios are updated at least quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default (PD) and the loss given

default (LGD) based on the Corporation s historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable; the industry in which the obligor operates; the obligor s liquidity and other financial indicators; and other quantitative and qualitative factors relevant to the obligor s credit risk. When estimating the allowance for loan and lease losses, management relies not only on models derived from historical experience but also on its judgment in considering the effect on probable losses inherent in the portfolios due to the current macroeconomic environment and trends, inherent uncertainty in models, and other qualitative factors. As of December 31, 2010, updates to the loan risk ratings and composition

resulted in reductions in the allowance for all commercial portfolios.
We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.
Additions to, or reductions of, the allowance for loan and lease losses generally are recorded through charges or credits to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.
The allowance for loan and lease losses for the consumer portfolio as presented in Table 51 was $34.7 billion at December 31, 2010, an increase of $6.9 billion from December 31, 2009. This increase was primarily related to $10.8 billion of reserves recorded on January 1, 2010 in connection with the adoption of new consolidation guidance, and higher reserve additions in the non-impaired consumer real estate portfolios during the first half of 2010 amid continued stress in the housing market. These items were partially offset by reserve reductions primarily due to improving credit quality in the *Global Card Services* consumer portfolios. With respect to the consumer PCI loan portfolios, updates to our expected principal cash flows resulted in an increase in reserves through provision of $2.2 billion for 2010, primarily in the home equity and discontinued real estate portfolios compared to $3.5 billion in 2009.
The allowance for commercial loan and lease losses was $7.2 billion at December 31, 2010, a $2.2 billion decrease from December 31, 2009. The decrease was primarily due to improvements in the U.S. small business commercial portfolio within *Global Card Services* due to improved delinquencies and bankruptcies, as well as in the U.S. commercial portfolios primarily in *Global Commercial Banking* and *GBAM,* and the commercial real estate portfolio primarily within *Global Commercial Banking* reflecting improved borrower credit profiles as a result of improving economic conditions.
The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 4.47 percent at December 31, 2010 compared to 4.16 percent at December 31, 2009. The increase in the ratio was mostly due to consumer reserve increases for securitized loans consolidated under the new consolidation guidance, which were primarily credit card loans. The December 31, 2010 and 2009 ratios above include the impact of the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.94 percent at December 31, 2010 compared to 3.88 percent at December 31, 2009.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of PD and LGD. Due to the nature of unfunded commitments, the

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estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation s historical experience are applied to the unfunded commitments to estimate the funded exposure at default (EAD). The expected loss for unfunded lending commitments is the product of the PD, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent uncertainty in models.

The reserve for unfunded lending commitments at December 31, 2010 was $1.2 billion, $299 million lower than December 31, 2009 primarily driven by accretion of purchase accounting adjustments on acquired Merrill Lynch unfunded positions and customer utilizations of previously unfunded positions.
Table 50 presents a rollforward of the allowance for credit losses for 2010 and 2009.

Table 50 Allowance for Credit Losses

(Dollars in millions)	**2010**	2009
Allowance for loan and lease losses, beginning of period, before effect of the January 1 adoption of new consolidation guidance	**$ 37,200**	$ 23,071
Allowance related to adoption of new consolidation guidance	**10,788**	n/a
Allowance for loan and lease losses, January 1	**47,988**	23,071
Loans and leases charged off		
Residential mortgage	**(3,779)**	(4,436)
Home equity	**(7,059)**	(7,205)
Discontinued real estate	**(77)**	(104)
U.S. credit card	**(13,818)**	(6,753)
Non-U.S. credit card	**(2,424)**	(1,332)
Direct/Indirect consumer	**(4,303)**	(6,406)
Other consumer	**(320)**	(491)
Total consumer charge-offs	**(31,780)**	(26,727)
U.S. commercial (1)	**(3,190)**	(5,237)
Commercial real estate	**(2,185)**	(2,744)
Commercial lease financing	**(96)**	(217)
Non-U.S. commercial	**(139)**	(558)
Total commercial charge-offs	**(5,610)**	(8,756)
Total loans and leases charged off	**(37,390)**	(35,483)
Recoveries of loans and leases previously charged off		
Residential mortgage	**109**	86
Home equity	**278**	155
Discontinued real estate	**9**	3
U.S. credit card	**791**	206

Non-U.S. credit card	**217**	93
Direct/Indirect consumer	**967**	943
Other consumer	**59**	63
Total consumer recoveries	**2,430**	1,549
U.S. commercial (2)	**391**	161
Commercial real estate	**168**	42
Commercial lease financing	**39**	22
Non-U.S. commercial	**28**	21
Total commercial recoveries	**626**	246
Total recoveries of loans and leases previously charged off	**3,056**	1,795
Net charge-offs	**(34,334)**	(33,688)
Provision for loan and lease losses	**28,195**	48,366
Other (3)	**36**	(549)
Allowance for loan and lease losses, December 31	**41,885**	37,200
Reserve for unfunded lending commitments, January 1	**1,487**	421
Provision for unfunded lending commitments	**240**	204
Other (4)	**(539)**	862
Reserve for unfunded lending commitments, December 31	**1,188**	1,487
Allowance for credit losses, December 31	**$ 43,073**	$ 38,687

(1) Includes U.S. small business commercial charge-offs of $2.0 billion and $3.0 billion in 2010 and 2009.

(2) Includes U.S. small business commercial recoveries of $107 million and $65 million in 2010 and 2009.

(3) The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for $7.8 billion in held-to-maturity debt securities that were issued by the Corporation s U.S. Credit Card Securitization Trust and retained by the Corporation.

(4) The 2010 amount includes the remaining balance of the acquired Merrill Lynch reserve excluding those commitments accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded positions. All other amounts represent primarily accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

n/a = not applicable

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Table 50 Allowance for Credit Losses (continued)

(Dollars in millions)	**2010**	2009
Loans and leases outstanding at December 31 [5]	**$ 937,119**	$ 895,192
Allowance for loan and lease losses as a percentage of total loans and leases and outstanding at December 31 [5]	**4.47%**	4.16%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31	**5.40**	4.81
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [5]	**2.44**	2.96
Average loans and leases outstanding [5]	**$ 954,278**	$ 941,862
Net charge-offs as a percentage of average loans and leases outstanding [5]	**3.60%**	3.58%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [5, 6, 7]	**136**	111
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.22**	1.10
Excluding purchased credit-impaired loans: [8]		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 [5]	**3.94%**	3.88%
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at December 31	**4.66**	4.43
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 [5]	**2.44**	2.96
Net charge-offs as a percentage of average loans and leases outstanding [5]	**3.73**	3.71
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 [5, 6, 7]	**116**	99
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.04**	1.00

(5) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans accounted for under the fair value option were $3.3 billion and $4.9 billion at December 31, 2010 and 2009. Average loans accounted for under the fair value option were $4.1 billion and $6.9 billion in 2010 and 2009.

(6) Allowance for loan and lease losses includes $22.9 billion and $17.7 billion allocated to products that were excluded from nonperforming loans, leases and foreclosed properties at December 31, 2010 and 2009.

(7) For more information on our definition of nonperforming loans, see the discussion beginning on page 81.

(8) Metrics exclude the impact of Countrywide consumer PCI loans and Merrill Lynch commercial PCI loans.

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 51 presents our allocation by product type.

Table 51 Allocation of the Allowance for Credit Losses by Product Type

	December 31, 2010		January 1, 2010 [1]	December 31, 2009	
		Percent of			Percent of

(Dollars in millions)	**Amount**	**Percent of Total**	**Loans and Leases Outstanding [2]**	Amount	Amount	Percent of Total	Loans and Leases Outstanding [2]
Allowance for loan and lease losses [3]							
Residential mortgage	**$ 4,648**	**11.10%**	**1.80%**	$ 4,607	$ 4,607	12.38%	1.90%
Home equity	**12,934**	**30.88**	**9.37**	10,733	10,160	27.31	6.81
Discontinued real estate	**1,670**	**3.99**	**12.74**	989	989	2.66	6.66
U.S. credit card	**10,876**	**25.97**	**9.56**	15,102	6,017	16.18	12.17
Non-U.S. credit card	**2,045**	**4.88**	**7.45**	2,686	1,581	4.25	7.30
Direct/Indirect consumer	**2,381**	**5.68**	**2.64**	4,251	4,227	11.36	4.35
Other consumer	**161**	**0.38**	**5.67**	204	204	0.55	6.53
Total consumer	**34,715**	**82.88**	**5.40**	38,572	27,785	74.69	4.81
U.S. commercial [4]	**3,576**	**8.54**	**1.88**	5,153	5,152	13.85	2.59
Commercial real estate	**3,137**	**7.49**	**6.35**	3,567	3,567	9.59	5.14
Commercial lease financing	**126**	**0.30**	**0.57**	291	291	0.78	1.31
Non-U.S. commercial	**331**	**0.79**	**1.03**	405	405	1.09	1.50
Total commercial [5]	**7,170**	**17.12**	**2.44**	9,416	9,415	25.31	2.96
Allowance for loan and lease losses	**41,885**	**100.00%**	**4.47**	47,988	37,200	100.00%	4.16
Reserve for unfunded lending commitments	**1,188**			1,487	1,487		
Allowance for credit losses [6]	**$ 43,073**			$ 49,475	$ 38,687		

(1) Balances reflect impact of new consolidation guidance.

(2) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option for each loan and lease category. Loans accounted for under the fair value option include U.S. commercial loans of $1.6 billion and $3.0 billion, non-U.S. commercial loans of $1.7 billion and $1.9 billion and commercial real estate loans of $79 million and $90 million at December 31, 2010 and 2009.

(3) December 31, 2010 is presented in accordance with new consolidation guidance. December 31, 2009 has not been restated.

(4) Includes allowance for U.S. small business commercial loans of $1.5 billion and $2.4 billion at December 31, 2010 and 2009.

(5) Includes allowance for loan and lease losses for impaired commercial loans of $1.1 billion and $1.2 billion at December 31, 2010 and 2009. Included in the $1.1 billion at December 31, 2010 is $445 million related to U.S. small business commercial renegotiated TDR loans.

(6) Includes $6.4 billion and $3.9 billion of allowance for credit losses related to purchased credit-impaired loans at December 31, 2010 and 2009.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, the ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation.

Our traditional banking loan and deposit products are nontrading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, primarily changes in the levels of interest rates. The risk of adverse changes in the economic value of our nontrading positions is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option. For further information on the fair value of certain financial assets and liabilities, see *Note 22 Fair Value Measurements* to the Consolidated Financial Statements.

Our trading positions are reported at fair value with changes currently reflected in income. Trading positions are subject to various risk factors, which include exposures to interest rates and foreign exchange rates, as well as mortgage, equity, commodity, issuer and market liquidity risk factors. We seek to mitigate these risk exposures by using techniques that encompass a variety of financial instruments in both the cash and derivatives markets. The following discusses the key risk components along with respective risk mitigation techniques.

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in non-U.S. subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or non-U.S. interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, foreign currency-denominated debt and deposits.

Mortgage Risk

Mortgage risk represents exposures to changes in the value of mortgage-related instruments. The values of these instruments are sensitive to prepayment rates, mortgage rates, agency debt ratings, default, market liquidity, other interest rates, government participation and interest rate volatility. Our exposure to these instruments takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities including whole loans, pass-through certificates, commercial mortgages, and collateralized mortgage obligations (CMOs) including CDOs using mortgages as

underlying collateral. Second, we originate a variety of MBS which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage origination activities. See *Note 1 Summary of Significant Accounting Principles* and *Note 25 Mortgage Servicing Rights* to the Consolidated Financial Statements for additional information on MSRs. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards and foreign currency-denominated debt.

Equity Market Risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to, the following: common stock, exchange-traded funds, American Depositary Receipts, convertible bonds, listed equity options (puts and calls), over-the-counter equity options, equity total return swaps, equity index futures and other equity derivative products. Hedging instruments used to mitigate this risk include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. These instruments consist primarily of futures, forwards, swaps and options. Hedging instruments used to mitigate this risk include options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration or by defaults. Hedging instruments used to mitigate this risk include bonds, credit default swaps and other credit fixed-income instruments.

Market Liquidity Risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease to exist. This exposes us to the risk that we will not be able to transact business and execute trades in an orderly manner which may impact our results. This impact could further be exacerbated if expected hedging or pricing correlations are compromised by the disproportionate demand or lack of demand for certain instruments. We utilize various risk mitigating techniques as discussed in more detail below.

Trading Risk Management

Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 22 Fair Value Measurements* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The Global Markets Risk Committee (GRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary governance authority for Global Markets Risk Management including trading risk management. The GRC s focus is to take a forward-looking view of the primary credit and market risks impacting *GBAM* and prioritize those that need a proactive risk mitigation strategy. Market risks that impact lines of business outside of *GBAM* are monitored and governed by their respective governance authorities.

The GRC monitors significant daily revenues and losses by business and the primary drivers of the revenues or losses. Thresholds are in place for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is provided to the GRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses that exceed what is considered to be normal daily income statement volatility.

The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the twelve months ended December 31, 2010, as compared with the twelve months ended December 31, 2009. During the twelve months ended December 31, 2010, positive trading-related revenue was recorded for 90 percent of the trading days of which 75 percent were daily trading gains of over $25 million, four percent of the trading days had losses greater than $25 million and the largest loss was $102 million. This can be compared to the twelve months ended December 31, 2009, where positive trading-related revenue was recorded for 88 percent of the trading days of which 72 percent were daily trading gains of over $25 million, six percent of the trading days had losses greater than $25 million and the largest loss was $100 million.

Histogram of Daily Trading-related Revenue

To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. VaR is a key statistic used to measure market risk. In order to manage day-to-day risks, VaR is subject to trading limits both for our overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VaR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VaR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VaR model, there are significant and numerous assumptions that will differ from company to company. In addition, the accuracy of a VaR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have extensive historical price data or for illiquid positions for which accurate daily prices are not consistently available.

A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are however many limitations inherent in a VaR model as it utilizes historical results over a defined time period to estimate future performance. Historical results may not always be indicative

of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VaR model. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a bi-weekly basis and regularly review the assumptions underlying the model.

We continually review, evaluate and enhance our VaR model so that it reflects the material risks in our trading portfolio. Nevertheless, due to the limitations mentioned above, we have historically used the VaR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to varying degrees.

The accuracy of the VaR methodology is reviewed by backtesting (i.e., comparing actual results against expectations derived from historical data) the VaR results against the daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GRC. Backtesting excesses occur when trading losses exceed VaR. Senior management reviews and evaluates the results of these tests. In periods of market stress, the GRC members communicate daily to discuss losses and VaR limit excesses. As a result of this process, the lines of business may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

The graph below shows daily trading-related revenue and VaR for the twelve months ended December 31, 2010. Actual losses did not exceed daily trading VaR in the twelve months ended December 31, 2010 and 2009. Our VaR model uses a historical simulation approach based on three years of historical data

and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VaR, on average, one out of 100 trading days, or two to three times each year.

Trading Risk and Return
Daily Trading-related Revenue and VaR

Table 52 presents average, high and low daily trading VaR for 2010 and 2009.

Table 52 Trading Activities Market Risk VaR

	2010			2009		
(Dollars in millions)	**Average**	**High (1)**	**Low (1)**	Average	High (1)	Low (1)
Foreign exchange	**$ 23.8**	**$ 73.1**	**$ 4.9**	$ 20.3	$ 55.4	$ 6.1
Interest rate	**64.1**	**128.3**	**33.2**	73.7	136.7	43.6
Credit	**171.5**	**287.2**	**122.9**	183.3	338.7	123.9
Real estate/mortgage	**83.1**	**138.5**	**42.9**	51.1	81.3	32.4
Equities	**39.4**	**90.9**	**20.8**	44.6	87.6	23.6
Commodities	**19.9**	**31.7**	**12.8**	20.2	29.1	16.0
Portfolio diversification	**(200.5)**			(187.0)		
Total market-based trading portfolio	**$ 201.3**	**$ 375.2**	**$ 123.0**	$ 206.2	$ 325.2	$ 117.9

(1) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

The decrease in average VaR during 2010 resulted from reduced exposures in several businesses. In addition, portfolio diversification increased relative to average VaR, as exposure changes resulted in reduced correlations across businesses.
Counterparty credit risk is an adjustment to the mark-to-market value of our derivative exposures reflecting the impact of the credit quality of counterparties on our derivative assets. Since counterparty credit exposure is not included in the VaR component of the regulatory capital allocation, we do not include it in our trading VaR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram or used for backtesting.

Trading Portfolio Stress Testing
Because the very nature of a VaR model suggests results can exceed our estimates, we also stress test our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes that occurred during a

set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe

point during a crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from predefined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate VaR. As with the historical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with enterprise-wide stress testing and incorporated into the limits framework. A process has been established to promote consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 68.

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Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading exposures. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income. Interest rate risk is measured as the potential volatility in our core net interest income caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet. Interest rate risk from these activities, as well as the impact of changing market conditions, is managed through our ALM activities.

Simulations are used to estimate the impact on core net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations evaluate how changes in short-term financial instruments, debt securities, loans, deposits, borrowings and derivative instruments impact core net interest income. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and

maturity characteristics. These simulations do not include the impact of hedge ineffectiveness.

Management analyzes core net interest income forecasts utilizing different rate scenarios with the baseline utilizing market-based forward interest rates. Management frequently updates the core net interest income forecast for changing assumptions and differing outlooks based on economic trends and market conditions. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

We prepare forward-looking forecasts of core net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the static baseline forecast in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward monthly rates used in our respective baseline forecast at December 31, 2010 and 2009 are presented in the table below.

Table 53 Forward Rates

	December 31					
	2010			2009		
	Federal Funds	**Three-Month LIBOR**	**10-Year Swap**	Federal Funds	Three-Month LIBOR	10-Year Swap
Spot rates	**0.25%**	**0.30%**	**3.39%**	0.25%	0.25%	