BANK OF AMERICA CORP /DE/
Form 10-Q
May 07, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2009

or

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

EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:

1-6523

Exact Name of Registrant as Specified in its Charter:

Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:

Delaware

IRS Employer Identification Number:

56-0906609

Address of Principal Executive Offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant s telephone number, including area code:

(704) 386-5681

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

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

Yes ü No

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

Yes No

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

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

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

Yes No ü

On April 30, 2009, there were 6,402,966,457 shares of Bank of America Corporation Common Stock outstanding.

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Bank of America Corporation

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Part 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
Bank of America Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in millions, except per share information)	Three Months Ended March 31 2009	2008
Interest income		
Interest and fees on loans and leases	**$ 13,349**	$ 14,415
Interest on debt securities	**3,830**	2,774
Federal funds sold and securities borrowed or purchased under agreements to resell	**1,155**	1,208
Trading account assets	**2,428**	2,364
Other interest income	**1,394**	1,098
Total interest income	**22,156**	21,859
Interest expense		
Deposits	**2,543**	4,588
Short-term borrowings	**2,221**	4,142
Trading account liabilities	**579**	840
Long-term debt	**4,316**	2,298
Total interest expense	**9,659**	11,868
Net interest income	**12,497**	9,991
Noninterest income		
Card income	**2,865**	3,639
Service charges	**2,533**	2,397
Investment and brokerage services	**2,963**	1,340
Investment banking income	**1,055**	476
Equity investment income	**1,202**	1,054
Trading account profits (losses)	**5,201**	(1,783)
Mortgage banking income	**3,314**	451
Insurance income	**688**	197
Gains on sales of debt securities	**1,498**	225
Other income (loss) (includes **$371** of debt other-than-temporary-impairment losses for 2009)	**1,942**	(916)
Total noninterest income	**23,261**	7,080
Total revenue, net of interest expense	**35,758**	17,071
Provision for credit losses	**13,380**	6,010
Noninterest expense		
Personnel	**8,768**	4,726
Occupancy	**1,128**	849
Equipment	**622**	396
Marketing	**521**	637
Professional fees	**405**	285
Amortization of intangibles	**520**	446

Data processing		**648**		563
Telecommunications		**327**		260
Other general operating		**3,298**		931
Merger and restructuring charges		**765**		170
Total noninterest expense		**17,002**		9,263
Income before income taxes		**5,376**		1,798
Income tax expense		**1,129**		588
Net income	**$**	**4,247**	$	1,210
Preferred stock dividends		**1,433**		190
Net income available to common shareholders	**$**	**2,814**	$	1,020
Per common share information				
Earnings	**$**	**0.44**	$	0.23
Diluted earnings		**0.44**		0.23
Dividends paid		**0.01**		0.64
Average common shares issued and outstanding (in thousands)		**6,370,815**		4,427,823
Average diluted common shares issued and outstanding (in thousands)		**6,431,027**		4,461,201

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in millions)	**March 31 2009**	December 31 2008
Assets		
Cash and cash equivalents	**$ 173,460**	$ 32,857
Time deposits placed and other short-term investments	**23,947**	9,570
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$45,342** and $2,330 measured at fair value and **$153,044** and $82,099 pledged as collateral)	**153,230**	82,478
Trading account assets (includes **$74,662** and $69,348 pledged as collateral)	**203,131**	159,522
Derivative assets	**137,311**	62,252
Debt securities:		
Available-for-sale (includes **$127,234** and $158,939 pledged as collateral)	**254,194**	276,904
Held-to-maturity, at cost (fair value - **$6,563** and $685)	**8,444**	685
Total debt securities	**262,638**	277,589
Loans and leases (includes **$7,355** and $5,413 measured at fair value and **$196,152** and $166,891 pledged as collateral)	**977,008**	931,446
Allowance for loan and lease losses	**(29,048)**	(23,071)
Loans and leases, net of allowance	**947,960**	908,375
Premises and equipment, net	**15,549**	13,161
Mortgage servicing rights (includes **$14,096** and $12,733 measured at fair value)	**14,425**	13,056
Goodwill	**86,910**	81,934
Intangible assets	**13,703**	8,535
Loans held-for-sale (includes **$26,230** and $18,964 measured at fair value)	**40,214**	31,454
Other assets (includes **$40,926** and $29,906 measured at fair value)	**249,485**	137,160
Total assets	**$ 2,321,963**	$ 1,817,943
Liabilities		
Deposits in domestic offices:		
Noninterest-bearing	**$ 233,902**	$ 213,994
Interest-bearing (includes **$1,682** and $1,717 measured at fair value)	**639,616**	576,938
Deposits in foreign offices:		
Noninterest-bearing	**4,133**	4,004
Interest-bearing	**75,857**	88,061
Total deposits	**953,508**	882,997
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$27,400** measured at fair value at March 31, 2009)	**246,734**	206,598
Trading account liabilities	**52,993**	57,287
Derivative liabilities	**76,582**	30,709
Commercial paper and other short-term borrowings (includes **$946** measured at fair value at March 31, 2009)	**185,816**	158,056
Accrued expenses and other liabilities (includes **$10,575** and $1,978 measured at fair value and **$1,357** and $421 of reserve for unfunded lending commitments)	**126,030**	36,952
Long-term debt (includes **$36,169** measured at fair value at March 31, 2009)	**440,751**	268,292

Total liabilities	**2,082,414**	1,640,891
Commitments and contingencies (*Note 9 - Variable Interest Entities* and *Note 12 Commitments and Contingencies*)		
Shareholders equity		
Preferred stock, $0.01 par value; authorized - 100,000,000 shares; issued and outstanding **9,778,142** and 8,202,042 shares	**73,277**	37,701
Common stock and additional paid-in capital, $0.01 par value; authorized **10,000,000,000** shares; issued and outstanding **6,400,949,995** and 5,017,435,592 shares	**100,864**	76,766
Retained earnings	**76,877**	73,823
Accumulated other comprehensive income (loss)	**(11,164)**	(10,825)
Other	**(305)**	(413)
Total shareholders equity	**239,549**	177,052
Total liabilities and shareholders equity	**$ 2,321,963**	$ 1,817,943

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Changes in Shareholders Equity

(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital Shares	Common Stock and Additional Paid-in Capital Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (1)	Other	Total Shareholders Equity	Comprehensive Income
Balance, December 31, 2007	$ 4,409	4,437,885	$ 60,328	$ 81,393	$ 1,129	$ (456)	$ 146,803	
Net income				1,210			1,210	$ 1,210
Net changes in available-for-sale debt and marketable equity securities					(1,735)		(1,735)	(1,735)
Net changes in foreign currency translation adjustments					20		20	20
Net changes in derivatives					(316)		(316)	(316)
Employee benefit plan adjustments					18		18	18
Dividends paid:								
Common				(2,859)			(2,859)	
Preferred				(190)			(190)	
Issuance of preferred stock	12,897						12,897	
Common stock issued under employee plans and related tax effects		14,925	752			(291)	461	
Balance, March 31, 2008	$ 17,306	4,452,810	$ 61,080	$ 79,554	$ (884)	$ (747)	$ 156,309	$ (803)
Balance, December 31, 2008	**$ 37,701**	**5,017,436**	**$ 76,766**	**$ 73,823**	**$ (10,825)**	**$ (413)**	**$ 177,052**	
Cumulative adjustment for accounting change Other-than-temporary impairments on debt securities (2)				**71**	**(71)**		**-**	
Net income				**4,247**			**4,247**	**$ 4,247**
Net changes in available-for-sale debt and marketable equity securities					**(811)**		**(811)**	**(811)**
Net changes in foreign currency translation adjustments					**66**		**66**	**66**
Net changes in derivatives					**412**		**412**	**412**
Employee benefit plan adjustments					**65**		**65**	**65**
Dividends paid:								
Common				**(64)**			**(64)**	
Preferred (3)				**(1,033)**			**(1,033)**	
Issuance of preferred stock and stock warrants (4)	**26,800**		**3,200**				**30,000**	
Stock issued in acquisition	**8,605**	**1,375,476**	**20,504**				**29,109**	
Common stock issued under employee plans and related tax effects		**8,038**	**394**			**108**	**502**	
Other	**171**			**(167)**			**4**	
Balance, March 31, 2009	**$ 73,277**	**6,400,950**	**$ 100,864**	**$ 76,877**	**$ (11,164)**	**$ (305)**	**$ 239,549**	**$ 3,979**

(1) Amounts shown are net-of-tax. For additional information on accumulated OCI, see *Note 13 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

(2) Effective January 1, 2009, the Corporation early adopted FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2. Amounts shown are net-of-tax. For additional information on the adoption of this accounting pronouncement, see *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities* to the Consolidated Financial Statements.

(3) Excludes $233 million of first quarter 2009 cumulative preferred dividends not declared as of March 31, 2009 and $167 million of accretion of discounts on preferred stock issuances.

(4) Proceeds from the issuance of Series Q and Series R Preferred Stock were allocated to the preferred stock and warrants on a relative fair value basis. For more information, see *Note 13 Shareholders Equity and Earnings Per Common Share* to the Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Consolidated Statement of Cash Flows

	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Operating activities		
Net income	**$ 4,247**	$ 1,210
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**13,380**	6,010
Gains on sales of debt securities	**(1,498)**	(225)
Depreciation and premises improvements amortization	**578**	328
Amortization of intangibles	**520**	446
Deferred income tax (benefit) expense	**486**	(1,041)
Net decrease (increase) in trading and derivative instruments	**27,119**	(16,061)
Net decrease (increase) in other assets	**28,304**	(13,350)
Net (decrease) increase in accrued expenses and other liabilities	**(10,870)**	12,606
Other operating activities, net	**(7,469)**	6,245
Net cash provided by (used in) operating activities	**54,797**	(3,832)
Investing activities		
Net decrease in time deposits placed and other short-term investments	**19,336**	2,966
Net decrease in federal funds sold and securities borrowed or purchased under agreements to resell	**68,072**	9,263
Proceeds from sales of available-for-sale debt securities	**53,309**	26,477
Proceeds from paydowns and maturities of available-for-sale debt securities	**13,871**	5,194
Purchases of available-for-sale debt securities	**(6,576)**	(35,134)
Proceeds from maturities of held-to-maturity debt securities	**280**	46
Purchases of held-to-maturity debt securities	**(8)**	(460)
Proceeds from sales of loans and leases	**565**	16,245
Other changes in loans and leases, net	**(6,636)**	(21,443)
Net purchases of premises and equipment	**(531)**	(431)
Proceeds from sales of foreclosed properties	**417**	33
Cash received upon acquisition, net	**31,804**	-
Other investing activities, net	**2,708**	(953)
Net cash provided by investing activities	**176,611**	1,803
Financing activities		
Net decrease in deposits	**(27,596)**	(8,108)
Net decrease in federal funds purchased and securities loaned or sold under agreements to repurchase	**(71,444)**	(1,697)
Net decrease in commercial paper and other short-term borrowings	**(10,135)**	(233)
Proceeds from issuance of long-term debt	**24,246**	7,774
Retirement of long-term debt	**(34,711)**	(7,618)
Proceeds from issuance of preferred stock	**30,000**	12,897
Proceeds from issuance of common stock	**-**	46
Cash dividends paid	**(1,097)**	(3,049)
Excess tax benefits of share-based payments	**-**	16
Other financing activities, net	**11**	(6)
Net cash (used in) provided by financing activities	**(90,726)**	22
Effect of exchange rate changes on cash and cash equivalents	**(79)**	(12)
Net increase (decrease) in cash and cash equivalents	**140,603**	(2,019)
Cash and cash equivalents at January 1	**32,857**	42,531
Cash and cash equivalents at March 31	**$ 173,460**	$ 40,512

During the three months ended March 31, 2009 the Corporation transferred credit card loans of $8.5 billion and the related allowance for loan and lease losses of $750 million in exchange for a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. credit card securitization trust and retained by the Corporation.

During the three months ended March 31, 2009 the Corporation transferred $1.7 billion of auction rate securities from trading account assets to AFS debt securities.

The fair values of noncash assets acquired and liabilities assumed in the Merrill Lynch acquisition were $619.0 billion and $626.7 billion.

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

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries

Notes to Consolidated Financial Statements

On January 1, 2009, Bank of America Corporation and its subsidiaries (the Corporation) acquired all of the outstanding shares of Merrill Lynch & Co., Inc. (Merrill Lynch) through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion. On July 1, 2008, the Corporation acquired all of the outstanding shares of Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation in exchange for common stock with a value of $4.2 billion. Consequently, Merrill Lynch s and Countrywide s results of operations were included in the Corporation s results from their dates of acquisition. For more information related to the Merrill Lynch and Countrywide acquisitions, see *Note 2 Merger and Restructuring Activity.*

The Corporation, through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At March 31, 2009, the Corporation operated its banking activities primarily under three charters: Bank of America, National Association (Bank of America, N.A.), FIA Card Services, N.A. and Countrywide Bank, FSB. In addition with the acquisition of Merrill Lynch we acquired Merrill Lynch Bank USA and Merrill Lynch Bank & Trust Co., FSB. Effective April 27, 2009, Countrywide Bank, FSB merged into Bank of America, N.A. This merger had no impact on the Consolidated Financial Statements of the Corporation.

NOTE 1 Summary of Significant Accounting Principles

Principles of Consolidation and Basis of Presentation

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

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

These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Corporation s 2008 Annual Report on Form 10-K. The nature of the Corporation s business is such that the results of any interim period are not necessarily indicative of results for a full year. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made. Certain prior period amounts have been reclassified to conform to current period presentation.

Recently Proposed and Issued Accounting Pronouncements

On April 9, 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurement guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). In addition, FSP FAS 157-4 requires enhanced disclosures regarding financial assets and liabilities that are recorded at fair value. The Corporation elected to early adopt FSP FAS 157-4 effective January 1, 2009 and the adoption did not have a material impact on the Corporation s financial condition and results of operations. The enhanced disclosures related to FSP FAS 157-4 are included in *Note 16 Fair Value Disclosures*.

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On April 9, 2009, the FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2). This FSP requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income (OCI) when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. FSP FAS 115-2 also requires expanded disclosures. The Corporation elected to early adopt FSP FAS 115-2 effective January 1, 2009, resulting in a reduction in other-than-temporary impairment charges recorded in earnings of $277 million, pre-tax, during the first quarter of 2009 and recorded a cumulative-effect adjustment to reclassify $71 million, net-of-tax, from retained earnings to accumulated OCI as of January 1, 2009. FSP FAS 115-2 does not change the recognition of other-than-temporary impairment for equity securities. The expanded disclosures related to FSP FAS 115-2 are included in *Note 5 Securities*.

On April 9, 2009, the FASB issued FSP No. FAS 107-1 and APB Opinion 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1). FSP FAS 107-1 requires expanded disclosures for all financial instruments as defined by FAS 107 such as loans that are not measured at fair value through earnings. The expanded disclosure requirements for FSP FAS 107-1 are effective for the Corporation s quarterly financial statements for the three months ended June 30, 2009. The adoption of FSP FAS 107-1 will not impact the Corporation s financial condition and results of operations.

On April 1, 2009, the FASB issued FSP No. FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP FAS 141R-1) whereby assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing accounting guidance. FSP FAS 141R-1 is effective for new acquisitions consummated on or after January 1, 2009. The Corporation applied FSP FAS 141R-1 to its January 1, 2009 acquisition of Merrill Lynch. See *Note 2 Merger and Restructuring Activity* for more information on FSP FAS 141R-1.

On September 15, 2008 the FASB released exposure drafts which would amend SFAS No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS 140) and FASB Interpretation (FIN) No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R). As written, the proposed amendments would, among other things, eliminate the concept of a qualifying special purpose entity (QSPE) and change the standards for consolidation of VIEs. The changes would be effective for both existing and newly-created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Consolidated Balance Sheet of the Corporation (e.g., credit card securitization trusts and certain mortgage securitizations). Management is continuing to evaluate the impact the exposure drafts would have on the Corporation s financial condition and results of operations if adopted as written.

On January 1, 2009, the Corporation adopted FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that should be included in computing earnings per share (EPS) using the two-class method under SFAS No. 128, Earnings Per Share. Additionally, all prior-period EPS data was adjusted retrospectively. The adoption did not have a material impact on the Corporation s financial condition and results of operations.

On January 1, 2009, the Corporation adopted SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation s financial position, financial performance and cash flows. The adoption of SFAS 161 did not impact the Corporation s financial condition and results of operations. The expanded disclosures related to SFAS 161 are included in *Note 4 Derivatives*.

On January 1, 2009, the Corporation adopted FSP No. FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. The adoption of FSP 140-3 did not have a material impact on the Corporation s financial condition and results of operations.

On January 1, 2009, the Corporation adopted SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition-date fair value. In addition, SFAS 141R requires the expensing of acquisition-related

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transaction and restructuring costs, and certain contingent acquired assets and liabilities, as well as contingent consideration, to be recognized at fair value. SFAS 141R also modifies the accounting for certain acquired income tax assets and liabilities. The Corporation applied SFAS 141R to its January 1, 2009 acquisition of Merrill Lynch. See *Note 2 Merger and Restructuring Activity* for more information on SFAS 141R.

On January 1, 2009, the Corporation adopted SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e., minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. The adoption of SFAS 160 did not have a material impact on the Corporation s financial condition and results of operations.

NOTE 2 Merger and Restructuring Activity

Merrill Lynch

On January 1, 2009, the Corporation acquired Merrill Lynch through its merger with a subsidiary of the Corporation in exchange for common and preferred stock with a value of $29.1 billion, creating a financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. Under the terms of the merger agreement, Merrill Lynch common shareholders received 0.8595 of a share of Bank of America Corporation common stock in exchange for each share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially similar terms. Merrill Lynch convertible preferred stock remains outstanding and is convertible into Bank of America common stock at an equivalent exchange ratio. With the acquisition, the Corporation has one of the largest wealth management businesses in the world with approximately 15,800 financial advisors and more than $1.7 trillion in client assets. Global investment management capabilities include an economic ownership of approximately 50 percent in BlackRock, Inc. (BlackRock), a publicly traded investment management company. In addition, the acquisition adds strengths in debt and equity underwriting, sales and trading, and merger and acquisition advice, creating significant opportunities to deepen relationships with corporate and institutional clients around the globe. Merrill Lynch s results of operations were included in the Corporation s results beginning January 1, 2009.

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The Merrill Lynch merger is being accounted for under the acquisition method of accounting in accordance with SFAS 141R. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities based on their estimated fair values at the Merrill Lynch acquisition date as summarized in the following table. Preliminary goodwill of $5.0 billion is calculated as the purchase premium after adjusting for the fair value of net assets acquired and represents the value expected from the synergies created from combining the Merrill Lynch wealth management and corporate and investment banking businesses with the Corporation s capabilities in consumer and commercial banking as well as the economies of scale expected from combining the operations of the two companies. The allocation of the purchase price will be finalized upon completion of the analysis of the fair values of Merrill Lynch s assets and liabilities.

Merrill Lynch Preliminary Purchase Price Allocation

(Dollars in billions, except per share amounts)

Purchase price	
Merrill Lynch common shares exchanged (in millions)	**1,600**
Exchange ratio	0.8595
The Corporation s common shares issued (in millions)	1,375
Purchase price per share of the Corporation s common stock[(1)]	$ 14.08
Total value of the Corporation s common stock and cash exchanged for fractional shares	$ 19.4
Merrill Lynch preferred stock [(2)]	8.6
Fair value of outstanding employee stock awards	1.1
Total purchase price	**29.1**
Preliminary allocation of the purchase price	
Merrill Lynch stockholders equity	19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Derivatives and securities	(1.1)
Loans	(6.4)
Intangible assets [(3)]	5.7
Other assets	(1.4)
Long-term debt	15.5
Pre-tax total adjustments	12.3
Deferred income taxes	(5.5)
After-tax total adjustments	6.8
Fair value of net assets acquired	24.1
Preliminary goodwill resulting from the Merrill Lynch merger [(4)]	**$ 5.0**

(1) The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of the Corporation s common stock at December 31, 2008, the last trading day prior to the date of acquisition.

(2) Represents Merrill Lynch s preferred stock exchanged for Bank of America preferred stock having substantially similar terms and also includes $1.5 billion of convertible preferred stock.

(3) Consists of trade name of $1.2 billion and customer relationship and core deposit intangibles of $4.5 billion. The amortization life is 10 years for the customer relationship and core deposit intangibles which will be primarily amortized on a straight-line basis.

(4)

No goodwill is expected to be deductible for federal income tax purposes. The goodwill was allocated to *Global Wealth & Investment Management* and *Global Markets.*

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Preliminary Condensed Statement of Net Assets Acquired

The following condensed statement of net assets acquired reflects the preliminary values assigned to Merrill Lynch s net assets as of the acquisition date.

(Dollars in billions)		January 1, 2009
Assets		
Federal funds sold and securities borrowed or purchased under agreements to resell	$	138.8
Trading account assets		87.9
Derivative assets		97.1
Investment securities		70.5
Loans and leases		55.6
Intangible assets		5.7
Other assets		195.2
Total assets	**$**	**650.8**
Liabilities		
Deposits	$	98.1
Federal funds purchased and securities loaned or sold under agreements to repurchase		111.6
Trading account liabilities		18.1
Derivative liabilities		72.0
Commercial paper and other short-term borrowings		37.9
Accrued expenses and other liabilities		99.6
Long-term debt		189.4
Total liabilities		**626.7**
Fair value of net assets acquired [(1)]	**$**	**24.1**

(1) The fair value of net assets acquired excludes preliminary goodwill resulting from the Merrill Lynch merger of $5.0 billion.

The fair value of net assets acquired includes preliminary fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. These fair value adjustments were determined using incremental spread impacts for credit and liquidity risk which are part of the rate used to discount contractual cash flows. However, the Corporation believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered impaired at the acquisition date and were not subject to the requirements of SOP 03-3. Receivables acquired that were not subject to the requirements of SOP 03-3 include non-impaired loans and customer receivables with a preliminary fair value and gross contractual amounts receivable of $152.2 billion and $159.8 billion at the time of acquisition. For more information on the SOP 03-3 portfolio, see *Note 6 Outstanding Loans and Leases*.

Contingencies

The fair value of net assets acquired includes certain contingent liabilities that were recorded as of the acquisition date. Merrill Lynch has been named as a defendant in various pending legal actions and proceedings arising in connection with its activities as a global diversified financial services institution. Some of these legal actions and proceedings include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. Due to the number of variables and assumptions involved in assessing the possible outcome of these legal actions, sufficient information does not exist to reasonably estimate the fair value of these contingent liabilities. As such, these contingences have been measured in accordance with SFAS No. 5, Accounting for Contingencies . For further information, see *Note 12 Commitments and Contingencies.*

In connection with the Merrill Lynch acquisition, on January 1, 2009, the Corporation recorded certain guarantees, primarily standby liquidity facilities and letters of credit, with a fair value of approximately $1.0 billion. At the time of acquisition the maximum amount that could be drawn from these guarantees ranged from $0 to approximately $20.0 billion.

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Countrywide

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for each share of Countrywide common stock. The acquisition of Countrywide significantly expanded the Corporation s mortgage originating and servicing capabilities, making it a leading mortgage originator and servicer. As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 107 million shares of the Corporation s common stock. Countrywide s results of operations were included in the Corporation s results beginning July 1, 2008.

LaSalle

On October 1, 2007, the Corporation acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. As part of the acquisition, ABN AMRO Bank N.V. (the seller) capitalized approximately $6.3 billion as equity of intercompany debt prior to the date of acquisition. With this acquisition, the Corporation significantly expanded its presence in metropolitan Chicago, Illinois and Michigan by adding LaSalle s commercial banking clients, retail customers and banking centers. LaSalle s results of operations were included in the Corporation s results beginning October 1, 2007.

U.S. Trust Corporation

On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. The Corporation allocated $1.7 billion to goodwill and $1.2 billion to intangible assets as part of the purchase price allocation. U.S. Trust Corporation s results of operations were included in the Corporation s results beginning July 1, 2007. The acquisition significantly increased the size and capabilities of the Corporation s wealth management business and positions it as one of the largest financial services companies managing private wealth in the U.S.

Unaudited Pro Forma Condensed Combined Financial Information

If the Merrill Lynch and Countrywide mergers had been completed on January 1, 2008, total revenue, net of interest expense would have been $21.4 billion, net income (loss) from continuing operations would have been $(1.4) billion, and basic and diluted earnings (loss) per common share would have been $(0.34) for the three months ended March 31, 2008. These results include the impact of amortizing certain purchase accounting adjustments such as intangible assets as well as fair value adjustments to loans, securities and issued debt. The pro forma financial information does not indicate the impact of possible business model changes nor does it consider any potential impacts of current market conditions or revenues, expense efficiencies, asset dispositions, share repurchases, or other factors. For the three months ended March 31, 2009, Merrill Lynch contributed $10.0 billion in revenue, net of interest expense, and $3.7 billion in net income before certain merger-related costs and revenue opportunities which were realized in legacy Bank of America legal entities.

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Merger and Restructuring Charges

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation, Merrill Lynch, Countrywide, LaSalle and U.S. Trust Corporation. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges.

(Dollars in millions)	Three Months Ended March 31 **2009** (1)	2008 (2)
Severance and employee-related charges	**$ 491**	$ 45
Systems integrations and related charges	**192**	90
Other	**82**	35
Total merger and restructuring charges	**$ 765**	$ 170

(1) Included for the three months ended March 31, 2009 are merger-related charges of $513 million, $193 million and $59 million related to the Merrill Lynch, Countrywide and LaSalle mergers, respectively.
(2) Included for the three months ended March 31, 2008 are merger-related charges of $129 million and $41 million related to the LaSalle and U.S. Trust Corporation mergers.

During the three months ended March 31, 2009, the $513 million merger-related charges for the Merrill Lynch acquisition included $432 million for severance and other employee-related costs, $38 million of system integration costs and $43 million in other merger-related costs.

Merger-related Exit Cost and Restructuring Reserves

The following table presents the changes in exit cost and restructuring reserves for the three months ended March 31, 2009 and 2008.

(Dollars in millions)	Exit Cost Reserves (1) **2009**	2008	Restructuring Reserves (2) **2009**	2008
Balance, January 1	**$ 523**	$ 377	**$ 86**	$ 108
Exit costs and restructuring charges:				
Merrill Lynch	**n/a**	n/a	**382**	-
Countrywide	**-**	-	**60**	-
LaSalle	**-**	87	**(1)**	31
U.S. Trust Corporation	**-**	-	**-**	13
Cash payments	**(192)**	(59)	**(135)**	(55)

Balance, March 31	**$ 331**	$ 405	**$ 392**	$ 97

(1) Exit cost reserves were established in purchase accounting resulting in an increase in goodwill.
(2) Restructuring reserves were established by a charge to merger and restructuring charges.
n/a = not applicable

As of December 31, 2008, there were $523 million of exit cost reserves related to the Countrywide, LaSalle and U.S. Trust Corporation acquisitions, including $347 million for severance, relocation and other employee-related costs and $176 million for contract terminations. During the three months ended March 31, 2009, there were no increases to the exit cost reserves. Cash payments of $192 million during the three months ended March 31, 2009 consisted of $122 million in severance, relocation and other employee-related costs and $70 million in contract terminations. Exit costs were not recorded in purchase accounting for the Merrill Lynch acquisition in accordance with SFAS 141R.

As of December 31, 2008, there were $86 million of restructuring reserves related to the Countrywide, LaSalle and U.S. Trust Corporation acquisitions related to severance and other employee-related costs. During the three months ended March 31, 2009, $441 million was added to the restructuring reserves related to severance and other employee-related costs

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primarily associated with the Merrill Lynch acquisition. Cash payments of $135 million during the three months ended March 31, 2009 were all related to severance and other employee-related costs.

Payments under exit cost and restructuring reserves associated with the U.S. Trust Corporation acquisition will be substantially completed in 2009 while payments associated with the LaSalle, Countrywide and Merrill Lynch acquisitions will continue into 2010.

NOTE 3 Trading Account Assets and Liabilities

The following table presents the fair values of the components of trading account assets and liabilities at March 31, 2009 and December 31, 2008.

(Dollars in millions)	**March 31 2009**	December 31 2008
Trading account assets		
U.S. government and agency securities [1]	**$ 76,575**	$ 84,660
Corporate securities, trading loans and other	**59,721**	34,056
Equity securities	**28,006**	20,258
Foreign sovereign debt	**18,647**	13,614
Mortgage trading loans and asset-backed securities	**20,182**	6,934
Total trading account assets	**$ 203,131**	$ 159,522
Trading account liabilities		
U.S. government and agency securities	**$ 23,643**	$ 32,850
Equity securities	**15,946**	12,128
Foreign sovereign debt	**7,985**	7,252
Corporate securities and other	**5,419**	5,057
Total trading account liabilities	**$ 52,993**	$ 57,287

[1] Includes $45.4 billion and $52.6 billion at March 31, 2009 and December 31, 2008 of government-sponsored enterprise obligations.

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NOTE 4 Derivatives

The Corporation designates derivatives as trading derivatives, economic hedges, or as derivatives used for SFAS 133 accounting purposes. For additional information on the Corporation s derivatives and hedging activities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

Derivative Balances

The Corporation enters into derivatives to facilitate client transactions, for proprietary trading purposes and to manage risk exposures. The following table identifies derivative instruments included on the Consolidated Balance Sheet in derivative assets and liabilities at March 31, 2009 and December 31, 2008. Balances are provided on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	March 31, 2009						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional (1)	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as SFAS 133 Hedging Instruments (2)	Total	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as SFAS 133 Hedging Instruments (2)	Total
Interest rate contracts							
Swaps	**$ 49,870.2**	**$ 1,815.4**	**$ 7.4**	**$ 1,822.8**	**$ 1,769.4**	**$ -**	**$ 1,769.4**
Futures and forwards	**8,961.3**	**10.2**	**-**	**10.2**	**10.3**	**-**	**10.3**
Written options	**2,858.9**	**0.1**	**-**	**0.1**	**107.7**	**-**	**107.7**
Purchased options	**2,818.2**	**112.4**	**-**	**112.4**	**0.7**	**-**	**0.7**
Foreign exchange contracts							
Swaps	**647.2**	**28.2**	**4.1**	**32.3**	**38.0**	**1.1**	**39.1**
Spot, futures and forwards	**2,042.6**	**50.5**	**0.2**	**50.7**	**50.3**	**-**	**50.3**
Written options	**626.2**	**-**	**-**	**-**	**29.5**	**-**	**29.5**
Purchased options	**612.6**	**30.9**	**-**	**30.9**	**-**	**-**	**-**
Equity contracts							
Swaps	**58.3**	**4.1**	**-**	**4.1**	**2.5**	**-**	**2.5**
Futures and forwards	**1,062.0**	**6.3**	**-**	**6.3**	**5.1**	**-**	**5.1**
Written options	**602.6**	**4.8**	**-**	**4.8**	**69.4**	**-**	**69.4**
Purchased options	**380.1**	**55.8**	**-**	**55.8**	**2.7**	**0.2**	**2.9**
Commodity contracts							
Swaps	**122.0**	**37.8**	**0.1**	**37.9**	**34.7**	**0.1**	**34.8**
Futures and forwards	**1,501.5**	**12.0**	**0.1**	**12.1**	**11.5**	**-**	**11.5**

Written options	**68.6**	**-**	**-**	**-**	**14.3**	**-**	**14.3**
Purchased options	**140.4**	**14.7**	**-**	**14.7**	**-**	**-**	**-**
Credit derivatives							
Purchased protection:							
Credit default swaps	**2,825.1**	**356.0**	**-**	**356.0**	**9.3**	**-**	**9.3**
Total return swaps/other	**22.9**	**3.0**	**-**	**3.0**	**0.1**	**-**	**0.1**
Written protection:							
Credit default swaps	**2,773.4**	**10.6**	**-**	**10.6**	**351.0**	**-**	**351.0**
Total return swaps/other	**42.4**	**0.4**	**-**	**0.4**	**11.2**	**-**	**11.2**
Gross derivative assets/liabilities		**$ 2,553.2**	**$ 11.9**	**2,565.1**	**$ 2,517.7**	**$ 1.4**	**2,519.1**
Less: Legally enforceable master netting agreements				**(2,355.0)**			**(2,355.0)**
Less: Cash collateral applied				**(72.8)**			**(87.5)**
Total derivative assets/liabilities				**$ 137.3**			**$ 76.6**

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

(2) Excludes $2.8 billion of long-term debt designated as a hedge of foreign currency risk.

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	December 31, 2008						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional (1)	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as SFAS 133 Hedging Instruments (2)	Total	Derivatives Used in Trading Activities and as Economic Hedges	Derivatives Designated as SFAS 133 Hedging Instruments (2)	Total
Interest rate contracts							
Swaps	$ 26,577.4	$ 1,213.2	$ 2.2	$ 1,215.4	$ 1,186.0	$ -	$ 1,186.0
Futures and forwards	4,432.1	5.1	-	5.1	7.9	-	7.9
Written options	1,731.1	0.1	-	0.1	61.9	-	61.9
Purchased options	1,656.6	60.2	-	60.2	0.8	-	0.8
Foreign exchange contracts							
Swaps	438.9	17.5	3.6	21.1	20.5	1.3	21.8
Spot, futures and forwards	1,376.5	52.3	-	52.3	51.3	-	51.3
Written options	199.8	-	-	-	7.5	-	7.5
Purchased options	175.7	8.0	-	8.0	-	-	-
Equity contracts							
Swaps	34.7	1.8	-	1.8	1.0	-	1.0
Futures and forwards	14.1	0.3	-	0.3	0.1	-	0.1
Written options	214.1	5.2	-	5.2	28.7	-	28.7
Purchased options	217.5	27.4	-	27.4	2.9	0.1	3.0
Commodity contracts							
Swaps	2.1	2.4	-	2.4	2.1	-	2.1
Futures and forwards	9.6	1.2	-	1.2	1.0	-	1.0
Written options	17.6	-	-	-	3.8	-	3.8
Purchased options	15.6	3.7	-	3.7	-	-	-
Credit derivatives							
Purchased protection:							
Credit default swaps	1,025.9	125.7	-	125.7	3.4	-	3.4
Total return swaps	6.6	1.8	-	1.8	0.2		0.2
Written protection:							
Credit default swaps	1,000.0	3.4	-	3.4	118.8	-	118.8
Total return swaps	6.2	0.4	-	0.4	0.1	-	0.1
Gross derivative assets/liabilities		$ 1,529.7	$ 5.8	1,535.5	$ 1,498.0	$ 1.4	1,499.4
Less: Legally enforceable master netting agreements				(1,438.4)			(1,438.4)
Less: Cash collateral applied				(34.8)			(30.3)
Total derivative assets/liabilities				$ 62.3			$ 30.7

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

(2) Excludes $2.0 billion of long-term debt designated as a hedge of foreign currency risk.

ALM and Risk Management Derivatives

The Corporation s ALM and risk management activities include the use of derivatives to mitigate risk to the Corporation including both derivatives that are designated as SFAS 133 accounting hedges and economic hedges. Interest rate, commodity, credit and foreign exchange contracts are utilized in the Corporation s ALM and risk management activities.

The Corporation maintains an overall interest rate risk management strategy that incorporates the use of interest rate contracts to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation s goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. As a result of interest rate fluctuations hedged fixed-rate assets and liabilities appreciate or depreciate in market value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Interest rate contracts, which are generally non-leveraged generic interest rate and basis swaps, options and futures, allow the Corporation to manage its interest rate risk position. Non-leveraged generic interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments based on the contractual underlying notional amount. Basis

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swaps involve the exchange of interest payments based on the contractual underlying notional amounts, where both the pay rate and the receive rate are floating rates based on different indices. Option products primarily consist of caps, floors and swaptions. Futures contracts used for the Corporation s ALM activities are primarily index futures providing for cash payments based upon the movements of an underlying rate index.

Interest rate and market risk can be substantial in the mortgage business. To hedge interest rate risk in mortgage banking production income the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and euro-dollar futures as economic hedges of the fair value of mortgage servicing rights. For additional information on mortgage servicing rights, see *Note 17 Mortgage Servicing Rights*.

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

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

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

Derivatives Designated as SFAS 133 Hedging Instruments

The Corporation uses various types of interest rate, commodity and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates, exchange rates and commodity prices (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). The Corporation hedges its net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward exchange contracts that typically settle in 90 days as well as by issuing foreign-denominated debt.

The following table summarizes certain information related to the Corporation s fair value derivative hedges accounted for under SFAS 133 for the three months ended March 31, 2009 and 2008.

	Amounts Recognized in Income for the Three Months Ended					
	March 31, 2009			March 31, 2008		
(Dollars in millions)	**Derivative**	**Hedged Item**	**Hedge Ineffectiveness**	Derivative	Hedged Item	Hedge Ineffectiveness
SFAS 133 fair value hedges						
Interest rate risk on long-term borrowings [1]	**$ (921)**	**$ 805**	**$ (116)**	$ 1,360	$ (1,309)	$ 51

Interest rate and foreign currency risk on long-term borrowings [1]	**(743)**	**759**	**16**	2,253	(2,243)	10
Commodity price risk on commodity inventory [2]	**56**	**(58)**	**(2)**	n/a	n/a	n/a
Total	**$ (1,608)**	**$ 1,506**	**$ (102)**	$ 3,613	$ (3,552)	$ 61

(1) Amounts are recorded in interest expense on long-term debt.
(2) Amounts are recorded in trading account profits (losses).
n/a = not applicable

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The following table summarizes certain information related to the Corporation s cash flow and net investment hedges accounted for under SFAS 133 for the three months ended March 31, 2009 and 2008. During the next 12 months, net losses in accumulated OCI of approximately $814 million ($514 million after-tax) on derivative instruments that qualified as cash flow hedges under SFAS 133 are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

	Three Months Ended March 31					
	2009			2008		
(Dollars in millions)	**Amounts Recognized in OCI on Derivatives**	**Amounts Reclassified from OCI into Income**	**Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing (1)**	Amounts Recognized in OCI on Derivatives	Amounts Reclassified from OCI into Income	Hedge Ineffectiveness and Amount Excluded from Effectiveness Testing (1)
SFAS 133 cash flow hedges						
Interest rate risk on variable rate portfolios (2, 3, 4)	**$ 149**	**$ (409)**	**$ 4**	$ (691)	$ (278)	$ (3)
Commodity price risk on forecasted purchases and sales (5)	**48**	**3**	**-**	n/a	n/a	n/a
Price risk on equity investments included in available-for-sale securities	**(44)**	**-**	**-**	(68)	-	-
Total	**$ 153**	**$ (406)**	**$ 4**	$ (759)	$ (278)	$ (3)
Net investment hedges						
Foreign exchange risk (6)	**$ 1,016**	**$ -**	**$ (80)**	$ 54	$ -	$ (26)

(1) Amounts related to SFAS 133 cash flow hedges represent hedge ineffectiveness and amounts related to net investment hedges represent amounts excluded from effectiveness testing.

(2) Losses reclassified from OCI reduced interest income on assets by $42 million and $101 million and increased interest expense $367 million and $177 million during the three months ended March 31, 2009 and 2008 respectively.

(3) Hedge ineffectiveness of $4 million and $0 were recorded in interest income and $0 and $(3) million were recorded in interest expense during the three months ended March 31, 2009 and 2008, respectively.

(4) Amounts recognized in OCI on derivatives excludes amounts related to terminated hedges of available-for-sale securities of $71 million and $39 million for the three months ended March 31, 2009 and 2008.

(5) Gains (losses) reclassified from OCI into income were recorded in trading account profits (losses).

(6) Amounts recognized in OCI on derivatives excludes $33 million related to long-term debt designated as a net investment hedge for the three months ended March 31, 2009.

n/a = not applicable

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Economic Hedges

Derivatives designated as economic hedges are used by the Corporation to reduce certain risk exposure but are not accounted for as qualifying SFAS 133 hedges. The following table presents gains (losses) on these derivatives for the three months ended March 31, 2009 and 2008. These gains (losses) are partially offset by the income or expense that is recorded on the economic hedged item.

	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Price risk on mortgage banking production income [1, 2]	**$ 2,255**	$ 44
Interest rate risk on mortgage banking servicing income [1]	**211**	266
Credit risk on loans and leases [3]	**70**	338
Interest rate and foreign currency risk on long-term borrowings and other foreign exchange transactions [3]	**(1,330)**	2,208
Other [3]	**15**	62
Total	**$ 1,221**	$ 2,918

(1) Gains (losses) on these derivatives are recorded in mortgage banking income.
(2) Includes gain on interest rate lock commitments related to the origination of mortgage loans that will be held for sale, which are considered derivative instruments, of $2.5 billion and $57 million for the three months ended March 31, 2009 and 2008.
(3) Gains (losses) on these derivatives are recorded in other income.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for proprietary trading purposes, and to manage risk exposures arising from trading assets and liabilities. It is the Corporation s policy to include these derivative instruments in its trading activities which includes derivative and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of our *Global Markets* business segment. The related sales and trading revenue generated within *Global Markets* is recorded on different income statement line items including trading account profits (losses) and net interest income as well as other revenue categories. The vast majority of income related to derivative instruments is recorded in trading account profits (losses). The following table identifies the amounts in the income statement line items attributable to trading activities including both derivative and non-derivative cash instruments categorized by primary risk for the three months ended March 31, 2009 and 2008.

Three Months Ended March 31

	2009				2008			
(Dollars in millions)	**Trading Account Profits**	**Other Revenues (1)**	**Net Interest Income**	**Total**	Trading Account Profits (Losses)	Other Revenues (1)	Net Interest Income	Total
Interest rate risk	**$ 2,792**	**$ 6**	**$ 311**	**$ 3,109**	$ 352	$ 11	$ 1	$ 364
Foreign exchange risk	**452**	**-**	**(8)**	**444**	326	-	7	333
Equity risk	**785**	**564**	**53**	**1,402**	2	206	91	299
Commodity risk	**663**	**(67)**	**(60)**	**536**	8	-	1	9
Credit risk	**191**	**(1,216)**	**1,432**	**407**	(2,281)	(1,235)	927	(2,589)
Other risk	**36**	**48**	**(81)**	**3**	(9)	21	9	21
Total sales and trading revenue	**4,919**	**(665)**	**1,647**	**5,901**	(1,602)	(997)	1,036	(1,563)
Non-sales and trading related revenue (2)	**282**	**n/a**	**n/a**	**282**	(181)	n/a	n/a	(181)
Total	**$ 5,201**	**$ (665)**	**$ 1,647**	**$ 6,183**	$ (1,783)	$ (997)	$ 1,036	$ (1,744)

(1) Represents investment and brokerage services and other income that is recorded in *Global Markets* that the Corporation includes in its definition of sales and trading revenue.
(2) Includes certain trading account profits (losses) that are not included in *Global Markets*.

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Credit Derivatives

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

Credit derivative instruments in which the Corporation is the seller of credit protection and their expiration at March 31, 2009 and December 31, 2008 are summarized as follows. These instruments have been classified as investment and non-investment grade based on the credit quality of the underlying reference obligation.

	March 31, 2009				
	Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade [1]	$ 2,763	$ 22,614	$ 64,078	$ 68,483	$ 157,938
Non-investment grade [2]	6,014	39,499	75,995	71,554	193,062
Total	8,777	62,113	140,073	140,037	351,000
Total return swaps/other:					
Investment grade [1]	18	505	235	3,826	4,584
Non-investment grade [2]	60	192	519	5,859	6,630
Total	78	697	754	9,685	11,214
Total credit derivatives	$ 8,855	$ 62,810	$ 140,827	$ 149,722	$ 362,214
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade [1]	$ 106,872	$ 321,023	$ 872,816	$ 545,709	$ 1,846,420
Non-investment grade [2]	78,168	229,527	326,543	292,722	926,960
Total	185,040	550,550	1,199,359	838,431	2,773,380

Total return swaps/other:					
Investment grade [1]	**1,271**	**1,885**	**1,653**	**13,184**	**17,993**
Non-investment grade [2]	**623**	**883**	**1,067**	**21,808**	**24,381**
Total	**1,894**	**2,768**	**2,720**	**34,992**	**42,374**
Total credit derivatives	**$ 186,934**	**$ 553,318**	**$ 1,202,079**	**$ 873,423**	**$ 2,815,754**

	December 31, 2008				
	Carrying Value				
(Dollars in millions)	Less than One Year	One to Three Years	Three to Five Years	Over Five Years	Total
Credit default swaps:					
Investment grade [1]	$ 1,039	$ 13,062	$ 32,594	$ 29,153	$ 75,848
Non-investment grade [2]	1,483	9,222	19,243	13,012	42,960
Total	2,522	22,284	51,837	42,165	118,808
Total return swaps/other:					
Investment grade [1]	-	-	-	-	-
Non-investment grade [2]	36	8	-	13	57
Total	36	8	-	13	57
Total credit derivatives	$ 2,558	$ 22,292	$ 51,837	$ 42,178	$ 118,865
	Maximum Payout/Notional				
Credit default swaps:					
Investment grade [1]	$ 49,535	$ 169,508	$ 395,768	$ 187,075	$ 801,886
Non-investment grade [2]	17,217	48,829	89,650	42,452	198,148
Total	66,752	218,337	485,418	229,527	1,000,034
Total return swaps/other:					
Investment grade [1]	-	-	-	-	-
Non-investment grade [2]	1,178	628	37	4,360	6,203
Total	1,178	628	37	4,360	6,203
Total credit derivatives	$ 67,930	$ 218,965	$ 485,455	$ 233,887	$ 1,006,237

[1] The Corporation considers ratings of BBB- or higher as meeting the definition of investment grade.

[2] Includes non-rated credit derivative instruments.

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

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional value of written credit protection for which the Corporation held purchased protection with identical underlying referenced names at March 31, 2009 was $307.2 billion and $2.4 trillion compared to $92.4 billion and $819.4 billion at December 31, 2008.

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Credit Risk Management of Derivatives and Credit-related Contingent Features

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

Substantially all of the Corporation s derivative contracts contain credit risk-related contingent features, primarily in the form of International Swaps and Derivatives Association, Inc. (ISDA) master agreements that aid in enhancing the creditworthiness of these instruments as compared to other obligations of the respective counterparty with whom the Corporation has transacted (e.g., other debt or equity). These contingent features may be for the benefit of the Corporation, as well as its counterparties in respect to changes in the Corporation s creditworthiness. At March 31, 2009, the Corporation had received cash and securities collateral of $85.7 billion and posted cash and securities collateral of $105.4 billion in the normal course of business under derivative agreements.

The Corporation records counterparty credit risk valuation adjustments on certain derivatives assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty in accordance with SFAS 157. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. The Corporation considers collateral and legally enforceable master netting agreements that mitigate its credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments can be reversed or otherwise adjusted in future periods due to changes in the value of the derivative contract, collateral, and creditworthiness of the counterparty. During the three months ended March 31, 2009 and 2008, valuation adjustments of $185 million and $762 million were recognized as trading account losses for counterparty credit risk. At March 31, 2009, the cumulative counterparty credit risk valuation adjustment that was netted against the derivative asset balance was $13.5 billion.

In addition, the fair value of the Corporation or its subsidiaries derivative liabilities is adjusted to reflect the impact of the Corporation s credit quality. During the three months ended March 31, 2009 and 2008, valuation adjustments of $1.7 billion and $153 million were recognized as trading account profits for changes in the Corporation or its subsidiaries credit risk. At March 31, 2009, the Corporation s cumulative credit risk valuation adjustment that was netted against the derivative liabilities balance was $3.2 billion.

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NOTE 5 Securities

The amortized cost, gross unrealized gains and losses, and fair value of AFS debt and marketable equity securities at March 31, 2009 and December 31, 2008 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, March 31, 2009				
U.S. Treasury securities and agency debentures	**$ 4,353**	**$ 249**	**$ (9)**	**$ 4,593**
Mortgage-backed securities:				
Agency MBSs	**136,194**	**3,116**	**(130)**	**139,180**
Agency collateralized mortgage obligations	**20,842**	**365**	**(51)**	**21,156**
Non-agency MBSs	**58,129**	**1,649**	**(10,941)**	**48,837**
Foreign securities	**5,363**	**5**	**(940)**	**4,428**
Corporate/Agency bonds	**5,588**	**37**	**(1,142)**	**4,483**
Other taxable securities [1]	**22,539**	**61**	**(653)**	**21,947**
Total taxable securities	**253,008**	**5,482**	**(13,866)**	**244,624**
Tax-exempt securities	**10,142**	**83**	**(655)**	**9,570**
Total available-for-sale debt securities	**$ 263,150**	**$ 5,565**	**$ (14,521)**	**$ 254,194**
Available-for-sale marketable equity securities [2]	**$ 17,456**	**$ 5,705**	**$ (1,340)**	**$ 21,821**
Available-for-sale debt securities, December 31, 2008				
U.S. Treasury securities and agency debentures	$ 4,540	$ 121	$ (14)	$ 4,647
Mortgage-backed securities:				
Agency MBSs	191,913	3,064	(146)	194,831
Non-agency MBSs	43,224	860	(9,337)	34,747
Foreign securities	5,675	6	(678)	5,003
Corporate/Agency bonds	5,560	31	(1,022)	4,569
Other taxable securities [1]	24,832	11	(1,300)	23,543
Total taxable securities	275,744	4,093	(12,497)	267,340
Tax-exempt securities	10,501	44	(981)	9,564
Total available-for-sale debt securities	$ 286,245	$ 4,137	$ (13,478)	$ 276,904
Available-for-sale marketable equity securities [2]	$ 18,892	$ 7,717	$ (1,537)	$ 25,072

(1) Includes ABS.

(2) Represents those AFS marketable equity securities that are recorded in other assets on the Consolidated Balance Sheet. At March 31, 2009 and December 31, 2008, approximately $16.8 billion and $19.7 billion of the fair value balance, including $5.7 billion and $7.7 billion of unrealized gain on the restricted shares, represents China Construction Bank (CCB) shares.

At March 31, 2009, the amortized cost and fair value of held-to-maturity debt securities was $8.4 billion and $6.6 billion, which includes asset-backed securities that were issued by the Corporation s credit card securitization trust and retained by the Corporation with an amortized cost of $7.8 billion and a fair value of $5.9 billion. At December 31, 2008, both the amortized cost and fair value of held-to-maturity debt securities was $685 million. The accumulated net unrealized gains (losses) on AFS debt and marketable equity securities included in accumulated OCI were $(2.9) billion and $(2.0) billion, net of the related income tax expense (benefit) of $(1.7) billion and $(1.1) billion. At March 31, 2009 and December 31, 2008, the Corporation had nonperforming AFS debt securities of $270 million and $291 million.

The Corporation obtained certain securities as part of the Merrill acquisition with evidence of deterioration and for which it was probable that all contractually required payments would not be collected. The securities par value was approximately $6.6 billion and fair value was approximately $1.8 billion as of the merger date.

The Corporation adopted the provisions of FSP FAS 115-2 as of January 1, 2009. As prescribed by FSP FAS 115-2, for the three months ended March 31, 2009, the Corporation recognized the credit component of an other-than-temporary impairment of its debt securities in earnings and the noncredit component in OCI for those securities in which the Corporation does not intend to sell the security and it is more likely than not that the Corporation will not be required to sell the security prior to recovery. Had the Corporation not adopted FSP FAS 115-2, the Corporation would have recognized an additional $277 million, pre-tax, in other-than-temporary impairment charges during the three months ended March 31, 2009. In addition, $71 million, net-of-tax, of other-than-temporary impairment charges previously recorded through earnings were reclassified to OCI with an offset to retained earnings as a cumulative-effect adjustment.

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During the three months ended March 31, 2009, the Corporation recorded other-than-temporary impairment losses on AFS debt securities as follows:

(Dollars in millions)	Non-agency MBSs	CDOs [1]	Other	**Total**
Total other-than-temporary impairment losses (unrealized and realized)	$ (361)	$ (308)	$ (45)	**$ (714)**
Unrealized other-than-temporary impairment losses recognized in OCI [2]	343	-	-	**343**
Net impairment losses recognized in earnings [3]	$ (18)	$ (308)	$ (45)	**$ (371)**

[1] Includes CDOs and CDO related securities repurchased from liquidating vehicles.
[2] Represents the noncredit component impact of the other-than-temporary impairment on AFS debt securities.
[3] Represents the credit component of the other-than-temporary impairment on AFS debt securities.

Activity related to the credit component recognized in earnings on debt securities held by the Corporation for which a portion of other-than-temporary impairment was recognized in OCI for the three months ended March 31, 2009 is as follows:

(Dollars in millions)	**Total**
Balance, January 1, 2009	**$ -**
Credit component of other-than-temporary impairment not reclassified to OCI in conjunction with the cumulative effect transition adjustment [1]	**22**
Additions for the credit component on debt securities in which other-than-temporary impairment was not previously recognized	**18**
Balance, March 31, 2009	**$ 40**

[1] As of January 1, 2009, the Corporation had securities with $134 million of other-than-temporary impairment previously recognized in earnings of which $22 million represented the credit component and $112 million represented the noncredit component which was reclassified back to OCI through a cumulative-effect transition adjustment.

As of March 31, 2009, those debt securities with other-than-temporary impairment in which only the amount of loss related to credit was recognized in earnings consisted entirely of non-agency mortgage-backed securities. The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model. The Corporation estimates the cash flows of the underlying collateral using internal credit risk, interest rate and prepayment risk models that incorporate management s best estimate of current key assumptions, such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan, and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then uses a third party vendor to obtain information about the structure in order to determine how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on the impaired debt security are discounted using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value for the specific security.

The Corporation s discounted cash flow model utilizes relevant assumptions such as prepayment rate, default rate, and loss severity on a loan level basis. Based on the expected cash flows derived from the model, the Corporation expects to recover the remaining unrealized losses on non-agency mortgage-backed securities. Significant assumptions used in the valuation of non-agency mortgage-backed securities were as follows as of March 31, 2009.

		Range	
	Weighted average	**Minimum**	**Maximum**
Prepayment rates	**11.6** %	**1.5** %	**25.7** %
Default rates	**17.5**	**3.6**	**46.8**
Loss severity	**43**	**13**	**62**

During the three months ended March 31, 2009 and 2008, the Corporation recognized $326 million and $14 million of other-than-temporary impairment losses on AFS marketable equity securities.

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The following table presents the current fair value and the associated gross unrealized losses only on investments in securities with gross unrealized losses at March 31, 2009 and December 31, 2008 including debt securities for which a portion of other-than-temporary impairment has been recognized in OCI. The table also discloses whether these securities have had gross unrealized losses for less than twelve months, or for twelve months or longer.

	Less than twelve months		Twelve months or longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Temporarily-impaired available-for-sale debt securities as of March 31, 2009						
U.S. Treasury securities and agency debentures	**$ 321**	**$ (9)**	**$ -**	**$ -**	**$ 321**	**$ (9)**
Mortgage-backed securities:						
Agency MBSs	**4,764**	**(128)**	**222**	**(2)**	**4,986**	**(130)**
Agency collateralized mortgage obligations	**4,586**	**(51)**	**-**	**-**	**4,586**	**(51)**
Non-agency MBSs	**30,198**	**(7,102)**	**7,499**	**(3,496)**	**37,697**	**(10,598)**
Foreign securities	**942**	**(792)**	**1,933**	**(148)**	**2,875**	**(940)**
Corporate/Agency bonds	**2,364**	**(992)**	**891**	**(150)**	**3,255**	**(1,142)**
Other taxable securities	**10,881**	**(583)**	**505**	**(70)**	**11,386**	**(653)**
Total taxable securities	**54,056**	**(9,657)**	**11,050**	**(3,866)**	**65,106**	**(13,523)**
Tax-exempt securities	**1,203**	**(84)**	**6,200**	**(571)**	**7,403**	**(655)**
Total temporarily-impaired available-for-sale debt securities	**55,259**	**(9,741)**	**17,250**	**(4,437)**	**72,509**	**(14,178)**
Temporarily-impaired available-for-sale marketable equity securities	**4,077**	**(422)**	**1,109**	**(918)**	**5,186**	**(1,340)**
Total temporarily-impaired available-for-sale securities	**$ 59,336**	**$ (10,163)**	**$ 18,359**	**$ (5,355)**	**$ 77,695**	**$ (15,518)**
Other-than-temporarily impaired available-for-sale debt securities						
Mortgage-backed securities:						
Non-agency MBSs	**575**	**(159)**	**331**	**(184)**	**906**	**(343)**
Total temporarily-impaired and other-than-temporarily impaired available-for-sale securities	**$ 59,911**	**$ (10,322)**	**$ 18,690**	**$ (5,539)**	**$ 78,601**	**$ (15,861)**
Temporarily-impaired available-for-sale debt securities as of December 31, 2008						
U.S. Treasury securities and agency debentures	$ 306	$ (14)	$ -	$ -	$ 306	$ (14)
Mortgage-backed securities:						
Agency MBSs	2,282	(12)	7,508	(134)	9,790	(146)
Non-agency MBSs	20,068	(6,776)	4,141	(2,561)	24,209	(9,337)
Foreign securities	3,491	(562)	1,126	(116)	4,617	(678)
Corporate/Agency bonds	2,573	(934)	666	(88)	3,239	(1,022)
Other taxable securities	12,870	(1,077)	501	(223)	13,371	(1,300)
Total taxable securities	41,590	(9,375)	13,942	(3,122)	55,532	(12,497)
Tax-exempt securities	6,386	(682)	1,540	(299)	7,926	(981)
Total temporarily-impaired available-for-sale debt securities	47,976	(10,057)	15,482	(3,421)	63,458	(13,478)
Temporarily-impaired available-for-sale marketable equity securities	3,431	(499)	1,555	(1,038)	4,986	(1,537)
Total temporarily-impaired available-for-sale securities	$ 51,407	$ (10,556)	$ 17,037	$ (4,459)	$ 68,444	$ (15,015)

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At March 31, 2009, the amortized cost of approximately 16,000 AFS securities, including securities with other-than-temporary impairment in which a portion of the impairment remains in OCI, exceeded their fair value by $15.9 billion. Included in the $15.9 billion of gross unrealized losses on these AFS securities at March 31, 2009, was $10.3 billion of gross unrealized losses that have existed for less than twelve months and $5.5 billion of gross unrealized losses that have existed for a period of twelve months or longer. Of the gross unrealized losses existing for twelve months or more, $3.7 billion, or 66 percent, of the gross unrealized loss is related to approximately 200 mortgage-backed securities primarily due to continued deterioration in non-agency MBS values driven by a lack of market liquidity. The Corporation does not intend to sell these securities and it is more likely than not that the Corporation will not be required to sell these securities before recovery of its amortized cost basis. In addition, $918 million, or 17 percent, of the gross unrealized loss is related to approximately 300 AFS marketable equity securities primarily due to the overall decline in the market during the three months ended March 31, 2009 as well as the full year of 2008. The Corporation has the ability and intent to hold these securities for a period of time sufficient to recover all gross unrealized losses.

The Corporation had investments in AFS mortgage-backed securities from Fannie Mae, Freddie Mac and Ginnie Mae that exceeded 10 percent of consolidated shareholders equity as of March 31, 2009. These investments had market values of $83.8 billion, $29.9 billion and $25.5 billion at March 31, 2009 and total amortized costs of $82.1 billion, $29.2 billion and $24.9 billion, respectively. The Corporation had investments in AFS debt securities from Fannie Mae, Freddie Mac and Ginnie Mae that exceeded 10 percent of consolidated shareholders equity as of December 31, 2008. These investments had market values of $104.1 billion, $46.9 billion and $44.6 billion at December 31, 2008 and total amortized costs of $102.9 billion, $46.1 billion and $43.7 billion, respectively.

Securities are pledged or assigned to secure borrowed funds, government and trust deposits and for other purposes. The carrying value of pledged securities was $127.2 billion and $158.9 billion at March 31, 2009 and December 31, 2008.

The expected maturity distribution of the Corporation s mortgage-backed securities and the contractual maturity distribution of the Corporation s other debt securities, and the yields of the Corporation s AFS debt securities portfolio at March 31, 2009 are summarized in the following table. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

	March 31, 2009									
	Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years		Total	
(Dollars in millions)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
Fair value of available-for-sale debt securities										
U.S. Treasury securities and agency debentures	$ 151	2.44 %	$ 1,090	4.93 %	$ 2,393	5.10 %	$ 959	5.40 %	$ 4,593	5.03 %
Mortgage-backed securities:										
Agency MBSs	13	6.08	29,641	5.40	102,504	5.12	7,022	5.24	139,180	5.18
Agency collateralized mortgage obligations	139	1.19	10,153	1.95	10,773	1.77	91	1.44	21,156	1.86
Non-agency MBSs	2,885	5.30	22,422	11.46	13,993	9.39	9,537	4.90	48,837	9.21
Foreign securities	1,081	4.88	3,009	6.12	22	3.30	316	5.98	4,428	5.83
Corporate/Agency bonds	281	4.79	1,824	5.14	2,234	10.91	144	6.37	4,483	8.46
Other taxable securities	10,196	1.30	11,098	6.25	41	4.23	612	3.27	21,947	3.78
Total taxable securities	14,746	2.53	79,237	7.08	131,960	5.44	18,681	5.01	244,624	5.86
Tax-exempt securities (2)	217	5.53	1,464	6.02	2,590	6.49	5,299	6.89	9,570	6.64

Total available-for-sale debt securities	**$ 14,963**	**2.57**	**$ 80,701**	**7.06**	**$ 134,550**	**5.52**	**$ 23,980**	**5.42**	**$ 254,194**	**5.82**
Amortized cost of available-for-sale debt securities	**$ 15,871**		**$ 84,886**		**$ 134,955**		**$ 27,438**		**$ 263,150**	

(1) Yields are calculated based on the amortized cost of the securities.
(2) Yields of tax-exempt securities are calculated on a fully taxable-equivalent (FTE) basis.

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The components of realized gains and losses on sales of debt securities for the three months ended March 31, 2009 and 2008 were:

	Three months ended March 31	
(Dollars in millions)	**2009**	2008
Gross gains	**$ 1,537**	$ 246
Gross losses	**(39)**	(21)
Net gains on sales of debt securities	**$ 1,498**	$ 225

The income tax expense attributable to realized net gains on debt securities sales was $554 million and $83 million for the three months ended March 31, 2009 and 2008.

Certain Corporate and Strategic Investments

At March 31, 2009 and December 31, 2008, the Corporation owned approximately 16.7 percent, or 39.1 billion common shares and 19 percent, or 44.7 billion common shares of CCB. During January 2009, the Corporation sold 5.6 billion common shares of our initial investment of 19.1 billion common shares in CCB for a pre-tax gain of approximately $1.9 billion. The remaining initial investment of 13.5 billion common shares is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. These shares became transferable in October 2008. During 2008, under the terms of the purchase option the Corporation increased its ownership by purchasing approximately 25.6 billion common shares, or $9.2 billion of CCB. These recently purchased shares are accounted for at cost, are recorded in other assets and are non-transferable until August 2011. At March 31, 2009 and December 31, 2008, the cost of the CCB investment was $11.1 billion and $12.0 billion and the carrying value was $16.8 billion and $19.7 billion. Dividend income on this investment is recorded in equity investment income.

Additionally, the Corporation owned approximately 171.3 million of preferred shares and 51.3 million of common shares of Banco Itaú Holding Financeira S.A. (Banco Itaú) at March 31, 2009 and December 31, 2008. The Banco Itaú investment is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. Dividend income on this investment is recorded in equity investment income. At both March 31, 2009 and December 31, 2008, the cost of this investment was $2.6 billion and the fair value was $2.5 billion.

At March 31, 2009 and December 31, 2008, the Corporation had a 24.9 percent, or $2.2 billion and $2.1 billion, investment in Grupo Financiero Santander, S.A., the subsidiary of Grupo Santander, S.A. This investment is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

As part of the acquisition of Merrill Lynch, the Corporation acquired an economic ownership in BlackRock, a publicly traded investment company. At March 31, 2009, the Corporation had an approximate 50 percent, or $8.6 billion, economic ownership in BlackRock. This economic ownership is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

For additional information on securities, see *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

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NOTE 6 Outstanding Loans and Leases

Outstanding loans and leases at March 31, 2009 and December 31, 2008 were:

(Dollars in millions)	**March 31 2009**	December 31 2008
Consumer		
Residential mortgage [1]	**$ 261,583**	$ 248,063
Home equity	**157,645**	152,483
Discontinued real estate [2]	**19,000**	19,981
Credit card domestic	**51,309**	64,128
Credit card foreign	**16,651**	17,146
Direct/Indirect consumer [3]	**99,696**	83,436
Other consumer [4]	**3,297**	3,442
Total consumer	**609,181**	588,679
Commercial		
Commercial domestic [5]	**229,779**	219,233
Commercial real estate [6]	**75,269**	64,701
Commercial lease financing	**22,017**	22,400
Commercial foreign	**33,407**	31,020
Total commercial loans	**360,472**	337,354
Commercial loans measured at fair value [7]	**7,355**	5,413
Total commercial	**367,827**	342,767
Total loans and leases	**$ 977,008**	$ 931,446

(1) Includes foreign residential mortgages of $651 million at March 31, 2009.

(2) Includes $17.3 billion and $18.2 billion of pay option loans and $1.7 billion and $1.8 billion of subprime loans at March 31, 2009 and December 31, 2008 obtained as part of the acquisition of Countrywide. The Corporation no longer originates these products.

(3) Includes foreign consumer loans of $7.5 billion and $1.8 billion at March 31, 2009 and December 31, 2008.

(4) Includes consumer finance loans of $2.5 billion and $2.6 billion, and other foreign consumer loans of $618 million and $618 million at March 31, 2009 and December 31, 2008.

(5) Includes small business commercial domestic loans, primarily card related, of $18.8 billion and $19.1 billion at March 31, 2009 and December 31, 2008.

(6) Includes domestic commercial real estate loans of $73.0 billion and $63.7 billion, and foreign commercial real estate loans of $2.2 billion and $979 million at March 31, 2009 and December 31, 2008.

(7) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial domestic loans of $4.8 billion and $3.5 billion, commercial foreign loans of $2.5 billion and $1.7 billion, and commercial real estate loans of $89 million and $203 million at March 31, 2009 and December 31, 2008. See *Note 16 Fair Value Disclosures* for additional discussion of fair value for certain financial instruments.

The Corporation mitigates a portion of its credit risk in the residential mortgage portfolio through cash collateralized synthetic securitizations which provide mezzanine risk protection and are designed to reimburse the Corporation in the event that losses exceed 10 bps of the original pool balance. As of March 31, 2009 and December 31, 2008, $104.7 billion and $109.3 billion of mortgage loans were protected by these agreements. During the three months ended March 31, 2009, $388 million was recognized in other income for amounts that will be reimbursed under these structures. As of March 31, 2009, the Corporation had a receivable of $874 million for credit and other related costs recognized on referenced loans from these structures. In addition, the Corporation has entered into credit protection agreements with government-sponsored enterprises on $9.1 billion and $9.6 billion as of March 31, 2009 and December 31, 2008, providing full protection on conforming residential mortgage loans that become severely delinquent. Combined these structures provided risk mitigation for approximately 44 percent and 48 percent of the residential mortgage portfolio at March 31, 2009 and December 31, 2008.

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Nonperforming Loans and Leases

The following table presents the Corporation s nonperforming loans and leases at March 31, 2009 and December 31, 2008. This table excludes Countrywide loans that are accounted for under SOP 03-3. See the discussion that follows on the SOP 03-3 loan portfolio.

Nonperforming Loans and Leases [(1)]

(Dollars in millions)	**March 31 2009**	December 31 2008
Consumer [(2)]		
Residential mortgage	**$ 10,807**	$ 7,044
Home equity	**3,598**	2,670
Discontinued real estate	**178**	77
Direct/Indirect consumer	**29**	26
Other consumer	**91**	91
Total consumer	**14,703**	9,908
Commercial		
Commercial domestic [(3)]	**3,246**	2,245
Commercial real estate	**5,662**	3,906
Commercial lease financing	**104**	56
Commercial foreign	**300**	290
Total commercial	**9,312**	6,497
Total nonperforming loans and leases	**$ 24,015**	$ 16,405

(1) Only real estate secured accounts are generally placed into nonaccrual status and classified as nonperforming at 90 days past due. These loans 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. Troubled debt restructurings are generally reclassified as performing after six consecutive, on-time payments.

(2) The definition of nonperforming does not include consumer credit card and consumer non-real estate loans and leases. These loans are charged off no later than the end of the month in which the account becomes 180 days past due.

(3) Includes small business commercial domestic loans of $224 million and $205 million at March 31, 2009 and December 31, 2008.

SFAS 114 and Troubled Debt Restructurings

SFAS No. 114, Accounting by Creditors for Impairment of a Loan (SFAS 114) defines a loan as impaired when based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings (TDRs) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. These amounts exclude all commercial leases and purchased loans that are accounted for under SOP 03-3. See the discussion that follows on the SOP 03-3 loan portfolio.

Included in certain loan categories in the nonperforming table above are TDRs that were classified as nonperforming. At March 31, 2009 and December 31, 2008, the Corporation had $810 million and $209 million of residential mortgages, $718 million and $302 million of home equity, $165 million and $44 million of commercial domestic loans, and $6 million and $5 million of discontinued real estate loans that were nonperforming and modified in TDRs. In addition to these amounts the Corporation had performing TDRs of $691 million and $320 million of residential mortgage, $3 million and $1 million of home equity, $71 million and $66 million of discontinued real estate, and $3 million and $13 million of commercial domestic loans at March 31, 2009 and December 31, 2008.

At March 31, 2009 and December 31, 2008, the recorded investment in impaired loans as defined by SFAS 114 (commercial nonperforming loans, commercial accruing TDRs and consumer accruing and non-accruing TDRs) requiring an allowance for loan and lease losses was $10.8 billion and $6.9 billion, and the related allowance for loan and lease losses was $1.5 billion and $720 million.

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The Corporation seeks to assist customers that are experiencing financial difficulty through renegotiating credit card and consumer lending loans, while ensuring compliance with Federal Financial Institutions Examination Council guidelines. At March 31, 2009 and December 31, 2008, the Corporation had renegotiated credit card domestic held loans of $2.8 billion and $2.3 billion, credit card foreign held loans of $574 million and $527 million, and consumer lending loans of $1.6 billion and $1.4 billion. These renegotiated loans are not considered nonperforming.

SOP 03-3

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that the Corporation will be unable to collect all contractually required payments are accounted for under SOP 03-3. For additional information on the accounting in accordance with SOP 03-3 see the *Loans and Leases* section of *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

As of January 1, 2009, the Merrill Lynch acquired consumer and commercial loans within the scope of SOP 03-3 had an unpaid principal balance of $2.7 billion and $2.9 billion and a fair value of $2.3 billion and $2.1 billion. At March 31, 2009, the unpaid principal balance on consumer and commercial loans was $2.6 billion and $2.9 billion and the carrying value on these loans was $2.3 billion and $2.1 billion. The following table provides details on loans obtained in connection with the Merrill Lynch acquisition within the scope of SOP 03-3.

Acquired Loan Information for Merrill Lynch, as of January 1, 2009

(Dollars in millions)	Merrill Lynch
Contractually required payments including interest	$ 6,205
Less: Nonaccretable difference	(1,158)
Cash flows expected to be collected [(1)]	5,047
Less: Accretable yield	(627)
Fair value of loans acquired	$ 4,420

(1) Represents undiscounted expected principal and interest cash flows at acquisition.

Under SOP 03-3, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to expected principal cash flows will result in a charge to provision for credit losses and a corresponding increase to allowance for loan and lease losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. All changes in expected interest cash flows will result in reclassifications to/from nonaccretable differences.

Loans in the SOP 03-3 population that are modified subsequent to acquisition are reviewed to compare modified contractual cash flows to the SOP 03-3 carrying value. If modified cash flows are lower than the carrying value, the loan is removed from the SOP 03-3 pool at its carrying value, as well as the related allowance for loan and lease losses, and classified as a TDR. SOP 03-3 troubled debt restructurings totaled $970 million at March 31, 2009, of which $788 million were on accrual status. The carrying basis of these loans was approximately 71 percent of the unpaid principal balance.

During the three months ended March 31, 2009, the Corporation recorded an $853 million charge to the provision for credit losses for deterioration that occurred in the Countrywide SOP 03-3 portfolio subsequent to December 31, 2008. The amount of the allowance for loan and lease losses associated with the Countrywide SOP 03-3 portfolio was $1.6 billion at March 31, 2009 and $750 million at December 31, 2008. There was no allowance for loans and lease losses associated with the Merrill Lynch SOP 03-3 portfolio as of March 31, 2009.

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The following table provides activity for the accretable yield of loans acquired from Countrywide and Merrill Lynch within the scope of SOP 03-3 for the three months ended March 31, 2009. The reclassification from nonaccretable difference of $2.1 billion is primarily attributable to slower prepayment speeds, which extends the expected life of the loan and therefore results in an increase in expected cash flows.

Accretable Yield Activity

(Dollars in millions)	Three Months Ended March 31, 2009
Accretable yield, December 31, 2008	$ 12,860
Merrill Lynch balance, January 1, 2009	627
Accretions	(911)
Disposals/Transfers [1]	(562)
Reclassifications from nonaccretable difference [2]	2,058
Accretable yield, March 31, 2009	$ 14,072

[1] Includes $487 million in accretable yield related to loans restructured in TDRs in which the modified cash flows were lower than the carrying value.
[2] Nonaccretable difference represents gross contractually required payments including interest less expected cash flows.

NOTE 7 Allowance for Credit Losses

The following table summarizes the changes in the allowance for the three months ended March 31, 2009 and 2008.

(Dollars in millions)	Three Months Ended March 31 2009	2008
Allowance for loan and lease losses, January 1	**$ 23,071**	$ 11,588
Loans and leases charged off	**(7,356)**	(3,086)
Recoveries of loans and leases previously charged off	**414**	371

Net charge-offs	**(6,942)**	(2,715)
Provision for loan and lease losses	**13,352**	6,021
Other [1]	**(433)**	(3)
Allowance for loan and lease losses, March 31	**29,048**	14,891
Reserve for unfunded lending commitments, January 1	**421**	518
Provision for unfunded lending commitments	**28**	(11)
Other [2]	**908**	-
Reserve for unfunded lending commitments, March 31	**1,357**	507
Allowance for credit losses, March 31	**$ 30,405**	$ 15,398

(1) For the three months ended March 31, 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 a $7.8 billion held-to-maturity debt security that was issued by the Corporation s U.S. credit card securitization trust and retained by the Corporation. This reduction was partially offset by a $340 million increase associated with the reclassification of the December 31, 2008 receivable expected to be reimbursable under residential mortgage cash collateralized synthetic securitizations from the allowance for loan and lease losses to other assets.

(2) For the three months ended March 31, 2009, this amount represents the fair value of the acquired Merrill Lynch unfunded lending commitments excluding those accounted for in accordance with SFAS 159.

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NOTE 8 Securitizations

The Corporation routinely securitizes loans and debt securities. These securitizations are a source of funding for the Corporation in addition to transferring the economic risk of the loans or debt securities to third parties. In a securitization, various classes of debt securities may be issued and are generally collateralized by a single class of transferred assets which most often consist of residential mortgages, but may also include commercial mortgages, credit card receivables, home equity loans, automobile loans, municipal bonds or mortgage-backed securities. The securitized loans may be serviced by the Corporation or by third parties. With each securitization, the Corporation may retain a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables, and, in some cases, overcollateralization and cash reserve accounts, all of which are called retained interests. These retained interests are recorded in other assets, AFS debt securities, trading account assets or derivative assets and are carried at fair value or amounts that approximate fair value with changes recorded in income or accumulated OCI. Changes in the fair value of credit card related interest-only strips are recorded in card income. In addition, the Corporation may enter into derivatives with the securitization trust to mitigate the trust s interest rate or foreign exchange risk. These derivatives are entered into at market terms and are generally senior in payment. The Corporation also may serve as the underwriter and distributor of the securitization, serve as the administrator of the trust, and from time to time, make markets in securities issued by the securitization trusts. For more information related to derivatives, see *Note 4 Derivatives*.

First Lien Mortgage-related Securitizations

As part of its mortgage banking activities, the Corporation securitizes a portion of the residential mortgage loans it originates or purchases from third parties in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages and first lien residential mortgages that it originates or purchases from other entities.

The following tables summarize selected information related to mortgage securitizations for the three months ended March 31, 2009 and 2008 and at March 31, 2009 and December 31, 2008.

	Residential Mortgage									
			Non-Agency							
	Agency		**Prime**		**Subprime**		**Alt-A**		**Commercial Mortgage**	
	Three Months Ended March 31									
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Cash proceeds from new securitizations [1]	**$ 74,858**	$ 17,303	**$ -**	$ 848	**$ -**	$ -	**$ -**	$ -	**$ 3,557**	$ 1,968
Gains on securitizations [2, 3]	**-**	13	**-**	1	**-**	-	**-**	-	**29**	11
Cash flows received on residual interests	**-**	-	**6**	-	**16**	-	**2**	-	**6**	-

(1) The Corporation sells residential mortgage loans to government-sponsored agencies in the normal course of business and receives mortgage-backed securities in exchange. These mortgage-backed securities are then subsequently sold into the market to third party investors for cash proceeds.

(2) Net of hedges

(3) Substantially all of the residential mortgages securitized are initially classified as LHFS and recorded at fair value under SFAS 159. As such, gains are recognized on these LHFS prior to securitization. During the three months ended March 31, 2009 and 2008, the Corporation recognized $954 million and $199 million of gains on these LHFS.

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	Residential Mortgage									
			Non-Agency							
	Agency		Prime		Subprime		Alt-A		Commercial Mortgage	
(Dollars in millions)	**March 31 2009**	December 31 2008	**March 31 2009**	December 31 2008	**March 31 2009**	December 31 2008	**March 31 2009**	December 31 2008	**March 31 2009**	December 31 2008
Principal balance outstanding [(1)]	**$ 1,135,213**	$ 1,123,916	**$ 108,183**	$ 111,683	**$ 97,789**	$ 57,933	**$ 131,832**	$ 136,027	**$ 62,450**	$ 55,403
Residual interests held	**-**	-	**15**	-	**7**	13	**-**	-	**68**	7
Senior securities [(2, 3)]:										
Trading account assets	**$ 1,122**	$ 1,308	**$ 792**	$ 367	**$ 3**	$ -	**$ 408**	$ 278	**$ 181**	$ 168
Available-for-sale debt securities	**9,899**	12,507	**4,691**	4,559	**240**	121	**635**	569	**781**	16
Total senior securities	**$ 11,021**	$ 13,815	**$ 5,483**	$ 4,926	**$ 243**	$ 121	**$ 1,043**	$ 847	**$ 962**	$ 184
Subordinated securities [(2, 4)]:										
Trading account assets	**$ -**	$ -	**$ 15**	$ 23	**$ 1**	$ 3	**$ 2**	$ 1	**$ 98**	$ 136
Available-for-sale debt securities	**-**	-	**19**	20	**98**	1	**15**	17	**11**	-
Total subordinated securities	**$ -**	$ -	**$ 34**	$ 43	**$ 99**	$ 4	**$ 17**	$ 18	**$ 109**	$ 136

(1) Generally, the Corporation as transferor will service the sold loans and thus recognize an MSR upon securitization. See additional information to follow related to the Corporation s role as servicer and *Note 17 Mortgage Servicing Rights*.

(2) As a holder of these securities, the Corporation receives scheduled interest and principal payments accordingly. During the three months ended March 31, 2009 and 2008, there were no significant impairments recorded on those securities classified as AFS debt securities.

(3) Substantially all of the residential mortgage senior securities were valued using quoted market prices at March 31, 2009 and December 31, 2008. At March 31, 2009, substantially all of the commercial mortgage senior securities were valued using quoted market prices while substantially all were valued using model valuations at December 31, 2008.

(4) At March 31, 2009, substantially all of the residential mortgage subordinated securities were valued using quoted market prices while substantially all were valued using model valuations at December 31, 2008. Substantially all of the commercial mortgage subordinated securities were valued using model valuations at March 31, 2009 and December 31, 2008.

The Corporation sells loans with various representations and warranties related to, among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, the process used in selecting the loans for inclusion in a transaction, the loan s compliance with any applicable loan criteria established by the buyer, and the loan s compliance with applicable local, state and federal laws. Under the Corporation s representations and warranties, the Corporation may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. During the three months ended March 31, 2009, the Corporation repurchased $360 million of loans from securitization trusts as a result of the Corporation s representations and warranties. The Corporation s representations and warranties are generally not subject to stated limits. However, the Corporation s contractual liability arises only when the representations and warranties are breached. The Corporation attempts to limit its risk of incurring these losses by structuring its operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain of the Corporation s securitizations include a corporate guarantee, which are contracts written to protect purchasers of the loans from credit losses up to a specified amount. The losses to be absorbed by the guarantees are recorded when the Corporation sells the loans with guarantees. The Corporation records its liability for representations and warranties, and corporate guarantees in accrued expenses and other liabilities and records the related expense through mortgage banking income. In addition to the repurchases as a result of representations and warranties, the Corporation repurchased $760 million of loans from the securitization trusts as a result of modifications, loan delinquencies or optional clean-up calls during the three months ended March 31, 2009.

In addition to the amounts included in the table above, during both the three months ended March 31, 2009 and 2008, the Corporation purchased $4.2 billion of mortgage-backed securities from third parties and resecuritized them. Net gains, which include net interest income earned during the holding period, totaled $25 million and $22 million for the three months ended March 31, 2009 and 2008. At March 31, 2009 and

December 31, 2008, the Corporation retained $1.2 billion and $1.0 billion of the senior securities issued in these transactions which were valued using quoted market prices and recorded in trading account assets.

The Corporation has consumer MSRs from the sale or securitization of mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation still has continued involvement, were $1.5 billion and $221 million during the three months ended March 31, 2009 and 2008. Servicing advances on consumer mortgage loans, including securitizations where the Corporation still has continuing involvement, were $11.4 billion and $8.8 billion at March 31, 2009 and December 31, 2008. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the Corporation still has continued involvement, were $11 million and $6 million during the three months ended March 31, 2009 and 2008. Servicing advances on commercial mortgage loans, including securitizations where the Corporation still has continuing involvement, were $77 million and $14 million at March 31, 2009 and December 31, 2008. For more information on MSRs, see *Note 17 Mortgage Servicing Rights*.

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Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation s primary continuing involvement includes servicing the receivables, retaining an undivided interest (the seller s interest) in the receivables, and holding certain retained interests (e.g., senior and subordinated securities, interest-only strips, discount receivables, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts) in credit card securitization vehicles. The securitization trusts legal documents require the Corporation to maintain a minimum seller s interest of four percent to five percent, and the Corporation is in compliance with this requirement. At March 31, 2009 and December 31, 2008, the Corporation had $9.9 billion and $14.8 billion related to its undivided interests in the trusts. The seller s interest in the trusts represents the Corporation s undivided interests in the receivables transferred to the trust and is pari pasu to the investors interest. The seller s interest is not represented by security certificates, is carried at historical cost, and is classified within loans on the Corporation s Balance Sheet. The following tables summarize selected information related to credit card securitizations for the three months ended March 31, 2009 and 2008 and at March 31, 2009 and December 31, 2008.

	Credit Card	
	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Cash proceeds from new securitizations	**$ -**	$ 7,623
Gains on securitizations	**-**	36
Collections reinvested in revolving period securitizations	**35,630**	45,626
Cash flows received on residual interests	**1,427**	1,703

	Credit Card	
(Dollars in millions)	**March 31, 2009**	December 31, 2008
Principal balance outstanding [(1)]	**$ 114,806**	$ 114,141
Senior securities held [(2, 3)]	**4,389**	4,965
Subordinated securities held [(2, 3)]	**9,798**	1,837
Residual interests held [(4)]	**3,145**	2,233

(1) Principal balance outstanding represents the principal balance of credit card receivables that have been legally isolated from the Corporation including those loans that are still held on the Corporation s Balance Sheet (i.e., seller s interest).

(2) As a holder of these securities, the Corporation receives scheduled interest and principal payments accordingly. Included in the subordinated securities is a $7.8 billion held-to-maturity debt security that does not receive interest. During the three months ended March 31, 2009, there were no impairments recorded on those securities classified as AFS debt securities.

(3) At March 31, 2009 and December 31, 2008, held senior securities issued by credit card securitization vehicles were valued using quoted market prices and were all classified as AFS debt securities. At March 31, 2009, $7.8 billion of held subordinated securities were measured at amortized cost and classified as held-to-maturity debt securities and $2.0 billion were valued using quoted market prices and classified as AFS debt securities. At December 31, 2008, all of the held subordinated securities were valued using quoted market prices and classified as AFS debt securities.

(4) Residual interests include interest-only strips of $40 million and $74 million at March 31, 2009 and December 31, 2008. The remainder of the residual interests are discount receivables, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts which are carried at fair value or amounts that approximate fair value and are not sensitive to favorable and adverse fair value changes in payment rates, expected credit losses and residual cash flows discount rates. The residual interests were valued using model valuations and are primarily classified in other assets.

At March 31, 2009 and December 31, 2008, there were no recognized servicing assets or liabilities associated with any of these credit card securitization transactions. The Corporation recorded $504 million and $533 million in servicing fees related to credit card securitizations during the three months ended March 31, 2009 and 2008.

During the second half of 2008, the Corporation entered into a liquidity support agreement related to the Corporation s commercial paper program that obtains financing by issuing tranches of commercial paper backed by credit card receivables to third party investors from a trust sponsored by the Corporation. If certain conditions set forth in the legal documents governing the trust are not met, such as not being able to reissue the commercial paper due to market illiquidity, the commercial paper maturity dates will be extended to 390 days from the original issuance date. This extension would cause the outstanding commercial paper to convert to an interest-bearing note and subsequent credit card receivable collections would be applied to the outstanding note balance. If any of the investor notes are still outstanding at the end of the extended maturity period, our liquidity commitment obligates the Corporation to purchase maturity notes from the trust in order to retire the investor interest-bearing notes. As a maturity note holder, the Corporation would be entitled to the remaining cash flows from the collateralizing credit card receivables. At March 31, 2009 and December 31, 2008, there were no maturity notes outstanding and the Corporation held $4.4 billion and $5.0 billion of investment grade securities in AFS debt securities issued by the trust due to illiquidity in the marketplace.

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As specifically permitted by the terms of the transaction documents, and in an effort to address the recent decline in the excess spread due to the performance of the underlying credit card receivables in the U.S. credit card securitization trust, an additional subordinated security was issued by the trust to the Corporation in the first quarter of 2009. As the issuance was not treated as a sale, the security was recorded at $7.8 billion, which represents the $8.5 billion book value of the loans exchanged less the associated $750 million allowance for loan and lease losses, and was classified as held-to-maturity. In addition, as permitted by the transaction documents, the Corporation specified that from March 1, 2009 through September 30, 2009 a percentage of new receivables transferred to the trust will be deemed discount receivables and collections thereon will be applied to finance charges, which is expected to increase the yield in the trust. These actions did not have a significant impact on the Corporation s results of operations.

Other Securitizations

The Corporation also maintains interests in other securitization vehicles. These retained interests include senior and subordinated securities and residual interests. The following table summarizes selected information related to home equity, automobile loan and municipal bond securitizations for the three months ended March 31, 2009 and 2008 and at March 31, 2009 and December 31, 2008. There were no securitizations of home equity, automobile loans or municipal bonds during the three months ended March 31, 2009 and 2008.

	Home Equity		Automobile		Municipal Bonds
	Three Months Ended March 31				
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**
Collections reinvested in revolving period securitizations	**$ 73**	$ -	**$ -**	$ -	**$ -**
Repurchase of loans from trust [1]	**27**	-	**-**	180	**-**
Cash flows received on residual interests	**11**	6	**11**	-	**112**

[1]The repurchases of loans from the trust for home equity loans are typically a result of the Corporation s representations and warranties, modifications, loan delinquencies or the exercise of an optional clean-up call. The repurchases of automobile loans during the three months ended March 31, 2008 was substantially due to the exercise of an optional clean-up call.

	Home Equity		Automobile		Municipal Bonds [1]
(Dollars in millions)	**March 31 2009**	December 31 2008	**March 31 2009**	December 31 2008	**March 31 2009**
Principal balance outstanding	**$ 33,441**	$ 34,169	**$ 4,617**	$ 5,385	**$ 10,864**
Senior securities held [2, 3]	**17**	-	**3,597**	4,102	**1,377**
Subordinated securities held [2, 4]	**9**	3	**394**	383	**-**
Residual interests held [5]	**88**	93	**71**	84	**370**

[1] For additional information on municipal bond securitization vehicles see *Note 9 Variable Interest Entities*.

[2] As a holder of these securities, the Corporation receives scheduled interest and principal payments accordingly. During the three months ended March 31, 2009, there were no significant impairments recorded on those securities classified as AFS debt securities.

[3] At March 31, 2009, all of the held senior securities issued by the home equity securitization vehicles were valued using model valuations and classified as AFS debt securities. At March 31, 2009 and December 31, 2008, substantially all of the held senior securities issued by the automobile securitization vehicles were valued using quoted market prices and classified as AFS debt securities. At March 31, 2009, all of the held senior securities issued by municipal bond

securitization vehicles were valued using quoted market prices and classified as trading account assets.

(4) At March 31, 2009 and December 31, 2008, substantially all of the held subordinated securities issued by the home equity securitization vehicles were valued using model valuations and classified as trading account assets. At March 31, 2009 and December 31, 2008, substantially all of the subordinated securities issued by the automobile securitization vehicles were valued using quoted market prices and classified as AFS debt securities.

(5) Residual interests include the residual asset, overcollateralization and cash reserve accounts, which are carried at fair value or amounts that approximate fair value. The residual interests were valued using model valuations and substantially all are classified in other assets or derivative assets.

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Under the terms of the Corporation s home equity securitizations, advances are made to borrowers when they make a subsequent draw on their line of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun its rapid amortization period, reimbursement of the Corporation s advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation s advances are outstanding. In particular, if loan losses requiring draws on monoline insurers policies (which protect the bondholders in the securitization) exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurer have priority for repayment. As of March 31, 2009 and December 31, 2008, the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was $305 million and $345 million.

The Corporation has retained consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $35 million servicing fees related to home equity securitizations during the three months ended March 31, 2009 and did not record any servicing fees for the same period in 2008. For more information on MSRs, see *Note 17 Mortgage Servicing Rights*. At March 31, 2009 and December 31, 2008, there were no recognized servicing assets or liabilities associated with any of the automobile securitization transactions. The Corporation recorded $13 million and $4 million in servicing fees related to automobile securitizations during the three months ended March 31, 2009 and 2008.

Key economic assumptions are used in measuring the fair value of certain residual interests that continue to be held by the Corporation in municipal bond securitizations. The carrying amount of residual interests for municipal bond securitizations was $370 million and the weighted-average discount rate was 4.07 percent at March 31, 2009. A 10 percent and 25 percent adverse change to the discount rate would have caused a decrease of $71 million and $177 million to the residual interests at March 31, 2009. These sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

NOTE 9 Variable Interest Entities

In addition to the securitization vehicles described in *Note 8 Securitizations* and *Note 17 Mortgage Servicing Rights*, which are typically structured as QSPEs, the Corporation utilizes SPEs in the ordinary course of business to support its own and its customers financing and investing needs. These SPEs are typically structured as VIEs and are thus subject to consolidation by the reporting enterprise that absorbs the majority of the economic risks and rewards of the VIE. To determine whether it must consolidate a VIE, the Corporation qualitatively analyzes the design of the VIE to identify the creators of variability within the VIE, including an assessment as to the nature of the risks that are created by the assets and other contractual arrangements of the VIE, and identifies whether it will absorb a majority of that variability.

In addition to the VIEs discussed below, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities, as described in more detail in *Note 12 Short-term Borrowings and Long-term Debt* to the Consolidated Financial Statements to the Corporation s 2008 Annual Report on Form 10-K. The Corporation also uses VIEs in the form of synthetic securitization vehicles to mitigate a portion of the credit risk on its residential mortgage loan portfolio as described in *Note 6 Outstanding Loans and Leases.* The Corporation has also provided support to or has loss exposure resulting from its involvement with other VIEs, including certain cash funds managed within *Global Wealth & Investment Management (GWIM),* as described in more detail in *Note 12 Commitments and Contingencies.*

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The table below presents the assets and liabilities of VIEs which have been consolidated on the Corporation s Balance Sheet at March 31, 2009, total assets of consolidated VIEs at December 31, 2008, and the Corporation s maximum exposure to loss resulting from its involvement with consolidated VIEs as of March 31, 2009 and December 31, 2008. The Corporation s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation s Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements.

Consolidated VIEs

(Dollars in millions)	Multi-Seller Conduits	Loan & Other Investment Vehicles	CDOs	Leveraged Lease Trusts	Other Vehicles	Total
Consolidated VIEs, March 31, 2009 (1)						
Maximum loss exposure (2)	$ 10,152	$ 10,084	$ 2,494	$ 5,629	$ 1,777	$ 30,136
Consolidated Assets (3)						
Trading account assets	$ -	$ 170	$ 14	$ -	$ 736	$ 920
Derivative assets	-	430	-	-	987	1,417
Available-for-sale debt securities	6,886	1,793	2,271	-	-	10,950
Held-to-maturity debt securities	333	-	-	-	-	333
Loans and leases	-	4,316	239	5,679	-	10,234
All other assets	843	2,561	93	-	185	3,682
Total	$ 8,062	$ 9,270	$ 2,617	$ 5,679	$ 1,908	$ 27,536
Consolidated Liabilities						
Commercial paper and other short-term borrowings	$ 8,133	$ 4,128	$ -	$ -	$ 1,439	$ 13,700
All other liabilities	-	4,733	449	50	131	5,363
Total	$ 8,133	$ 8,861	$ 449	$ 50	$ 1,570	$ 19,063
Consolidated VIEs, December 31, 2008 (1)						
Maximum loss exposure (2)	$ 11,304	$ 3,189	$ 2,443	$ 5,774	$ 1,497	$ 24,207
Total assets (3)	9,368	4,449	2,443	5,829	1,631	23,720

(1) Cash flows generated by the assets of the consolidated VIEs must generally be used to settle the specific obligations of the VIEs before they are available to the Corporation for general purposes.

(2) Maximum loss exposure for consolidated VIEs includes on-balance sheet assets, net of non-recourse liabilities, plus off-balance sheet exposures. It does not include losses previously recognized through write-downs of assets.

(3) Total assets of consolidated VIEs are reported net of intercompany balances that have been eliminated in consolidation.

At March 31, 2009, the Corporation s total maximum loss exposure to consolidated VIEs was $30.1 billion, which includes $7.5 billion attributable to the addition of Merrill Lynch, primarily loan and other investment vehicles.

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The table below presents total assets of unconsolidated VIEs in which the Corporation holds a significant variable interest and Corporation-sponsored unconsolidated VIEs in which the Corporation holds a variable interest, even if not significant, at March 31, 2009 and December 31, 2008. The table also presents the Corporation s maximum exposure to loss resulting from its involvement with these VIEs at March 31, 2009 and December 31, 2008. The Corporation s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation s Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. Certain QSPEs in which the Corporation has continuing involvement but that are not discussed in *Note 8 Securitizations* are also included in the table. Assets and liabilities of unconsolidated VIEs recorded on the Corporation s Balance Sheet at March 31, 2009 are also summarized below.

Unconsolidated VIEs

(Dollars in millions)	Multi-Seller Conduits	Loan & Other Investment Vehicles	Real Estate Investment Vehicles	Municipal Bond Trusts	CDOs	Customer Vehicles	Other Vehicles	Total
Unconsolidated VIEs, March 31, 2009 [1]								
Maximum loss exposure [2]	$ 40,238	$ 3,643	$ 5,525	$ 14,413	$ 8,567	$ 16,357	$ 2,531	$ 91,274
Total assets of VIEs	25,643	9,274	5,951	16,301	55,062	18,117	2,400	132,748
On-Balance Sheet Assets								
Trading account assets	$ 1	$ 113	$ -	$ 1,640	$ 1,182	$ 3,304	$ 70	$ 6,310
Derivative assets	-	354	4	277	2,455	9,489	131	12,710
Available-for-sale debt securities	-	4	-	-	768	-	-	772
Loans and leases	359	943	-	-	-	-	-	1,302
All other assets	53	2,035	4,821	-	-	-	-	6,909
Total	$ 413	$ 3,449	$ 4,825	$ 1,917	$ 4,405	$ 12,793	$ 201	$ 28,003
On-Balance Sheet Liabilities								
Derivative liabilities	$ -	$ 200	$ -	$ 583	$ 509	$ 325	$ 151	$ 1,768
All other liabilities	-	386	1,498	-	-	679	-	2,563
Total	$ -	$ 586	$ 1,498	$ 583	$ 509	$ 1,004	$ 151	$ 4,331
Unconsolidated VIEs, December 31, 2008 [1]								
Maximum loss exposure [2]	$ 42,046	$ 2,789	$ 5,696	$ 7,145	$ 2,383	$ 5,741	$ 4,170	$ 69,970
Total assets of VIEs	27,922	5,691	5,980	7,997	2,570	6,032	4,211	60,403

(1) Includes unconsolidated VIEs and certain municipal bond trusts which are QSPEs and are also included in *Note 8 Securitizations.*

(2) Maximum loss exposure for unconsolidated VIEs includes on-balance sheet assets plus off-balance sheet exposures. It does not include losses previously recognized through write-downs of assets or the establishment of derivative or other liabilities.

At March 31, 2009, the Corporation s total maximum loss exposure to unconsolidated VIEs was $91.3 billion, which includes $26.0 billion attributable to the addition of Merrill Lynch, primarily customer vehicles, municipal bond trusts and CDOs.

Except as described below, we have not provided financial or other support to consolidated or unconsolidated VIEs that we were not previously contractually required to provide, nor do we intend to do so.

Multi-Seller Conduits

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

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The Corporation determines whether it must consolidate a multi-seller conduit based on an analysis of projected cash flows using Monte Carlo simulations which are driven principally by credit risk inherent in the assets of the conduits. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors. Instead, the assets of the conduits pay variable rates of interest based on the conduits funding costs. The assets of the conduits typically carry a risk rating of AAA to BBB based on the Corporation s current internal risk rating equivalent, which reflects structural enhancements of the assets, including third party insurance. Projected loss calculations are based on maximum binding commitment amounts, probability of default based on the average one year Moody s Corporate Finance transition table, and recovery rates of 90 percent, 65 percent and 45 percent for senior, mezzanine and subordinate exposures. Approximately 97 percent of commitments in the unconsolidated conduits and 70 percent of commitments in the consolidated conduit are supported by senior exposures. Certain assets funded by one of the unconsolidated conduits benefit from embedded credit enhancement provided by the Corporation. Credit risk created by these assets is deemed to be credit risk of the Corporation, which is absorbed by third party investors.

The Corporation does not consolidate three conduits as it does not expect to absorb a majority of the variability created by the credit risk of the assets held in the conduits. On a combined basis, these three conduits have issued approximately $123 million of capital notes and equity interests to third parties, $118 million of which were outstanding at March 31, 2009. These instruments will absorb credit risk on a first loss basis. The Corporation consolidates the fourth conduit, which has not issued capital notes or equity interests to third parties.

At March 31, 2009, liquidity commitments to the consolidated conduit were mainly collateralized by credit card loans (26 percent), auto loans (nine percent), equipment loans (nine percent), corporate and commercial loans (eight percent), and trade receivables (seven percent). None of these assets are subprime residential mortgages. In addition, 31 percent of the Corporation s liquidity commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements will be repaid when cash flows due under the long-term contracts are received. Approximately 74 percent of this exposure is insured. At March 31, 2009, the weighted-average life of assets in the consolidated conduit was estimated to be 3.3 years and the weighted-average maturity of commercial paper issued by this conduit was 27 days. Assets of the Corporation are not available to pay creditors of the consolidated conduit except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the consolidated conduit are not available to pay creditors of the Corporation.

At March 31, 2009, the Corporation s liquidity commitments to the unconsolidated conduits were mainly collateralized by credit card loans (22 percent), student loans (17 percent), auto loans (15 percent), trade receivables (11 percent), and equipment loans (eight percent). In addition, 21 percent of the Corporation s commitments were collateralized by the conduits short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls. At March 31, 2009, the weighted-average life of assets in the unconsolidated conduits was estimated to be 3.7 years and the weighted-average maturity of commercial paper issued by these conduits was 28 days.

The Corporation s liquidity, SBLCs and similar loss protection commitments obligate us to purchase assets from the conduits at the conduits cost. Subsequent realized losses on assets purchased from the unconsolidated conduits would be reimbursed from restricted cash accounts that were funded by the issuance of capital notes and equity interests to third party investors. The Corporation would absorb losses in excess of such amounts. If a conduit is unable to re-issue commercial paper due to illiquidity in the commercial paper markets or deterioration in the asset portfolio, the Corporation is obligated to provide funding subject to the following limitations. The Corporation s obligation to purchase assets under the SBLCs and similar loss protection commitments are subject to a maximum commitment amount which is typically set at eight to 10 percent of total outstanding commercial paper. The Corporation s obligation to purchase assets under the liquidity agreements, which comprise the remainder of our exposure, is generally limited to the amount of non-defaulted assets. Although the SBLCs are unconditional, we are not obligated to fund under other liquidity or loss protection commitments if the conduit is the subject of a voluntary or involuntary bankruptcy proceeding.

One of the unconsolidated conduits holds CDO investments with aggregate outstanding funded amounts of $359 million and $388 million and unfunded commitments of $190 million and $162 million at March 31, 2009 and December 31, 2008. The underlying collateral of the CDO investments includes middle market loans held in an insured CDO (76 percent) and subprime residential mortgages (eight percent), with the remainder of the collateral consisting primarily of investment grade securities. All of the unfunded commitments are revolving commitments to the insured CDO. During 2008 and the first quarter of 2009, these investments were downgraded or threatened with a downgrade by the rating agencies. In accordance with the terms of our existing liquidity obligations, the conduit had transferred the funded investments to the Corporation in a transaction that was accounted for as a financing transaction in accordance with SFAS 140 due to the conduit s continuing exposure to credit losses of the investments. As a result of the transfer, the CDO investments no longer serve as collateral for commercial paper issuances.

The transfers were performed in accordance with existing contractual requirements. The Corporation did not provide support to the conduit that was not contractually required nor does it intend to provide support that is not contractually required in the future. The Corporation performs reconsideration analyses for the conduit in accordance with FIN 46(R) at least quarterly, and the CDO investments are included in these analyses. The Corporation will be reimbursed for any realized credit losses on these CDO investments up to the amount of capital notes issued by the conduit, which totaled $92 million at March 31, 2009 and $66 million at December 31, 2008. Any realized losses on the CDO investments that are caused by market illiquidity or changes in market rates of interest will be borne by the Corporation. The Corporation will also bear any credit-related losses in excess of the amount of capital notes issued by the conduit. The Corporation s maximum exposure to loss from the CDO investments was $457 million at March 31, 2009 and $484 million at December 31, 2008, based on the combined funded amounts and unfunded commitments less the amount of cash proceeds from the issuance of capital notes which are held in a segregated account.

There were no other significant downgrades or losses recorded in earnings from writedowns of assets held by any of the conduits during the three months ended March 31, 2009.

The liquidity commitments and SBLCs provided to unconsolidated conduits are included in *Note 12 Commitments and Contingencies.*

Loans and Other Investment Vehicles

Loans and other investment vehicles at March 31, 2009 and December 31, 2008 include loan securitization trusts that did not meet QSPE status, loan financing arrangements, and vehicles that invest in financial assets, typically debt securities or loans. The Corporation determines whether it is the primary beneficiary of and must consolidate these investment vehicles based principally on a determination as to which party is expected to absorb a majority of the credit risk or market risk created by the assets of the vehicle. Typically, the party holding subordinated or residual interests in a vehicle will absorb a majority of the risk.

Certain loan securitization trusts are designed to meet QSPE requirements but fail to do so, typically as a result of derivatives entered into by the trusts that pertain to interests held by the Corporation. As a result of the illiquidity in the securitization markets, the Corporation has been unable to sell certain securities, which has prevented these trusts from being considered QSPEs. Given that these trusts have been designed to meet the QSPE requirements, the Corporation has no control over the assets held by these trusts, which have been pledged to the investors in the trusts. The Corporation consolidates these loan securitization trusts if it retains the residual interest in the trust and expects to absorb a majority of the variability in cash flows created by the loans held in the trust. Investors in consolidated loan securitization trusts have no recourse to the general credit of the Corporation as their investments are repaid solely from the assets of the vehicle.

The Corporation uses financing arrangements with SPEs administered by third parties to obtain low-cost funding for certain financial assets, principally commercial loans and debt securities. The third party SPEs, typically commercial paper conduits, hold the specified assets subject to total return swaps with the Corporation. If the assets are transferred to the third party from the Corporation, the transfer is accounted for as a secured borrowing. If the third-party commercial paper conduit issues a discrete series of commercial paper whose only source of repayment is the specified asset and the total return swap with the Corporation, thus creating a silo structure within the conduit, we consolidate that silo.

The Corporation has made investments in alternative investment funds that are considered to be VIEs because they do not have sufficient legal form equity at risk to finance their activities or the holders of the equity at risk do not have control over the activities of the vehicles. The Corporation consolidates these funds if it holds a majority of the investment in the fund. The Corporation also sponsors funds that provide a guaranteed return to investors at the maturity of the fund. This guarantee may include a guarantee of the return of an initial investment or of the initial investment plus an agreed upon return depending on the terms of the fund. Investors in certain of these funds have recourse to the Corporation to the extent that the value of the assets held by the funds at maturity is less than the guaranteed amount. The Corporation consolidates these funds if the Corporation s guarantee is expected to absorb a majority of the variability created by the assets of the fund.

Real Estate Investment Vehicles

The Corporation s investment in real estate investment vehicles at March 31, 2009 and December 31, 2008 consisted principally of limited partnership investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects.

The Corporation determines whether it must consolidate these limited partnerships based on a determination as to which party is expected to absorb a majority of the risk created by the real estate held in the vehicle, which may include construction, market and operating risk. Typically, the general partner in a limited partnership will absorb a majority of this risk due to the legal nature of the limited partnership structure, which the Corporation does not consolidate. The Corporation s risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity. The vast majority of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly or other basis to third party investors. The Corporation may serve as remarketing agent and/or liquidity provider for the trusts. The floating-rate investors have the right to tender the certificates at specified dates, often with as little as seven days notice. Should the Corporation be unable to remarket the tendered certificates, it is generally obligated to purchase them at par under standby liquidity facilities. The Corporation is not obligated to purchase the certificates under the standby liquidity facilities if a bond s credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. The weighted average remaining life of bonds held in the trusts at March 31, 2009 was 9.9 years. There were no material writedowns or downgrades of assets or issuers during the three months ended March 31, 2009.

In addition to standby liquidity facilities, the Corporation also provides default protection or credit enhancement to investors in securities issued by certain municipal bond trusts. Interest and principal payments on floating-rate certificates issued by these trusts are secured by an unconditional guarantee issued by the Corporation. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the Corporation will make any required payments to the holders of the floating-rate certificates. Additional information regarding these guarantees is included in *Note 12 Commitments and Contingencies*.

Some of these trusts are QSPEs and, as such, are not subject to consolidation by the Corporation. The Corporation consolidates those trusts that are not QSPEs if it holds the residual interests or otherwise expects to absorb a majority of the variability created by changes in market value of assets in the trusts and changes in market rates of interest. The Corporation does not consolidate a trust if the customer holds the residual interest and the Corporation is protected from loss in connection with its liquidity obligations. For example, the Corporation may have the ability to trigger the liquidation of a trust that is not a QSPE if the market value of the bonds held in the trust declines below a specified threshold which is designed to limit market losses to an amount that is less than the customer s residual interest, effectively preventing the Corporation from absorbing the losses incurred on the assets held within the trust.

The Corporation s liquidity commitments to consolidated and unconsolidated trusts totaled $13.0 billion and $7.2 billion at March 31, 2009 and December 31, 2008. The increase is due principally to the addition of unconsolidated trusts acquired through the Merrill acquisition. Liquidity commitments to unconsolidated trusts are included in *Note 12 Commitments and Contingencies*.

Collateralized Debt Obligation Vehicles

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

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The Corporation evaluates whether it must consolidate a CDO based principally on a determination as to which party is expected to absorb a majority of the credit risk created by the assets of the CDO. The Corporation does not typically retain a significant portion of debt securities issued by a CDO. When the Corporation structured certain CDOs, it acquired the super senior tranches issued by the CDOs or provided commitments to support the issuance of super senior commercial paper to third parties. When the CDOs were first created, the Corporation did not expect its investments or its liquidity commitments to absorb a significant amount of the variability driven by the credit risk within the CDOs and did not consolidate the CDOs. When the Corporation subsequently acquired commercial paper or term securities issued by certain CDOs during 2008 and the first quarter of 2009, principally as a result of our liquidity obligations, we performed updated consolidation analyses. Due to credit deterioration in the pools of securities held by the CDOs, the updated analyses indicated that the Corporation would now be expected to absorb a majority of the variability and, accordingly, we consolidated these CDOs. Consolidation did not have a significant impact on net income, as the Corporations investments and liquidity obligations were recorded at fair value prior to consolidation. The creditors of the consolidated CDOs have no recourse to the general credit of the Corporation.

The March 31, 2009 balances include a portfolio of CDO-related liquidity exposures obtained in connection with the Merrill Lynch acquisition, including $2.6 billion notional amount of liquidity support provided to certain synthetic CDOs in the form of unfunded lending commitments. These commitments pertain to super senior securities which are the most senior class of securities issued by the CDOs and benefit from the subordination of all other securities issued by the CDOs. The lending commitments obligate us to purchase the super senior CDO securities at par value if the CDOs need cash to make payments due under credit default swaps held by the CDOs. This portfolio also includes an additional $2.1 billion notional amount of liquidity exposure to non-SPE third parties which hold super senior cash positions on our behalf. Our net exposure to loss on these positions, after writedowns and insurance, was $512 million at March 31, 2009.

Liquidity-related commitments also include $5.5 billion notional amount of derivative contracts with unconsolidated SPEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on our behalf. These derivatives are typically in the form of total return swaps which obligate us to purchase the securities at the SPE s cost to acquire the securities, generally as a result of ratings downgrades. The underlying securities are senior securities and substantially all of our exposures are insured. Accordingly, our exposure to loss consists principally of counterparty risk to the insurers. The $10.2 billion of liquidity exposure is included in the table above titled Unconsolidated VIEs to the extent that our involvement with the CDO vehicle meets the requirements for disclosure under FIN 46R. For example, if the Corporation did not sponsor a CDO vehicle and does not hold a significant variable interest, the vehicle is not included in the table.

Including the liquidity commitments described above that meet the FIN 46R criteria, the portfolio of CDO investments obtained in connection with the Merrill Lynch acquisition and included in the table above titled Unconsolidated VIEs pertain to CDO vehicles with total assets of $53.2 billion. The Corporation s maximum exposure to loss with regard to these positions is $6.7 billion. This amount is significantly less than the total assets of the CDO vehicles because the Corporation typically has exposure to only a portion of the total assets. The Corporation has also purchased credit protection from some of the same CDO vehicles in which it invested, thus reducing our net exposure to future loss.

At December 31, 2008, liquidity commitments provided to CDOs included written put options with a notional amount of $542 million. All of these written put options were terminated in the first quarter of 2009.

Leveraged Lease Trusts

The Corporation s net involvement with consolidated leveraged lease trusts totaled $5.6 billion and $5.8 billion at March 31, 2009 and December 31, 2008. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation consolidates these trusts because it holds a residual interest which is expected to absorb a majority of the variability driven by credit risk of the lessee and, in some cases, by the residual risk of the leased property. The net investment represents the Corporation s maximum loss exposure to the trusts in the unlikely event that the leveraged lease investments become worthless. Debt issued by the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

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Customer Vehicles

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

Credit-linked and equity-linked note vehicles issue notes which pay a return that is linked to the credit or equity risk of a specified company or debt instrument. The vehicles purchase high-grade assets as collateral and enter into credit default swaps or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. The Corporation does not typically consolidate the vehicles because the derivatives create variability which is absorbed by the third party investors. The Corporation is exposed to loss if the collateral held by the vehicle declines in value and is insufficient to cover the vehicle s obligation to the Corporation under the above derivatives. In addition, the Corporation has entered into total return swaps with certain vehicles through which the Corporation absorbs any gains or losses generated by the collateral held in the vehicles. The Corporation consolidates these vehicles if the variability in cash flows expected to be generated by the collateral is greater than the variability in cash flows expected to be generated by the credit or equity derivatives. At March 31, 2009, the notional amount of such derivative contracts with unconsolidated vehicles was $2.3 billion.

Repackaging vehicles are created to provide an investor with a specific risk profile. The vehicles typically hold a security and a derivative that modifies the interest rate or currency of that security, and issues one class of notes to a single investor. These vehicles are generally QSPEs and, as such, are not subject to consolidation by the Corporation.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured notes to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into a total return swap with the customer such that the economic returns of the asset are passed through to the customer. As a result, the Corporation does not consolidate the vehicles. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to us under the total return swap. The Corporation s risk may be mitigated by collateral or other arrangements.

Other Vehicles

Other consolidated vehicles include real estate investment vehicles, municipal bond trusts and asset acquisition conduits. Other unconsolidated vehicles include asset acquisition conduits and other corporate conduits.

The Corporation administers three asset acquisition conduits which acquire assets on behalf of the Corporation or our customers. Two of the conduits, which are unconsolidated, acquire assets at the request of customers who wish to benefit from the economic returns of the specified assets, which consist principally of liquid exchange-traded equity securities and some leveraged loans, on a leveraged basis. The consolidated conduit holds subordinated debt securities for the Corporation s benefit. The conduits obtain funding by issuing commercial paper and subordinated certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swap contracts between the Corporation and the conduits and, for unconsolidated conduits the Corporation is reimbursed through total return swap contracts with its customers. The weighted average maturity of commercial paper issued by the conduits at March 31, 2009 was 67 days. The Corporation receives fees for serving as commercial paper placement agent and for providing administrative services to the conduits.

The Corporation determines whether it must consolidate an asset acquisition conduit based on the design of the conduit and whether the third party investors are exposed to the Corporation s credit risk or the market risk of the assets. Interest rate risk is not included in the cash flow analysis because the conduits are not designed to absorb and pass along interest rate risk to investors, who receive current rates of interest that are appropriate for the tenor and relative risk of their investments. When a conduit acquires assets for the benefit of the Corporation s customers, the Corporation enters into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. The Corporation s performance under the derivatives is collateralized by the underlying assets and, as such, the third party investors are exposed primarily to credit risk of the Corporation. The Corporation s exposure to the counterparty credit risk of its customers is mitigated by the aforementioned collateral arrangements and the ability to liquidate an asset held in the conduit if the customer defaults on its obligation. When a conduit acquires assets on the Corporation s behalf and the Corporation absorbs the market risk of the assets, it consolidates the conduit. Derivative activity related to unconsolidated conduits is carried at fair value with changes in fair value recorded in trading account profits (losses).

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Other corporate conduits are commercial paper conduits, which hold primarily high-grade, long-term municipal, corporate, and mortgage-backed securities. The assets held by these other conduits have a weighted average remaining life of approximately 2.2 years at March 31, 2009. Substantially all of the securities are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. The conduits obtain funding by issuing commercial paper to third party investors. At March 31, 2009, the weighted average maturity of the commercial paper was 10 days. We have entered into derivative contracts which provide interest rate, currency and a pre-specified amount of credit protection to the conduits in exchange for the commercial paper rate. In addition, the Corporation may be obligated to purchase assets from the conduits if the assets or insurers are downgraded. If an asset s rating declines below a certain investment quality as evidenced by its credit rating or defaults, the Corporation is no longer exposed to the risk of loss.

The Corporation holds $858 million of assets resulting from mandatory sales out of conduits on the Consolidated Balance Sheet that are recorded within trading account assets at March 31, 2009. Due to illiquidity in the financial markets at the time of the sales, the Corporation purchased a majority of these assets. The conduits are QSPEs and, as such, are not subject to consolidation by the Corporation. In the event that the Corporation is unable to remarket the conduits commercial paper such that they no longer qualify as QSPEs, the Corporation would consolidate the conduits which may have an adverse impact on the fair value of the related derivative contracts. Derivative activity related to the other corporate conduits is carried at fair value with changes in fair value recorded in trading account profits (losses).

NOTE 10 Goodwill and Intangible Assets

The following table presents goodwill at March 31, 2009 and December 31, 2008, which includes $5.0 billion of goodwill related to the acquisition of Merrill Lynch. As discussed in more detail in *Note 18 Business Segment Information*, the Corporation changed its basis of presentation from three segments to six segments effective January 1, 2009 in connection with the Merrill Lynch acquisition. As a result, the reporting units to be utilized for goodwill impairment tests will be the business segments or one level below the business segments. For more information on the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity.*

(Dollars in millions)	**March 31 2009**	December 31 2008
Deposits	**$ 17,818**	$ 17,805
Global Card Services	**22,262**	22,271
Home Loans & Insurance	**4,797**	4,797
Global Banking	**27,490**	27,490
Global Markets	**3,265**	2,080
Global Wealth & Investment Management	**10,187**	6,503
All Other	**1,091**	988
Total goodwill	**$ 86,910**	$ 81,934

Due to the stress noted for the *Home Loans & Insurance* and *Global Card Services* reporting units as a result of the additional impairment analysis performed in the fourth quarter of 2008, a continued decline in our stock price and current market conditions in the financial services industry, we concluded that an additional impairment analysis should be performed for these two reporting units in the first quarter of 2009. In performing the first step of the additional impairment analysis, we utilized the market approach for *Home Loans & Insurance* and the income approach for *Global Card Services*. Based on the results of this analysis, both *Home Loans & Insurance* and *Global Card Services* passed the first step analysis (i.e., fair value exceeded its carrying value). Although not required, to further substantiate the value of the Corporation s goodwill balance, the second step analysis (i.e., comparing the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill) was performed for both *Home Loans & Insurance* and *Global Card Services*. As a result of the tests, which were consistent with the results of the tests performed in 2008, no goodwill losses were recognized for the first quarter of 2009. For more information on goodwill impairment testing, see the *Goodwill and Intangible Assets* section of *Note 1 Summary of Significant Accounting Principles* to the Corporation s 2008 Annual Report on Form 10-K.

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The gross carrying values and accumulated amortization related to intangible assets at March 31, 2009 and December 31, 2008 are presented below:

(Dollars in millions)	March 31, 2009 Gross Carrying Value	March 31, 2009 Accumulated Amortization	December 31, 2008 Gross Carrying Value	December 31, 2008 Accumulated Amortization
Purchased credit card relationships	**$ 7,072**	**$ 2,913**	$ 7,080	$ 2,740
Core deposit intangibles	**5,294**	**3,397**	4,594	3,284
Customer relationships	**4,869**	**372**	1,104	259
Affinity relationships	**1,636**	**628**	1,638	587
Other intangibles	**3,242**	**1,100**	2,009	1,020
Total intangible assets	**$ 22,113**	**$ 8,410**	$ 16,425	$ 7,890

Amortization of intangibles expense was $520 million and $446 million for the three months ended March 31, 2009 and 2008. The Corporation estimates aggregate amortization expense is expected to be approximately $500 million for each of the remaining quarters of 2009. In addition, the Corporation estimates aggregate amortization expense will be approximately $1.8 billion, $1.6 billion, $1.4 billion, $1.3 billion and $1.0 billion for 2010 through 2014, respectively.

NOTE 11 Long-term Debt

The following table presents long-term debt at March 31, 2009 including long-term debt associated with the acquisition of Merrill Lynch.

(Dollars in millions)	March 31 2009
Long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries	
Senior debt issued by Merrill Lynch & Co., Inc.	**$ 96,466**
Senior debt issued by subsidiaries guaranteed by Merrill Lynch & Co., Inc.	**4,658**
Senior structured notes issued by Merrill Lynch & Co., Inc.	**30,018**

Senior structured notes issued by subsidiaries guaranteed by Merrill Lynch & Co., Inc.	**15,773**
Subordinated debt issued by Merrill Lynch & Co., Inc.	**10,137**
Junior subordinated notes (related to trust preferred securities)	**3,536**
Other subsidiary financing	**5,817**
Total long-term debt issued by Merrill Lynch & Co., Inc. and subsidiaries [(1)]	**166,405**
Other long-term debt issued by Bank of America Corporation and subsidiaries	**274,346**
Total long-term debt	**$ 440,751**

(1) Includes $85.9 billion of fixed-rate obligations and $80.5 billion of variable rate obligations.

The weighted-average interest rate for debt (excluding structured notes) issued by Merrill Lynch & Co., Inc. and subsidiaries was 4.15 percent as of March 31, 2009. Including the Merrill Lynch acquisition, the Corporation has aggregate annual maturities on its long-term debt obligations of $74.7 billion maturing within one year, and $79.7 billion maturing in two years, $42.1 billion maturing in three years, $64.1 billion maturing in four years, $31.4 billion maturing in five years and $148.8 billion for all years thereafter. Certain structured notes acquired in connection with the acquisition of Merrill Lynch are accounted for under the fair value option. For more information on these structured notes, see *Note 16 Fair Value Disclosures*.

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NOTE 12 Commitments and Contingencies

In the normal course of business, the Corporation enters into a number of off-balance sheet commitments. These commitments expose the Corporation to varying degrees of credit and market risk and are subject to the same credit and market risk limitation reviews as those instruments recorded on the Corporation s Consolidated Balance Sheet.

Credit Extension Commitments

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of $44.2 billion and $46.9 billion at March 31, 2009 and December 31, 2008. At March 31, 2009, the carrying amount of these commitments, excluding fair value adjustments, was $1.4 billion, including deferred revenue of $32 million and a reserve for unfunded legally binding lending commitments of $1.36 billion. At December 31, 2008, the comparable amounts were $454 million, $33 million and $421 million. The carrying amount of these commitments is recorded in accrued expenses and other liabilities. For information regarding the Corporation s loan commitments accounted for at fair value, see *Note 16 Fair Value Disclosures.*

(Dollars in millions)	Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total
Credit extension commitments, March 31, 2009					
Loan commitments	**$ 154,307**	**$ 132,473**	**$ 77,278**	**$ 25,681**	**$ 389,739**
Home equity lines of credit	**5,861**	**2,734**	**5,875**	**93,215**	**107,685**
Standby letters of credit and financial guarantees (1)	**29,684**	**26,855**	**8,319**	**13,605**	**78,463**
Commercial letters of credit	**1,684**	**24**	**25**	**1,209**	**2,942**
Legally binding commitments (2)	**191,536**	**162,086**	**91,497**	**133,710**	**578,829**
Credit card lines (3)	**612,996**	**-**	**-**	**-**	**612,996**
Total credit extension commitments	**$ 804,532**	**$ 162,086**	**$ 91,497**	**$ 133,710**	**$ 1,191,825**
Credit extension commitments, December 31, 2008					
Loan commitments	$ 128,992	$ 120,234	$ 67,111	$ 31,200	$ 347,537
Home equity lines of credit	3,883	2,322	4,799	96,415	107,419
Standby letters of credit and financial guarantees (1)	33,350	26,090	8,328	9,812	77,580
Commercial letters of credit	2,228	29	1	1,507	3,765
Legally binding commitments (2)	168,453	148,675	80,239	138,934	536,301
Credit card lines (3)	827,350	-	-	-	827,350
	$ 995,803	$ 148,675	$ 80,239	$ 138,934	$ 1,363,651

Total credit extension commitments

(1) At March 31, 2009, the notional value of SBLC and financial guarantees classified as investment grade and non-investment grade based on the credit quality of the underlying reference name within the instrument were $48.5 billion and $30.0 billion compared to $54.4 billion and $23.2 billion at December 31, 2008.

(2) Includes commitments to unconsolidated VIEs and certain QSPEs disclosed in *Note 9 Variable Interest Entities*, including $39.9 billion and $41.6 billion to multi-seller conduits, and $12.5 billion and $6.8 billion to municipal bond trusts at March 31, 2009 and December 31, 2008. Also includes commitments to SPEs that are not disclosed in *Note 9 Variable Interest Entities* because the Corporation does not hold a significant variable interest, including $1.5 billion and $980 million to customer-sponsored conduits at March 31, 2009 and December 31, 2008.

(3) Includes business card unused lines of credit.

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

Other Commitments

Global Principal Investments and Other Equity Investments

At March 31, 2009 and December 31, 2008, the Corporation had unfunded equity investment commitments of approximately $3.3 billion and $1.9 billion. These commitments generally relate to the Corporation s Global Principal Investments business which is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund. Bridge equity commitments provide equity bridge financing to facilitate clients investment activities. These conditional commitments are often retired prior to or shortly following funding via syndication or the client s decision to terminate. Where the Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there is heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At March 31, 2009, the Corporation did not have any unfunded bridge equity commitments and had previously funded $1.2 billion of equity bridges which are considered held for investment and recorded in other assets at $520 million. During the three months ended March 31, 2009, the Corporation recorded $150 million in losses related to these investments through equity investment income.

Loan Purchases

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period, ending June 30, 2010. The Corporation purchased $1.0 billion of such loans for the three months ended March 31, 2009 and purchased $12.0 billion of such loans for the year ended December 31, 2008 under this agreement. As of March 31, 2009, the Corporation was committed for additional purchases of up to $12.0 billion over the remaining term of the agreement of which $2.0 billion will be purchased by June 30, 2009. All loans purchased under this agreement are subject to a comprehensive set of credit criteria. This agreement is accounted for as a derivative liability which had a balance of $286 million and $316 million at March 31, 2009 and December 31, 2008.

At March 31, 2009, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $2.8 billion, which upon settlement will be included in loans or loans held-for-sale.

Operating Leases

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate $2.5 billion, $2.8 billion, $2.4 billion, $2.0 billion and $1.7 billion for 2009 through 2013, respectively, and $10.1 billion for all years thereafter.

Other Commitments

At March 31, 2009, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $58.3 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $58.9 billion. All of these commitments expire within the next 12 months.

Beginning in the second half of 2007, the Corporation provided support to certain cash funds managed within *GWIM*. The funds for which the Corporation provided support typically invested in high quality, short-term securities with a portfolio weighted-average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and senior debt securities were downgraded by the rating agencies and experienced a decline in fair value. The Corporation entered into capital commitments, under which the Corporation provided cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. The capital commitments expire no later than the third quarter of 2010. At March 31, 2009 and December 31, 2008, the Corporation had gross (i.e., funded and unfunded) capital commitments to the funds of $1.1 billion and $1.0 billion. During the three months ended March 31, 2009 and 2008, the Corporation incurred losses of $117 million and $127 million related to these capital commitments. At March 31, 2009 and December 31, 2008, the remaining loss exposure on capital commitments was $261 million and $300 million.

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

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The Corporation does not consolidate the cash funds managed within *GWIM* because the subordinated support provided by the Corporation will not absorb a majority of the variability created by the assets of the funds. In reaching this conclusion, the Corporation considered both interest rate and credit risk. The cash funds had total assets under management of $157.5 billion and $185.9 billion at March 31, 2009 and December 31, 2008.

In connection with federal and state securities regulators, the Corporation agreed to purchase at par auction rate securities (ARS) held by certain customers. During the three months ended March 31, 2009, the Corporation purchased $4.3 billion of ARS from its customers. At March 31, 2009, the Corporation s outstanding buyback commitment was $1.3 billion, of which $1.0 billion related to Merrill Lynch.

In addition, the Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At March 31, 2009, the minimum fee commitments over the remaining life of these agreements totaled $2.5 billion.

Other Guarantees

Bank-Owned Life Insurance Book Value Protection

The Corporation sells products that offer book value protection to insurance carriers who offer group life insurance policies to corporations, primarily banks. The book value protection is provided on portfolios of intermediate investment-grade fixed income securities and is intended to cover any shortfall in the event that policyholders surrender their policies and market value is below book value. To manage its exposure, the Corporation imposes significant restrictions on surrenders and the manner in which the portfolio is liquidated and the funds are accessed, and to restrict the investment parameters of the underlying portfolio. These constraints, combined with structural protections, including a cap on the amount of risk assumed on each policy, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At both March 31, 2009 and December 31, 2008, the notional amount of these guarantees totaled $4.8 billion with estimated maturity dates between 2030 and 2040. As of March 31, 2009 and December 31, 2008, the Corporation has not made a payment under these products and has assessed the probability of significant payments under these guarantees as remote.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of Employee Retirement Income Security Act of 1974 (ERISA) governed pension plans, such as 401(k) plans and 457 plans. The book value protection is provided on portfolios of intermediate/short-term investment-grade fixed income securities and is intended to cover any shortfall in the event that plan participants continue to withdraw funds after all securities have been liquidated and there is remaining book value. The Corporation retains the option to exit the contract at any time. If the Corporation exercises its option, the purchaser can require the Corporation to purchase high quality fixed income securities, typically government or government-backed agency securities, with the proceeds of the liquidated assets to assure the return of principal. To manage its exposure, the Corporation imposes significant restrictions and constraints on the timing of the withdrawals, the manner in which the portfolio is liquidated and the funds are accessed, and the investment parameters of the underlying portfolio. These constraints, combined with structural protections, are designed to provide adequate buffers and guard against payments even under extreme stress scenarios. These guarantees are booked as derivatives and marked to market in the trading portfolio. At both March 31, 2009 and December 31, 2008, the notional amount of these guarantees totaled $37.4 billion with estimated maturity dates between 2009 and 2014 if the exit option is exercised on all deals. As of March 31, 2009 and December 31, 2008, the Corporation has not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

Merchant Services

The Corporation provides credit and debit card processing services to various merchants by processing credit and debit card transactions on their behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder s favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended March 31, 2009 and 2008, the Corporation processed $74.8 billion and $88.3 billion of transactions and recorded losses as a result of these chargebacks of $7 million and $4 million.

At March 31, 2009 and December 31, 2008, the Corporation held as collateral $39 million and $38 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of March 31, 2009 and December 31, 2008, the maximum potential exposure totaled approximately $128.3 billion and $147.1 billion.

Brokerage Business

For a portion of the Corporation s brokerage business, the Corporation has contracted with a third party to provide clearing services that include underwriting margin loans to the Corporation s clients. This contract stipulates that the Corporation will indemnify the third party for any margin loan losses that occur in its issuing margin to the Corporation s clients. The maximum potential future payment under this indemnification was $548 million and $577 million at March 31, 2009 and December 31, 2008. Historically, any payments made under this indemnification have been immaterial. As these margin loans are highly collateralized by the securities held by the brokerage clients, the Corporation has assessed the probability of making such payments in the future as remote. This indemnification would end with the termination of the clearing contract.

Written Put Options

At December 31, 2008, the Corporation provided liquidity support in the form of written put options on $542 million of commercial paper issued by CDOs. The underlying collateral in the CDOs included mortgage-backed securities, ABS, and CDO securities issued by other vehicles. These written put options were recorded as derivatives on the Corporation s Balance Sheet and were carried at fair value with changes in fair value recorded in trading account profits (losses). These arrangements were terminated during the first quarter of 2009.

Other Derivative Contracts

The Corporation funds selected assets, including securities issued by CDOs and CLOs, through derivative contracts, typically total return swaps, with third parties and SPEs that are not consolidated on the Corporation s Balance Sheet. Of the total notional amount of these derivative contracts, approximately $4.3 billion was with commercial banks and $7.8 billion was with SPEs at March 31, 2009. The underlying securities are senior securities and substantially all of our exposures are insured. Accordingly, our exposure to loss consists principally of counterparty risk to the insurers. In certain circumstances, generally as a result of ratings downgrades, the Corporation may be required to purchase the underlying assets, which would not result in additional gain or loss to the Corporation as such exposure is already reflected in the fair value of the derivative contracts.

Other Guarantees

The Corporation also sells products that guarantee the return of principal to investors at a preset future date. These guarantees cover a broad range of underlying asset classes and are designed to cover the shortfall between the market value of the underlying portfolio and the principal amount on the preset future date. To manage its exposure, the Corporation requires that these guarantees be backed by structural and investment constraints and certain pre-defined triggers that would require the underlying assets or portfolio to be liquidated and invested in zero-coupon bonds that mature at the preset future date. The Corporation is required to fund any shortfall at the preset future date between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds. These guarantees are booked as derivatives and marked to market in the trading portfolio. At both March 31, 2009 and December 31, 2008, the notional amount of these guarantees totaled $1.3 billion. These guarantees have various maturities ranging from two to five years. At March 31, 2009 and December 31, 2008, the Corporation had not made a payment under these products and has assessed the probability of payments under these guarantees as remote.

The Corporation has entered into additional guarantee agreements, including lease end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $7.7 billion and $7.3 billion at March 31, 2009 and December 31, 2008. The estimated maturity dates of these obligations are between 2009 and 2033. The Corporation has made no material payments under these guarantees.

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For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see *Note 8 Securitizations.*

Litigation and Regulatory Matters

The following supplements the disclosure in *Note 13 Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

Auction Rate Securities (ARS) Claims

On February 27, 2009, defendants filed a motion to dismiss the consolidated amended complaint in *In Re Merrill Lynch Auction Rate Securities Litigation* (previously referenced as *Burton and Stanton*).

Countrywide Equity and Debt Securities Matters

On March 9, 2009, the U.S. District Court for the Central District of California in the Argent action dismissed the Corporation from the case; Countrywide Financial Corporation remains as a named defendant.

On April 6, 2009, the U.S. District Court for the Central District of California denied the motions to dismiss the amended complaint in the New York Funds matter made by Countrywide Financial Corporation and the underwriters.

Countrywide Mortgage-Backed Securities Litigation

On March 25, 2009, the First Judicial District Court for the County of Santa Fe in the New Mexico matter denied the motion to dismiss the complaint.

Enron Litigation

On March 5, 2009, the U.S. District Court for the Southern District of Texas granted Merrill Lynch s motion for summary judgment and dismissed the claims against Merrill Lynch with prejudice.

IndyMac

On January 20, 2009, Banc of America Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their capacity as underwriters, along with IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *IBEW Local 103 v. Indymac MBS et al*., filed in the Superior Court of the State of California, County of Los Angeles, by purchasers of IndyMac mortgage pass-through certificates. The complaint alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933, and seeks unspecified compensatory damages and rescission, among other relief.

In re Initial Public Offering Securities Litigation

On April 2, 2009, the parties executed a settlement agreement, which has been submitted to the U.S. District Court for the Southern District of New York for approval. If the District Court grants final approval to the settlement and the decision survives any appeals that may be brought, the settlement will resolve the claims of all settlement class members (as defined in the settlement agreement) who do not opt out.

Lehman Setoff Litigation

On November 26, 2008, Bank of America, N.A. (BANA) commenced an adversary proceeding against Lehman Brothers Holdings, Inc. (LBHI) and Lehman Brothers Special Financing, Inc. (LBSF) in LBHI s and LBSF s chapter 11 cases pending in the U.S. Bankruptcy Court for the Southern District of New York. In the adversary proceeding, BANA is seeking a declaration that it properly set off funds held in Lehman deposit accounts against monies owed to BANA by LBSF and LBHI under various derivatives and guarantee agreements. LBSF and LBHI answered the complaint and LBHI filed counterclaims

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against BANA and Bank of America Trust and Banking Corporation (Cayman) Limited (BofA Cayman) on January 2, 2009, alleging that BANA s set-off was improper and violated the automatic stay in bankruptcy. LBHI seeks, inter alia, return of the off-set funds. BANA and BofA Cayman filed their answer, denying the material allegations of the counterclaims.

MBIA Insurance Corporation CDO Litigation

On April 30, 2009, MBIA Insurance Corporation and LaCrosse Financial Products, LLC filed a complaint in New York State Supreme Court, New York County, against Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch International. The complaint relates to certain credit default swap (CDS) agreements and insurance agreements by which plaintiffs provided credit protection to the Merrill Lynch entities and other parties on certain CDO securities held by them. Plaintiffs claim that the Merrill Lynch entities did not adequately disclose the credit quality and other risks of the CDO securities and underlying collateral. The complaint alleges claims for fraud, negligent misrepresentation and breach of contract, among other claims, and seeks rescission and unspecified compensatory and punitive damages, among other relief.

Merrill Lynch Subprime-Related Matters

In re Merrill Lynch & Co., Inc. Securities, Derivative, and ERISA Litigation

On March 3, 2009, the U.S. District Court for the Southern District of New York preliminarily approved the Securities Action settlement and scheduled a fairness hearing on July 27, 2009 to determine whether it will grant final approval to the settlement. On March 17, 2009, the District Court preliminarily approved the ERISA Action settlement and scheduled a fairness hearing on July 27, 2009 to determine whether it will grant final approval to the settlement.

Louisiana Sheriffs Pension & Relief Fund v. Conway, et al.

On April 21, 2009, the parties reached an agreement in principle to settle the case and dismiss all claims with prejudice. The settlement is subject to court approval.

Wyoming State Treasurer v. Merrill Lynch, et al.

On April 3, 2009, a putative class action complaint was filed against Merrill Lynch and certain affiliated entities in the U.S. District Court for the Southern District of New York on behalf of persons who purchased Merrill Lynch Mortgage Trust Certificates (Mortgage Trust Certificates) pursuant or traceable to registration statements filed by Merrill Lynch Mortgage Investors dated August 5, 2005, December 21, 2005, and February 2, 2007. The complaint alleges that the registration statements misrepresented or omitted material facts regarding the quality of the mortgage loans underlying the Mortgage Trust Certificates, the appraisals of the properties secured by the mortgages, and the credit ratings assigned to the Mortgage Trust Certificates in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiffs seek unspecified compensatory damages, among other relief.

Short Term Interest Rate Trading (STIRT) Matter

In February 2009, the positions of a trader who largely traded Scandinavian currencies and related interest rate indices and cross currency basis swaps on the Merrill Lynch International Bank s Short Term Interest Rate Trading desk were reviewed and subsequently marked down.

Bank of America is cooperating with various regulatory authorities who are investigating the matter, both in the United States and in other countries.

NOTE 13 Shareholders Equity and Earnings Per Common Share

Common Stock

The Corporation may repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions through the Corporation s approved repurchase program. For the three months ended March 31, 2009, the Corporation did not repurchase any shares of common stock and issued 1.4 billion shares in connection with the Merrill Lynch acquisition. In addition, the Corporation issued 8.0 million shares under employee stock plans.

In January 2009, the Board declared a first quarter cash dividend of $0.01 per common share which was paid on March 27, 2009 to common shareholders of record on March 6, 2009. In April 2009, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on June 26, 2009 to common shareholders of record on June 5, 2009.

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Preferred Stock

In connection with the Merrill Lynch acquisition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially similar terms. Merrill Lynch convertible preferred stock remains outstanding and is now convertible into Bank of America common stock at an exchange ratio equivalent to the exchange ratio for Merrill Lynch common stock.

The following table presents a summary of preferred stock issued or remaining outstanding with the acquisition of Merrill Lynch. All preferred stock of the Corporation outstanding has preference over the Corporation s common stock with respect to the payment of dividends and distribution of the Corporation s assets in the event of a liquidation or dissolution. For additional information regarding the acquisition of Merrill Lynch, see *Note 2 Merger and Restructuring Activity*.

(Dollars in millions, except per share data)

Merrill Lynch Series	**Description**	**Initial Issuance Date**	**Total Shares Issued**	**Liquidation Preference Per Share**	**Per Annum Dividend Rate**	**Redemption Period** [1]
Series 1 [2, 3]	Floating Rate Non-Cumulative	November 2004	21,000	$ 30,000	3-mo LIBOR + 75bps [4]	On or after November 28, 2009
Series 2 [2, 3]	Floating Rate Non-Cumulative	March 2005	37,000	30,000	3-mo LIBOR + 65bps [4]	On or after November 28, 2009
Series 3 [2, 3]	6.375% Non-Cumulative	November 2005	27,000	30,000	6.375%	On or after November 28, 2010
Series 4 [2, 3]	Floating Rate Non-Cumulative	November 2005	20,000	30,000	3-mo LIBOR + 75bps [5]	On or after November 28, 2010
Series 5 [2, 3]	Floating Rate Non-Cumulative	March 2007	50,000	30,000	3-mo LIBOR + 50bps [5]	On or after May 21, 2012

Series 6 (2, 6)	6.70% Non-Cumulative Perpetual	September 2007	65,000	1,000	6.70%	On or after February 03, 2009
Series 7 (2, 6)	6.25% Non-Cumulative Perpetual	September 2007	50,000	1,000	6.25%	On or after March 18, 2010
Series 8 (2, 3)	8.625% Non-Cumulative	April 2008	89,100	30,000	8.625%	On or after May 28, 2013
MC Series 2 (7)	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	12,000	100,000	9.00%	On October 15, 2010
MC Series 3 (7)	9.00% Non-Voting Mandatory Convertible Non-Cumulative	July 2008	5,000	100,000	9.00%	On October 15, 2010
Total			376,100			

(1) The Corporation may redeem series of preferred stock, in whole or in part, at its option, at the liquidation preference, plus declared and unpaid dividends.
(2) Series of preferred stock are not convertible and have general voting rights.
(3) Ownership is held in the form of depositary shares, each representing a 1/1200th interest in a share of preferred stock, paying a quarterly cash dividend.
(4) Subject to 3.00% minimum rate per annum.
(5) Subject to 4.00% minimum rate per annum.
(6) Ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of preferred stock, paying a quarterly cash dividend.
(7) Represents shares outstanding of Merrill Lynch & Co., Inc. Each share of Mandatory Convertible Preferred Stock Series 2 and Series 3 will be converted on October 15, 2010 into a maximum of 2,605 and 3,820 shares of the Corporation s common stock plus cash in lieu of fractional shares and are optionally convertible prior to that date into 2,227 and 3,265 shares, respectively.

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In January 2009, in connection with the TARP Capital Purchase Program and with the Merrill Lynch acquisition the Corporation issued 400 thousand shares of Series Q Preferred Stock and related warrants to purchase common stock for $10.0 billion. Of the $10.0 billion in cash proceeds from the issuance of Series Q Preferred Stock, $9.0 billion was allocated to preferred stock and $1.0 billion to the warrants on a relative fair value basis. Also in January 2009, the U.S. government agreed to assist in the Merrill Lynch acquisition by making a further investment in the Corporation of 800 thousand shares of Series R Preferred Stock and related warrants to purchase common stock for $20.0 billion. Of the $20.0 billion in cash proceeds from the issuance of Series R Preferred stock, $17.8 billion was allocated to preferred stock and $2.2 billion to the warrants on a relative fair value basis. The discount on the Series Q and R Preferred Stock will be accreted and recognized in retained earnings as a non-cash dividend which impacts diluted EPS, with a corresponding increase in the carrying value of the preferred stock, over a period of five years and 10 years respectively. The Corporation utilized a Black-Scholes option model to fair value the stock warrants. The key assumptions used to determine the relative fair value of the warrants included volatility of 51.66 percent and 54.79 percent and a spot price equal to the exercise price of $30.79 and $13.30 for Series Q and Series R Preferred Stock. In addition, we assumed that the warrants for both series of preferred stock had a dividend yield of zero. The following table provides further information regarding these issuances.

Preferred Stock Summary

(Dollars in millions, except per share information) Series	Description	Initial Issuance Date	Total Shares Issued	Liquidation Preference per Share (in dollars)	Carrying Value as of March 31, 2009 [1]	Per Annum Dividend Rate
Series Q [2, 3, 4, 5]	Fixed Rate Cumulative Perpetual	January 2009	400,000	$ 25,000	$ 9,046	5.00% through 1/9/2014; 9.00% thereafter
Series R [2, 4, 5]	Fixed Rate Cumulative Perpetual	January 2009	800,000	25,000	17,846	8.00%
Total			1,200,000			

(1) Includes the preferred stock discount accretion of $46 million for both the Series Q and Series R Preferred Stock.
(2) Pays quarterly cash dividends.
(3) Subject to the approval of federal banking regulators, the Series Q Preferred Stock may be redeemed prior to February 15, 2012 if the Series N Preferred Stock, issued by the Corporation in October 2008, has been redeemed with net proceeds from qualified equity offerings, which is defined generally as a sale or issuance of common or perpetual preferred stock to third parties that qualifies as Tier 1 Capital. After February 15, 2012, subject to the approval of federal banking regulators, the Series Q Preferred Stock can be redeemed by its terms if the Series N Preferred Stock has been redeemed whether or not new capital is issued.
(4) Subject to the approval of federal banking regulators, the Series R Preferred Stock can be redeemed after the Series N and Series Q Preferred Stock have been redeemed.
(5) Notwithstanding the preceding, pursuant to the American Recovery and Reinvestment Act of 2009, the Emergency Economic Stabalization Act of 2008 was amended to add a new Section 111(g), which would allow the Corporation to redeem the Series Q or Series R Preferred Stock at any time, subject to the approval of the appropriate federal banking agency, without raising additional cash proceeds from qualified equity offerings or without regard to waiting periods.

During the first quarter of 2009, the aggregate dividends declared on preferred stock were $1.0 billion, including $145 million related to preferred stock issued in connection with the Merrill Lynch acquisition.

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Accumulated OCI

The following table presents the changes in accumulated OCI for the three months ended March 31, 2009 and 2008, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities[1]	Available-for-Sale Marketable Equity Securities	Derivatives [2]	Employee Benefit Plans	Foreign Currency [3]	Total
Balance, December 31, 2008	**$ (5,956)**	**$ 3,935**	**$ (3,458)**	**$ (4,642)**	**$ (704)**	**$ (10,825)**
Cumulative adjustment for accounting change - OTTI [4]	**(71)**	**-**	**-**	**-**	**-**	**(71)**
Net change in fair value recorded in accumulated OCI	**1,002**	**(71)**	**152**	**-**	**66**	**1,149**
Net realized (gains) losses reclassified into earnings [5]	**(717)**	**(1,025)**	**260**	**65**	**-**	**(1,417)**
Balance, March 31, 2009	**$ (5,742)**	**$ 2,839**	**$ (3,046)**	**$ (4,577)**	**$ (638)**	**$ (11,164)**
Balance, December 31, 2007	$ (1,880)	$ 8,416	$ (4,402)	$ (1,301)	$ 296	$ 1,129
Net change in fair value recorded in accumulated OCI	(407)	(1,536)	(478)	-	20	(2,401)
Net realized (gains) losses reclassified into earnings [5]	213	(5)	162	18	-	388
Balance, March 31, 2008	$ (2,074)	$ 6,875	$ (4,718)	$ (1,283)	$ 316	$ (884)

(1) The March 31, 2009 ending balance includes $343 million of unrealized losses in which other-than-temporary impairment has been recognized.

(2) The amounts included in accumulated OCI for terminated interest rate derivative contracts were losses of $3.0 billion and $3.6 billion, net-of-tax, at March 31, 2009 and 2008.

(3) For the three months ended March 31, 2009, the net change in fair value recorded in accumulated OCI represented $1.1 billion in losses associated with the Corporation s foreign currency translation adjustments on its net investment in consolidated foreign operations offset by gains of $1.1 billion on the related foreign currency exchange hedging results.

(4) Effective January 1, 2009, the Corporation early adopted FSP FAS 115-2. For additional information on the adoption of this accounting pronouncement, see *Note 1 Summary of Significant Accounting Principles* and *Note 5 Securities*.

(5) Included in this line item are amounts related to derivatives used in cash flow hedge relationships. These amounts are reclassified into earnings in the same period or periods during which the hedged forecasted transactions affect earnings. This line item also includes (gains) losses on AFS debt and marketable equity securities and impairment charges. These amounts are reclassified into earnings upon sale of the related security or when the other-than-temporary impairment charge is recognized.

Earnings Per Common Share

On January 1, 2009, the Corporation adopted FSP EITF 03-6-1 which defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that should be included in computing EPS using the two-class method. Prior period EPS amounts have been reclassified to conform to current period presentation.

The two-class method is an earnings allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. Earnings per common share is calculated by dividing earnings allocated to common shareholders by the weighted-average number of common shares outstanding during the period.

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For the three months ended March 31, 2009 and 2008, average options to purchase 324 million and 135 million shares of common stock were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three months ended March 31, 2009 and 2008, 188 million and 97 million average dilutive potential common shares associated with the convertible Series L, MC Series 2 and MC Series 3 Preferred Stock were excluded from the diluted share count because the result would have been antidilutive under the if-converted method. The calculation of earnings per common share and diluted earnings per common share for the three months ended March 31, 2009 and 2008 is presented below.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended March 31 **2009**	2008
Earnings per common share		
Net income	**$ 4,247**	$ 1,210
Preferred stock dividends	**(1,433)**	(190)
Net income available to common shareholders	**2,814**	1,020
Income allocated to participating securities	**(39)**	(20)
Net income allocated to common shareholders	**$ 2,775**	$ 1,000
Average common shares issued and outstanding	**6,370,815**	4,427,823
Earnings per common share	**$ 0.44**	$ 0.23
Diluted earnings per common share		
Net income available to common shareholders	**$ 2,814**	$ 1,020
Average common shares issued and outstanding	**6,370,815**	4,427,823
Dilutive potential common shares [1]	**60,212**	33,378
Total diluted average common shares issued and outstanding	**6,431,027**	4,461,201
Diluted earnings per common share	**$ 0.44**	$ 0.23

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

NOTE 14 Pension, Postretirement and Other Employee Plans

The Corporation sponsors noncontributory trusteed qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. The plans provide defined benefits based on an employee s compensation and years of service. The Bank of America Pension Plan (the Pension Plan) provides participants with compensation credits, generally based on years of service. For account balances based on compensation credits prior to January 1, 2008, the Pension Plan allows participants to select from various earnings measures, which are based on the returns of certain funds or common stock of the Corporation. The participant-selected earnings measures determine the earnings rate on the individual participant account balances in the Pension Plan. Participants may elect to modify earnings measure allocations on a periodic basis subject to the provisions of the Pension Plan. For account balances based on compensation credits subsequent to December 31, 2007, the account balance earnings rate is based on a benchmark rate. For eligible employees in the Pension Plan on or after January 1, 2008, the benefits become vested upon completion of three years of service. It is the policy of the Corporation to fund not less than the minimum funding amount required by ERISA. A detailed discussion of these plans is presented in *Note 16 Employee Benefit Plans* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations related to the plans of Merrill Lynch. These plans include a terminated U.S. pension plan, non-U.S. pension plans, and other postretirement plans. The non-U.S. pension plans vary based on the country and local practices.

In 1988, Merrill Lynch purchased a group annuity contract that guarantees the payment of benefits vested under the terminated U.S. pension plan. The Corporation, under a supplemental agreement, may be responsible for, or benefit from, actual experience and investment performance of the annuity assets. The Corporation has contributed approximately $120 million toward this agreement during the three months ended March 31, 2009. Additional contributions may be required under the supplemental agreement.

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Net periodic benefit cost (income) of the Corporation s plans including the Merrill Lynch and Countrywide plans for the three months ended March 31, 2009 and 2008 included the following components:

	Three Months Ended March 31					
	Qualified Pension Plans		Nonqualified and Other Pension Plans (1)		Postretirement Health and Life Plans	
(Dollars in millions)	**2009**	**2008**	**2009 (2)**	**2008**	**2009 (2)**	**2008**
Components of net periodic benefit cost (income)						
Service cost	**$ 107**	$ 88	**$ 7**	$ 2	**$ 5**	$ 5
Interest cost	**188**	210	**60**	19	**23**	23
Expected return on plan assets	**(308)**	(361)	**(54)**	-	**(2)**	(3)
Amortization of transition obligation	**-**	-	**-**	-	**8**	8
Amortization of prior service cost (credits)	**9**	12	**(2)**	(2)	**-**	-
Recognized net actuarial loss (gain)	**99**	16	**2**	3	**(15)**	(8)
Net periodic benefit cost (income)	**$ 95**	$ (35)	**$ 13**	$ 22	**$ 19**	$ 25

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

(2) The net periodic benefit cost (income) of the Merrill Lynch Nonqualified and Other Pension Plans and Postretirement Health and Life Plans was $(6) million and $4 million.

For 2009, the Corporation expects to contribute $286 million and $134 million to its nonqualified and other pension plans and postretirement health and life plans. For the three months ended March 31, 2009, the Corporation contributed $197 million and $34 million for these plans. The Corporation does not expect to be required to contribute to its qualified pension plans during 2009.

In connection with the Merrill Lynch acquisition, approximately 234 million stock-based compensation awards (e.g., options and restricted shares) were converted to Bank of America stock-based awards. The unamortized compensation expense at the time of acquisition was approximately $700 million which will be substantially amortized into personnel expense through 2012.

NOTE 15 Income Taxes

As a result of the acquisition of Merrill Lynch on January 1, 2009, the Corporation s net deferred tax assets increased by $19.6 billion. Included in these deferred tax assets are carryforward amounts generated in the U.S. and U.K. that are deductible in the future as net operating losses (NOLs). The U.K. NOL deferred tax asset of $9.7 billion has an unlimited carryforward period, but due to change-in-control limitations in the three years prior to and following the change in ownership, can be jeopardized by certain major changes in the nature or conduct of the Corporation s U.K. businesses. The Corporation has concluded that no valuation allowance is required. The U.S. federal NOL of $11.8 billion, which is represented by a deferred tax asset of $4.1 billion, can be carried forward against future tax periods of the Corporation until 2028, and no valuation allowance has been established based upon the Corporation s estimate that future taxable income will be sufficient to utilize the NOL prior to its expiration. Merrill Lynch also has U.S. federal capital loss and foreign tax credit carryforwards against which valuation allowances have been recorded to reduce the assets to the amounts the Corporation believes are more-likely-than-not to be realized before their expiration.

The determination of the amount of deferred tax assets that are more-likely-than-not to be realized involves the assessment of all available evidence, both positive and negative. This evidence includes, but is not limited to, historical taxable income and projected future taxable income, the character and geographic mix of projected future taxable income, and projected future reversals of existing deferred tax liabilities.

At March 31, 2009 and December 31, 2008, the balance of the Corporation s unrecognized tax benefits (UTBs) was $5.5 billion and $3.5 billion. The increase was primarily due to the acquisition of Merrill Lynch. As of March 31, 2009, $4.0 billion of the UTBs (net of items such as state income taxes and foreign tax credit offsets) would, if recognized, affect the Corporation s effective tax rate in future periods.

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In December 2008, the U.S. Tax Court issued an adverse decision with respect to Merrill Lynch s tax treatment of a 1987 transaction. The Corporation has not yet determined whether or not an appeal will be filed. The UTBs with respect to this transaction have been included in the amounts disclosed above.

Merrill Lynch is under examination by the Internal Revenue Service (IRS), as well as by other non-U.S. taxing authorities, with respect to tax returns for its major jurisdictions. The examinations of the U.S. federal income tax returns are ongoing for the years 2005 to 2007. Tax returns filed in the U.K. are currently under examination for the years 2006 to 2007. The Corporation has paid assessments issued by tax authorities in Japan for the tax years that ended March 31, 1999 through 2007, which assert that certain income on which Merrill Lynch previously paid income tax to other international jurisdictions, primarily the U.S., should have been allocated to Japan. The Corporation will utilize the process of obtaining clarification from international authorities (referred to as Competent Authority) to determine the appropriate allocation of income among multiple jurisdictions to prevent double taxation. The Corporation believes it is reasonably possible that portions of these proceedings will be concluded within the next 12 months.

During 2008, the IRS completed the examination of the Merrill Lynch 2004 tax year. Included in this examination were certain proposed adjustments for which the Corporation has filed a protest to the Appeals office of the IRS.

During 2009, the Corporation expects the IRS to issue Revenue Agent s Reports (RARs) for the Merrill Lynch tax years 2005 and 2006. The Corporation expects the RARs to disallow certain deductions and foreign tax credits that Merrill Lynch claimed on its U.S. income tax returns. Except with respect to any proposed adjustments that the Corporation may challenge, management believes it is reasonably possible that these examinations will be concluded within the next 12 months.

Due to the resolution of all examination matters reasonably possible to be concluded (including Merrill Lynch) within the next 12 months, the Corporation s UTB balance may decrease by as much as $1.2 billion during that period since resolved items would be removed from the balance whether their resolution resulted in payment or recognition.

As of March 31, 2009 and December 31, 2008, the Corporation s accrual for interest and penalties related to income taxes net of taxes and remittances, which included applicable interest on certain leveraged lease positions, was $877 million and $677 million. The increase was primarily due to the Merrill Lynch acquisition.

Upon the acquisition of Merrill Lynch, the cumulative undistributed earnings of non-U.S. subsidiaries for which no deferred U.S. federal income taxes have been provided (as such earnings are expected to be permanently reinvested in the subsidiaries non-U.S. operations) increased to $14.0 billion. It is not practicable to determine the amount of withholding and U.S. income tax that would be payable in the event these earnings were repatriated.

Note 16 Fair Value Disclosures

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Corporation carries certain corporate loans and loan commitments, LHFS, securities financing agreements, long-term deposits and certain structured notes that are classified as long-term debt at fair value in accordance with SFAS 159. The Corporation also carries at fair value trading account assets and liabilities, derivative assets and liabilities, AFS debt securities, MSRs, and certain other assets. A detailed discussion regarding the fair value hierarchy and how the Corporation measures fair value is presented in *Note 1 Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation s 2008 Annual Report on Form 10-K.

Fair Value Measurement

Level 1, 2 and 3 Valuation Techniques

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

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

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

Corporate Loans and Loan Commitments

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

Securities Financing Agreements

The fair values of certain reverse repurchase arrangements, repurchase arrangements, and securities borrowed transactions are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. As part of certain securities lending agreements securities are received as collateral and are recorded at fair market value in other assets, and the liability to return these securities are recorded at fair market value in accrued expenses and other liabilities.

Deposits, Commercial Paper and Other Short-term Borrowings and Certain Structured Notes that are Classified as Long-term debt

The fair values of deposits, commercial paper and other short-term borrowings and certain structured notes that are classified as long-term debt are determined using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The Corporation considers, consistent with the requirements of SFAS 157, the impact of its own creditworthiness in the valuation of these liabilities. The credit risk is determined by reference to existing direct market costs of credit.

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

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of AFS debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets or liabilities and AFS debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased such as certain CDO positions and certain ABS. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix pricing based on the vintages and ratings. Situations of illiquidity generally are triggered by the market s perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer s financial statements and changes in credit ratings made by one or more rating agencies.

Derivative Assets and Liabilities

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of

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derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. Consistent with the way the Corporation fair values long-term deposits, commercial paper and other short-term borrowings and certain structured notes as discussed above, the Corporation incorporates, within its fair value measurements of over-the-counter derivatives, the net credit differential between the counterparty credit risk and the Corporation s own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on historical experience, adjusted for recent name specific expectations.

Mortgage Servicing Rights

The fair values of MSRs are determined using models which depend on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the OAS levels. For more information on MSRs, see *Note 17 Mortgage Servicing Rights* to the Consolidated Financial Statements.

Loans Held-for-Sale

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

Other Assets

The Corporation fair values certain other assets including AFS equity securities and certain retained residual interests in securitization vehicles. The fair values of AFS equity securities are generally based on quoted market prices or market prices for similar assets. However, non-public investments are initially valued at transaction price and subsequently adjusted when evidence is available to support such adjustments. Retained residual interests in securitization vehicles are based on certain observable inputs such as interest rates and credit spreads, as well as unobservable inputs such as estimated net charge-off and payment rates.

For private equity and principal investments held at fair value, valuation methodologies include discounted cash flows, publicly traded comparables derived by multiplying a key performance metric (e.g., earnings before interest, taxes, depreciation and amortization) of the portfolio company by the relevant valuation multiple observed for comparable companies, acquisition comparables, or entry level multiples, and are subject to appropriate discounts for lack of liquidity or marketability. Certain factors which may influence changes to the fair value include, but are not limited to, recapitalizations, subsequent rounds of financing, and offerings in the equity or debt capital markets.

Asset-backed Secured Financings

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

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Recurring Fair Value

Assets and liabilities measured at fair value on a recurring basis at March 31, 2009, including financial instruments for which the Corporation accounts for in accordance with SFAS 159, are summarized in the table below:

	March 31, 2009				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments (1)	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 45,342	$ -	$ -	$ 45,342
Trading account assets:					
U.S. government and agency securities	27,096	49,479	-	-	76,575
Corporate securities, trading loans, and other	6,933	42,330	10,458	-	59,721
Equity securities	15,390	4,945	7,671	-	28,006
Foreign sovereign debt	8,338	9,708	601	-	18,647
Mortgage trading loans and asset-backed securities	20	10,539	9,623	-	20,182
Total trading account assets	57,777	117,001	28,353	-	203,131
Derivative assets	25,242	2,498,020	41,842	(2,427,793)	137,311
Available-for-sale debt securities:					
U.S. Treasury securities and agency debentures	645	3,948	-	-	4,593
Mortgage-backed securities:					
Agency MBSs	-	139,180	-	-	139,180
Agency collateralized	-	21,156	-	-	21,156
Non-agency MBSs	-	38,473	10,364	-	48,837
Foreign securities	111	3,098	1,219	-	4,428
Corporate/Agency bonds	-	2,758	1,725	-	4,483
Other taxable securities	1,611	11,636	8,700	-	21,947
Tax-exempt securities	-	9,303	267	-	9,570
Total available-for-sale debt securities	2,367	229,552	22,275	-	254,194
Loans and leases (2)	-	400	6,955	-	7,355
Mortgage servicing rights	-	-	14,096	-	14,096
Loans held-for-sale	-	18,868	7,362	-	26,230
Other assets (3)	30,631	4,240	6,055	-	40,926
Total assets	$ 116,017	$ 2,913,423	$ 126,938	$ (2,427,793)	$ 728,585
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,682	$ -	$ -	$ 1,682
Federal funds purchased and securities loaned or sold under agreements to repurchase	-	27,400	-	-	27,400
Trading account liabilities:					
U.S. government and agency securities	21,075	2,568	-	-	23,643
Equity securities	14,735	1,211	-	-	15,946
Foreign sovereign debt	5,059	2,600	326	-	7,985
Corporate securities and other	223	5,196	-	-	5,419

Total trading account liabilities	**41,092**	**11,575**	**326**	**-**	**52,993**
Derivative liabilities	**26,887**	**2,457,817**	**34,426**	**(2,442,548)**	**76,582**
Commercial paper and other short-term borrowings	**-**	**946**	**-**	**-**	**946**
Accrued expenses and other liabilities	**7,587**	**205**	**2,783**	**-**	**10,575**
Long-term debt	**-**	**28,102**	**8,067**	**-**	**36,169**
Total liabilities	**$ 75,566**	**$ 2,527,727**	**$ 45,602**	**$ (2,442,548)**	**$ 206,347**

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

(2) Loans and leases at March 31, 2009 included $22.0 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option election in accordance with SFAS 159.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments. Substantially all of other assets are eligible for, and the Corporation has not chosen to elect, fair value accounting at March 31, 2009.

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Assets and liabilities measured at fair value on a recurring basis at December 31, 2008, including financial instruments for which the Corporation accounts for in accordance with SFAS 159, are summarized in the table below:

	December 31, 2008				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments [1]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ -	$ 2,330	$ -	$ -	$ 2,330
Trading account assets	44,889	107,315	7,318	-	159,522
Derivative assets	2,109	1,525,106	8,289	(1,473,252)	62,252
Available-for-sale debt securities	2,789	255,413	18,702	-	276,904
Loans and leases [2]	-	-	5,413	-	5,413
Mortgage servicing rights	-	-	12,733	-	12,733
Loans held-for-sale	-	15,582	3,382	-	18,964
Other assets [3]	25,089	1,245	3,572	-	29,906
Total assets	$ 74,876	$ 1,906,991	$ 59,409	$ (1,473,252)	$ 568,024
Liabilities					
Interest-bearing deposits in domestic offices	$ -	$ 1,717	$ -	$ -	$ 1,717
Trading account liabilities	42,974	14,313	-	-	57,287
Derivative liabilities	4,872	1,488,509	6,019	(1,468,691)	30,709
Accrued expenses and other liabilities	38	-	1,940	-	1,978
Total liabilities	$ 47,884	$ 1,504,539	$ 7,959	$ (1,468,691)	$ 91,691

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

(2) Loans and leases at December 31, 2008 included $22.4 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option election in accordance with SFAS 159.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments. Substantially all of other assets are eligible for, and the Corporation has not chosen to elect, fair value accounting at December 31, 2008.

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The tables below present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three-months ended March 31, 2009 and 2008, including realized and unrealized gains (losses) included in earnings and OCI.

Level 3 Fair Value Measurements

(Dollars in millions)	Balance January 1, 2009	Merrill Lynch Acquisition	Included in Earnings	Included in OCI	Purchases, Issuances, and Settlements	Transfers in to (out of) Level 3	Balance March 31, 2009
	Three Months Ended March 31, 2009						
Trading account assets:							
Corporate securities, trading loans, and other	$ 4,540	$ 7,012	$ (397)	$ -	$ (2,186)	$ 1,489	$ 10,458
Equity securities	546	3,848	(177)	-	3,647	(193)	7,671
Foreign sovereign debt	-	30	(15)	-	(1)	587	601
Mortgage trading loans and asset-backed securities	2,232	7,294	(261)	-	(768)	1,126	9,623
Total trading account assets	7,318	18,184	(850)	-	692	3,009	28,353
Net derivative assets [(1)]	2,270	2,307	3,868	-	(1,411)	382	7,416
Available-for-sale debt securities:							
Mortgage-backed securities							
Non-agency MBSs	6,096	2,509	(103)	173	1,832	(143)	10,364
Foreign securities	1,247	-	-	1	(29)	-	1,219
Corporate/Agency bonds	1,598	-	(39)	(41)	66	141	1,725
Other taxable securities	9,599	-	(19)	355	(951)	(284)	8,700
Tax-exempt securities	162	-	-	42	(34)	97	267
Total available-for-sale debt securities	18,702	2,509	(161)	530	884	(189)	22,275
Loans and leases [(2)]	5,413	2,452	(1,015)	-	105	-	6,955
Mortgage servicing rights	12,733	209	1,098	-	56	-	14,096
Loans held-for-sale [(2)]	3,382	3,872	(136)	-	244	-	7,362
Other assets [(3)]	3,572	2,696	(262)	-	49	-	6,055
Trading account liabilities:							
Foreign sovereign debt	-	-	-	-	18	(344)	(326)
Long-term debt [(2)]	-	(7,481)	(492)	-	(421)	327	(8,067)
Accrued expenses and other liabilities [(2)]	(1,940)	(1,337)	518	-	(24)	-	(2,783)

(1) Net derivatives at March 31, 2009 included derivative assets of $41.8 billion and derivative liabilities of $34.4 billion. Net derivatives acquired in connection with the acquisition of Merrill Lynch on January 1, 2009 included derivative assets of $37.3 billion and derivative liabilities of $35.0 billion.

(2) Amounts represent items which are accounted for at fair value in accordance with SFAS 159 including commercial loan commitments, certain loans held-for-sale, structured notes that are recorded as long-term debt, and secured financings recorded in accrued expenses and other liabilities.

(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

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Level 3 Fair Value Measurements

(Dollars in millions)	Balance January 1, 2008	Included in Earnings	Included in OCI	Purchases, Issuances, and Settlements	Transfers in to (out of) Level 3	Balance March 31, 2008
	Three Months Ended March 31, 2008					
Trading account assets	$ 4,027	$ (560)	$ -	$ (568)	$ 2,623	$ 5,522
Net Derivative assets [1]	(1,203)	490	-	524	505	316
Available-for-sale debt securities	5,507	(489)	(582)	1,252	3,970	9,658
Loans and leases [2]	4,590	(125)	-	592	-	5,057
Mortgage servicing rights	3,053	(47)	-	157	-	3,163
Loans held-for-sale [2]	1,334	(56)	-	(79)	23	1,222
Other assets [3]	3,987	479	-	(45)	(147)	4,274
Accrued expenses and other liabilities [2]	(660)	(243)	-	-	-	(903)

(1) Net derivatives at March 31, 2008 included derivative assets of $10.8 billion and derivative liabilities of $10.5 billion.
(2) Amounts represent items which are accounted for at fair value in accordance with SFAS 159 including commercial loans, loan commitments and loans held-for-sale.
(3) Other assets is primarily comprised of AFS equity securities and other equity investments.

The tables below summarize gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities during the three months ended March 31, 2009 and 2008. These amounts include those gains and losses generated by loans, LHFS, loan commitments and structured notes which are accounted for at fair value in accordance with SFAS 159.

Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

(Dollars in millions)	Card Income	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) (2)	Other Income (Loss)	Total
	Three Months Ended March 31, 2009					
Trading account assets:						
Corporate securities, trading loans, and other	**$ -**	**$ -**	**$ (397)**	**$ -**	**$ -**	**$ (397)**
Equity securities	**-**	**-**	**(177)**	**-**	**-**	**(177)**
Foreign sovereign debt	**-**	**-**	**(15)**	**-**	**-**	**(15)**
Mortgage trading loans and asset-backed securities	**-**	**-**	**(274)**	**13**	**-**	**(261)**
Total trading account assets	**-**	**-**	**(863)**	**13**	**-**	**(850)**
Net derivative assets	**-**	**-**	**1,361**	**2,507**	**-**	**3,868**
Available-for-sale debt securities:						
Mortgage-backed securities						
Non-agency MBSs	**-**	**-**	**-**	**(15)**	**(88)**	**(103)**
Corporate/Agency bonds	**-**	**-**	**-**	**-**	**(39)**	**(39)**
Other taxable securities	**-**	**-**	**-**	**-**	**(19)**	**(19)**
Total available-for-sale debt securities	**-**	**-**	**-**	**(15)**	**(146)**	**(161)**

Loans and leases [1]	-	-	3	-	(1,018)	(1,015)
Mortgage servicing rights	-	-	-	1,098	-	1,098
Loans held-for-sale [1]	-	-	(54)	(52)	(30)	(136)
Other assets	8	(79)	(3)	1	(189)	(262)
Long-term debt [1]	-	-	(499)	-	7	(492)
Accrued expenses and other liabilities[1]	-	-	6	34	478	518
Total	$ 8	$ (79)	$ (49)	$ 3,586	$ (898)	$ 2,568

(1) Amounts represented items which are accounted for at fair value in accordance with SFAS 159.
(2) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

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Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings

	Three Months Ended March 31, 2008					
(Dollars in millions)	**Card Income**	**Equity Investment Income**	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss) (2)**	**Other Income (Loss)**	**Total**
Trading account assets	$ -	$ -	$ (560)	$ -	$ -	**$ (560)**
Net derivative assets	-	-	358	132	-	**490**
Available-for-sale debt securities	-	-	-	-	(489)	**(489)**
Loans and leases (1)	-	-	(2)	-	(123)	**(125)**
Mortgage servicing rights	-	-	-	(47)	-	**(47)**
Loans held-for-sale (1)	-	-	(30)	(25)	(1)	**(56)**
Other assets	464	6	-	-	9	**479**
Accrued expenses and other liabilities (1)	-	-	(5)	-	(238)	**(243)**
Total	**$ 464**	**$ 6**	**$ (239)**	**$ 60**	**$ (842)**	**$ (551)**

(1) Amounts represented items which are accounted for at fair value in accordance with SFAS 159.
(2) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

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The tables below summarize changes in unrealized gains or losses recorded in earnings during the three months ended March 31, 2009 and 2008 for Level 3 assets and liabilities that were still held at March 31, 2009 and 2008. These amounts include changes in fair value generated by loans, LHFS, loan commitments and structured notes which are accounted for at fair value in accordance with SFAS 159.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

	Three Months Ended March 31, 2009					
(Dollars in millions)	**Card Income**	**Equity Investment Income**	**Trading Account Profits (Losses)**	**Mortgage Banking Income (Loss) [2]**	**Other Income (Loss)**	**Total**
Trading account assets:						
Corporate securities, trading loans, and other	**$ -**	**$ -**	**$ (378)**	**$ -**	**$ -**	**$ (378)**
Equity securities	**-**	**-**	**(177)**	**-**	**-**	**(177)**
Foreign sovereign debt	**-**	**-**	**(15)**			**(15)**
Mortgage trading loans and asset-backed securities	**-**	**-**	**(280)**	**13**	**-**	**(267)**
Total trading account assets	**-**	**-**	**(850)**	**13**	**-**	**(837)**
Net derivative assets	**-**	**-**	**1,415**	**1,022**	**-**	**2,437**
Available-for-sale debt securities:						
Mortgage-backed securities						
Non-agency MBSs	**-**	**-**	**-**	**(3)**	**(87)**	**(90)**
Corporate/Agency bonds	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Other taxable securities	**-**	**-**	**-**	**-**	**(20)**	**(20)**
Total available-for-sale debt securities	**-**	**-**	**-**	**(3)**	**(117)**	**(120)**
Loans and leases [1]	**-**	**-**	**3**	**-**	**(1,194)**	**(1,191)**
Mortgage servicing rights	**-**	**-**	**-**	**1,023**	**-**	**1,023**
Loans held-for-sale [1]	**-**	**-**	**(53)**	**(52)**	**(5)**	**(110)**
Other assets	**(35)**	**(103)**	**(3)**	**1**	**(179)**	**(319)**
Long-term debt [1]	**-**	**-**	**(533)**	**-**	**7**	**(526)**
Accrued expenses and other liabilities [1]	**-**	**-**	**-**	**34**	**(309)**	**(275)**
Total	**$ (35)**	**$ (103)**	**$ (21)**	**$ 2,038**	**$ (1,797)**	**$ 82**

(1) Amounts represented items which are accounted for at fair value in accordance with SFAS 159.
(2) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

Level 3 Changes in Unrealized Gains (Losses) Relating to Assets and Liabilities Still Held at Reporting Date

	Three Months Ended March 31, 2008					
(Dollars in millions)	Card Income	Equity Investment Income	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [2]	Other Income (Loss)	Total
Trading account assets	$ -	$ -	$ (541)	$ -	$ -	$ (541)

Net derivative assets	-	-	103	71	-	174
Available-for-sale debt securities	-	-	-	-	(476)	(476)
Loans and leases (1)	-	-	-	-	(153)	(153)
Mortgage servicing rights	-	-	-	(96)	-	(96)
Loans held-for-sale (1)	-	-	(27)	(19)	(1)	(47)
Other assets	203	(62)	-	-	-	141
Accrued expenses and other liabilities (1)	-	-	-	-	(354)	(354)
Total	$ 203	$ (62)	$ (465)	$ (44)	$ (984)	$ (1,352)

(1) Amounts represented items which are accounted for at fair value in accordance with SFAS 159.
(2) Mortgage banking income does not reflect impact of Level 1 and Level 2 hedges against MSRs.

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Non-recurring Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities primarily include LHFS and foreclosed properties. The amounts below represent only balances measured at fair value during the period and still held as of the reporting date.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

	Three months ended March 31, 2009				Three months ended March 31, 2008			
(Dollars in millions)	**Level 1**	**Level 2**	**Level 3**	**(Losses)**	Level 1	Level 2	Level 3	(Losses)
Assets								
Loans held-for-sale	**$ -**	**$ 1,784**	**$ 10,170**	**$ (584)**	$ -	$ 1,930	$ 16,730	$ (690)
Foreclosed properties [(1)]	**-**	**-**	**573**	**(121)**	-	-	46	(12)

(1) Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value and related losses of foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

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Fair Value Option Elections

Corporate Loans and Loan Commitments

The Corporation elected to account for certain large corporate loans and loan commitments which exceeded the Corporation s single name credit risk concentration guidelines at fair value in accordance with SFAS 159. 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. These credit derivatives do not meet the requirements for hedge accounting under SFAS 133 and are therefore carried at fair value with changes in fair value recorded in other income. Electing the fair value option allows the Corporation to account for these loans and loan commitments at fair value, which is more consistent with management s view of the underlying economics and the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

At March 31, 2009 and December 31, 2008, funded loans which the Corporation has elected to fair value had an aggregate fair value of $7.36 billion and $5.41 billion recorded in loans and leases and an aggregate outstanding principal balance of $9.56 billion and $6.42 billion. At March 31, 2009 and December 31, 2008, unfunded loan commitments that the Corporation has elected to fair value had an aggregate fair value of $2.03 billion and $1.12 billion recorded in accrued expenses and other liabilities and an aggregate committed exposure of $27.6 billion and $16.9 billion. Interest income on these loans is recorded in interest and fees on loans and leases. At March 31, 2009 and December 31, 2008, none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status.

Loans Held-for-Sale

The Corporation also elected to account for certain loans held-for-sale at fair value. Electing to use fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. The Corporation has not elected to fair value other loans held-for-sale primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. At March 31, 2009 and December 31, 2008, residential mortgage loans, commercial mortgage loans, and other loans held-for-sale for which the fair value option was elected had an aggregate fair value of $26.23 billion and $18.96 billion and an aggregate outstanding principal balance of $31.25 billion and $20.75 billion. Interest income on these loans is recorded in other interest income. These changes in fair value are mostly offset by hedging activities. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Other Assets

Other Assets primarily represents non-marketable convertible preferred shares for which the Corporation has economically hedged a majority of the position with derivatives. At March 31, 2009, these assets had a fair value of $2.4 billion.

Securities Financing Agreements

The Corporation elected the fair value option for certain securities financing agreements that were acquired as part of the Merrill Lynch acquisition. The fair value option election was made for certain securities financing agreements based on the tenor of the agreements, which reflects the magnitude of the interest rate risk. The majority of securities financing agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. At March 31, 2009, securities financing agreements for which the fair value option has been elected had an aggregate fair value of $72.7 billion and a principal balance of $72.2 billion.

Long-term Deposits

The Corporation elected to fair value certain long-term fixed rate deposits which are economically hedged with derivatives. At March 31, 2009 and December 31, 2008, these instruments had an aggregate fair value of $1.68 billion and $1.72 billion and a principal balance of $1.69 billion and $1.70 billion recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

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Commercial Paper and Other Short-term Borrowings

The Corporation elected to fair value certain commercial paper and short-term borrowings that were acquired as part of the Merrill Lynch acquisition. This debt is risk managed on a fair value basis and hedge accounting under SFAS No. 133 has been difficult to achieve. At March 31, 2009, this long-term debt had an aggregate fair value of $946 million and a principal balance of $257 million recorded in commercial paper and other short-term borrowings.

Long-term Debt

The Corporation elected to fair value certain long-term debt, primarily structured notes, that were acquired as part of the Merrill Lynch acquisition. This long-term debt is risk managed on a fair value basis and hedge accounting under SFAS No. 133 has been difficult to achieve. The majority of the fair value changes on long-term debt is from structured notes with coupon or repayment terms that are linked to the performance of debt and equity securities, indices, currencies or commodities. Except for gains related to changes in the Corporation s credit spreads, the majority of gains for the quarter-ended March 31, 2009 are offset by losses on derivatives that economically hedge this debt and that are accounted for at fair value under SFAS No. 133. The changes in the fair value of liabilities for which the fair value option was elected that was attributable to changes in the Corporation s credit spreads were gains of $2.2 billion for the three months ended March 31, 2009. Changes in the Corporation s specific credit risk are derived by isolating fair value changes due to changes in the Corporation s credit spreads as observed in the secondary cash market. At March 31, 2009, this long-term debt had an aggregate fair value of $36.17 billion and a principal balance of $50.56 billion recorded in long-term debt.

Asset-backed Secured Financings

The Corporation elected to fair value certain asset-backed secured financings. At March 31, 2009, these secured financings had an aggregate fair value of $752 million and a principal balance of $1.5 billion recorded in accrued expenses and other liabilities. At December 31, 2008, these secured financings had an aggregate fair value of $816 million and a principal balance of $1.6 billion recorded in accrued expenses and other liabilities. Using the fair value option election allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the asset-backed secured financings at historical cost and the corresponding mortgage LHFS securing these financings at fair value.

The following table provides information about where changes in the fair value of assets or liabilities for which the fair value option has been elected are included in the Consolidated Statement of Income.

Gains (Losses) Relating to Assets and Liabilities Accounted for Using Fair Value Option

(Dollars in millions)	Corporate Loans and Loan Commitments	Loans Held-for-Sale (1)	Securities Financing Agreements	Other Assets	Long-term Deposits	Asset-backed Secured Financings	Commercial Paper and Other Short-Term Borrowings	Long-Term Debt	Total
	Three Months Ended March 31, 2009								
Trading account profits (losses)	**$ 9**	**$ (94)**	**$ -**	**$ 5**	**$ -**	**$ -**	**$ (10)**	**$ (117)**	**$ (207)**
Mortgage banking income	**-**	**1,980**	**-**	**-**	**-**	**34**	**-**	**-**	**2,014**
Equity Investment Income	**-**	**-**	**-**	**(103)**	**-**	**-**	**-**	**-**	**(103)**
Other income (loss)	**(367)**	**(15)**	**(14)**	**-**	**26**	**-**	**-**	**2,221**	**1,851**
Total	**$ (358)**	**$ 1,871**	**$ (14)**	**$ (98)**	**$ 26**	**$ 34**	**$ (10)**	**$ 2,104**	**$ 3,555**
	Three Months Ended March 31, 2008								
	$ (7)	$ (611)	$ -	$ -	$ -	$ -	$ -	$ -	$ (618)

Trading account profits (losses)									
Mortgage banking income	-	15	-	-	-	-	-	-	15
Other income (loss)	(361)	(45)	3	-	(54)	-	-	-	(457)
Total	$ (368)	$ (641)	$ 3	$ -	$ (54)	$ -	$ -	$ -	$ (1,060)

(1) Gains (losses) included in LHFS includes the change in fair value attributable to certain closed interest rate lock commitments of $1.7 billion and $(37) million for the three months ended March 31, 2009 and 2008. This amount is included as part of the LHFS basis upon funding of the loan.

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NOTE 17 Mortgage Servicing Rights

The Corporation accounts for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. The Corporation economically hedges these MSRs with certain derivatives and securities.

The following table presents activity for residential first mortgage MSRs for the three months ended March 31, 2009 and 2008.

	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Balance, beginning of the period	**$ 12,733**	$ 3,053
Merrill Lynch balance, January 1, 2009	**209**	-
Additions	**1,249**	366
Impact of customer payments	**(1,185)**	(197)
Other changes in MSR market value	**1,090**	(59)
Balance, March 31	**$ 14,096**	$ 3,163
Mortgage loans serviced for investors (in billions)	**$ 1,699**	$ 268

For the three months ended March 31, 2009 and 2008, other changes in MSR market value were $1.1 billion and $(59) million. These amounts reflect the change in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, as well as the effect of changes in other assumptions. The amounts do not include $8 million and $12 million in gains for the three months ended March 31, 2009 and March 31, 2008 resulting from the actual cash received exceeding expected prepayments. The total amounts of $1.1 billion and $(47) million are included in the line mortgage banking income (loss) for mortgage servicing rights in the table Level 3 Total Realized and Unrealized Gains (Losses) Included in Earnings in *Note 16 Fair Value Disclosures.*

At March 31, 2009 and December 31, 2008, the fair value of consumer MSRs was $14.1 billion and $12.7 billion. The Corporation uses an OAS valuation approach to determine the fair value of MSRs which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted average lives of the MSRs and the OAS levels.

Key economic assumptions used in determining the fair value of MSRs at March 31, 2009 and December 31, 2008 were as follows:

	March 31, 2009		December 31, 2008	
(Dollars in millions)	**Fixed**	**Adjustable**	Fixed	Adjustable
Weighted average option adjusted spread	**1.83%**	**6.25%**	1.71%	6.40%
Weighted average life, in years	**3.69**	**2.77**	3.26	2.71

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The following table presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. The sensitivities in the following table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of a MSR that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate and market valuation fluctuations associated with MSRs. The sensitivities below do not reflect any hedge strategies that may be undertaken to mitigate such risk.

	March 31, 2009				
	Change in Weighted-Average Lives				Change in
(Dollars in millions)	Fixed		Adjustable		Fair Value
Prepayment rates					
Impact of 10% decrease	0.25	years	0.13	years	$ 827
Impact of 20% decrease	0.55		0.28		1,793
Impact of 10% increase	(0.21)		(0.11)		(716)
Impact of 20% increase	(0.40)		(0.21)		(1,344)
OAS level					
Impact of 100 bps decrease	n/a		n/a		550
Impact of 200 bps decrease	n/a		n/a		1,145
Impact of 100 bps increase	n/a		n/a		(509)
Impact of 200 bps increase	n/a		n/a		(981)

n/a = not applicable

Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial and residential reverse mortgage MSRs totaled $329 million and $323 million at March 31, 2009 and December 31, 2008 and are not included in the tables above.

NOTE 18 Business Segment Information

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. Effective January 1, 2009, as a result of the Merrill Lynch acquisition, the Corporation changed its basis of presentation from three segments to six segments. The former *Global Consumer and Small Business Banking* now is reflected in three separate business segments: *Deposits, Global Card Services* and *Home Loans & Insurance*. The former *Global Corporate and Investment Banking* now is divided into *Global Banking* and *Global Markets*. Prior period amounts have been reclassified to conform to current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment.

Deposits

Deposits includes the results of consumer deposits activities which include a comprehensive range of products to consumers and small businesses. In addition, *Deposits* includes student lending and small business banking results, excluding business card, and the net effect of our ALM activities. *Deposits* products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. These products provide a relatively stable source of funding and liquidity. The Corporation earns net interest spread revenues from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using a 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 fund fees, overdraft charges and ATM fees. In addition, *Deposits* includes the impact of migrating customers, and their related deposit balances, between *GWIM* and *Deposits*. Net interest income and service fees include the impact of migration.

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In order to better coordinate the consumer payments businesses, the consumer and small business card products were consolidated into *Global Card Services;* therefore, debit card has moved from *Deposits* to *Global Card Services*.

Global Card Services

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

The performance of the managed portfolio is important in understanding *Global Card Services* results as it demonstrates the results of the entire portfolio serviced by the business. Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, retained excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. *Global Card Services* managed income statement line items differ from a held basis as follows:

Managed net interest income includes *Global Card Services* net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.

Managed noninterest income includes *Global Card Services* noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record securitized net interest income and provision for credit losses. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strips that are recorded in card income as management continues to manage this impact within *Global Card Services*.

Provision for credit losses represents the provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

Home Loans & Insurance

Home Loans & Insurance provides an extensive line of consumer real estate products and services to customers nationwide. *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 the Corporation s balance sheet for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s 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*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

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Global Banking

Global Banking provides a wide range of lending-related products and services, integrated working capital management, treasury solutions and investment banking services to clients worldwide. Lending products and services include commercial and corporate bank loans and commitment facilities, real estate lending, leasing and asset-based lending and indirect consumer loans. Capital management and treasury solutions include treasury management, trade finance, foreign exchange, short-term credit facilities and short-term investing options. Investment banking services provide the Corporation s commercial and corporate issuer clients with debt and equity underwriting and distribution capabilities as well as merger-related advisory services. *Global Banking* also contains the results for the economic hedging of the risk to certain real estate-related commercial loans and commitments utilizing various risk mitigation tools. Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of the *Global Markets* and *Global Banking* in servicing our clients with the best product capabilities, we allocate revenue to the two segments based on relative contribution.

Global Markets

Global Markets provides financial products, advisory services, financing, securities clearing and settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *Global Markets* also works with commercial and corporate issuer clients to provide debt and equity underwriting and distribution capabilities and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed income and mortgage-related products. The business may take positions in these products and participate in market-making activities dealing in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, mortgage-backed securities and ABS. Product specialists within *Global Markets* work closely with *Global Banking* on the underwriting and distribution of debt and equity securities and certain other products. In order to reflect the efforts of the *Global Markets* and *Global Banking* in servicing our clients with the best product capabilities, we allocate revenue to the two segments based on relative contribution.

Global Wealth & Investment Management

GWIM offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high net-worth individuals. *GWIM* also includes the impact of migrating customers, and their related deposit balances, between *GWIM* and *Deposits*. Net interest income and service fees include the impact of migration. In addition, *GWIM* includes the results of the Institutional Retirement & Philanthropy business, the Corporation s approximately 50 percent economic ownership of BlackRock, and other administrative items.

All Other

All Other consists of equity investment activities including Global Principal Investments, Corporate Investments and Strategic Investments, the residential mortgage portfolio associated with ALM activities, the residual impact of the cost allocation processes, merger and restructuring charges, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *All Other* also includes certain amounts associated with ALM activities and a corresponding securitization offset which removes the securitization impact of sold loans in *Global Card Services,* in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis). Effective January 1, 2009, as part of the Merrill Lynch acquisition, *All Other* includes the results of First Republic Bank and fair value adjustments related to certain Merrill Lynch structured notes.

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Basis of Presentation

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 which are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics. Net interest income of the business segments also includes an allocation of net interest income generated by the Corporation s ALM activities.

The management accounting 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.

The Corporation s ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of our internal funds transfer pricing process as well as the net effects of other ALM activities. In addition, certain residual impacts of the funds transfer pricing process are retained in *All Other*.

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

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The following table presents total revenue, net of interest expense, on a FTE basis and net income for the three months ended March 31, 2009 and 2008, and total assets at March 31, 2009 and 2008 for each business segment, as well as *All Other*.

Business Segments
Three Months Ended March 31

	Total Corporation (1)		**Deposits** (2)		**Global Card Services** (3)	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Net interest income (4)	**$ 12,819**	$ 10,291	**$ 1,962**	$ 2,572	**$ 5,207**	$ 4,527
Noninterest income	**23,261**	7,080	**1,502**	1,578	**2,250**	3,341
Total revenue, net of interest expense	**36,080**	17,371	**3,464**	4,150	**7,457**	7,868
Provision for credit losses (5)	**13,380**	6,010	**311**	246	**8,221**	4,312
Amortization of intangibles	**520**	446	**63**	75	**223**	255
Other noninterest expense	**16,482**	8,817	**2,300**	2,141	**1,852**	1,944
Income (loss) before income taxes	**5,698**	2,098	**790**	1,688	**(2,839)**	1,357
Income tax expense (benefit) (4)	**1,451**	888	**297**	628	**(1,070)**	490
Net income (loss)	**$ 4,247**	$ 1,210	**$ 493**	$ 1,060	**$ (1,769)**	$ 867
Period-end total assets	**$ 2,321,963**	$ 1,736,502	**$ 417,410**	$ 374,173	**$ 234,990**	$ 253,363

	Home Loans & Insurance		**Global Banking**		**Global Markets**	
(Dollars in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Net interest income (4)	**$ 1,180**	$ 599	**$ 2,810**	$ 2,298	**$ 1,787**	$ 1,133
Noninterest income (loss)	**4,044**	773	**1,831**	1,558	**5,004**	(1,981)
Total revenue, net of interest expense	**5,224**	1,372	**4,641**	3,856	**6,791**	(848)
Provision for credit losses (5)	**3,372**	1,812	**1,848**	526	**51**	(1)
Amortization of intangibles	**19**	-	**59**	48	**18**	-
Other noninterest expense	**2,631**	722	**2,452**	1,692	**3,041**	726
Income (loss) before income taxes	**(798)**	(1,162)	**282**	1,590	**3,681**	(1,573)
Income tax expense (benefit) (4)	**(300)**	(430)	**107**	590	**1,316**	(582)
Net income (loss)	**$ (498)**	$ (732)	**$ 175**	$ 1,000	**$ 2,365**	$ (991)
Period-end total assets	**$ 221,559**	$ 102,115	**$ 389,076**	$ 369,216	**$ 574,088**	$ 418,632

	GWIM (2)		**All Other** (2, 3)	
(Dollars in millions)	**2009**	2008	**2009**	2008
Net interest income (4)	**$ 1,653**	$ 1,018	**$ (1,780)**	$ (1,856)
Noninterest income	**2,708**	924	**5,922**	887
Total revenue, net of interest expense	**4,361**	1,942	**4,142**	(969)
Provision for credit losses (5)	**254**	243	**(677)**	(1,128)
Amortization of intangibles	**132**	60	**6**	8
Other noninterest expense	**3,156**	1,254	**1,050**	338
Income (loss) before income taxes	**819**	385	**3,763**	(187)
Income tax expense (4)	**309**	143	**792**	49
Net income (loss)	**$ 510**	$ 242	**$ 2,971**	$ (236)
Period-end total assets	**$ 267,189**	$ 162,450	**$ 217,651**	$ 56,553

(1) There were no material intersegment revenues.
(2) Total assets include asset allocations to match liabilities (i.e., deposits).
(3) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.

(4) FTE basis

(5) Provision for credit losses represents: For *Global Card Services* Provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio and for *All Other* Provision for credit losses combined with the *Global Card Services* securitization offset.

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Global Card Services is reported on a managed basis which includes a securitization impact adjustment which has the effect of presenting securitized loans in a manner similar to the way loans that have not been sold are presented. *All Other* s results include a corresponding securitization offset which removes the impact of these securitized loans in order to present the consolidated results of the Corporation on a held basis. The tables below reconcile *Global Card Services* and *All Other* to a held basis by reclassifying net interest income, insurance premiums, all other income and realized credit losses associated with the securitized loans to card income.

Global Card Services Reconciliation

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
	Managed	**Securitization**	**Held**	Managed	Securitization	Held
(Dollars in millions)	**Basis [1]**	**Impact [2]**	**Basis**	Basis [1]	Impact [2]	Basis
Net interest income [3]	**$ 5,207**	**$ (2,391)**	**$ 2,816**	$ 4,527	$ (2,055)	$ 2,472
Noninterest income:						
Card income	**2,115**	**244**	**2,359**	2,720	704	3,424
All other income	**135**	**(35)**	**100**	621	(65)	556
Total noninterest income	**2,250**	**209**	**2,459**	3,341	639	3,980
Total revenue, net of interest expense	**7,457**	**(2,182)**	**5,275**	7,868	(1,416)	6,452
Provision for credit losses	**8,221**	**(2,182)**	**6,039**	4,312	(1,416)	2,896
Noninterest expense	**2,075**	**-**	**2,075**	2,199	-	2,199
Income (loss) before income taxes	**(2,839)**	**-**	**(2,839)**	1,357	-	1,357
Income tax expense [3]	**(1,070)**	**-**	**(1,070)**	490	-	490
Net income (loss)	**$ (1,769)**	**$ -**	**$ (1,769)**	$ 867	$ -	$ 867

(1)Provision for credit losses represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

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

(3)FTE basis

All Other Reconciliation

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
	Reported	**Securitization**	**As**	Reported	Securitization	As
(Dollars in millions)	**Basis [1]**	**Offset [2]**	**Adjusted**	Basis [1]	Offset [2]	Adjusted
Net interest income [3]	**$ (1,780)**	**$ 2,391**	**$ 611**	$ (1,856)	$ 2,055	$ 199
Noninterest income:						
Card income	**534**	**(244)**	**290**	663	(704)	(41)
Equity investment income	**1,326**	**-**	**1,326**	268	-	268
Gains on sales of debt securities	**1,471**	**-**	**1,471**	220	-	220
All other income (loss)	**2,591**	**35**	**2,626**	(264)	65	(199)

Total noninterest income	**5,922**	**(209)**	**5,713**	887	(639)	248
Total revenue, net of interest expense	**4,142**	**2,182**	**6,324**	(969)	1,416	447
Provision for credit losses	**(677)**	**2,182**	**1,505**	(1,128)	1,416	288
Merger and restructuring charges	**765**	**-**	**765**	170	-	170
All other noninterest expense	**291**	**-**	**291**	176	-	176
Income (loss) before income taxes	**3,763**	**-**	**3,763**	(187)	-	(187)
Income tax expense (3)	**792**	**-**	**792**	49	-	49
Net income (loss)	**$ 2,971**	**$ -**	**$ 2,971**	$ (236)	$ -	$ (236)

(1) Provision for credit losses represents provision for credit losses in *All Other* combined with the *Global Card Services* securitization offset.
(2) The securitization offset to net interest income is on a funds transfer pricing methodology consistent with the way funding costs are allocated to the businesses.
(3) FTE basis

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The following table presents reconciliations of the six business segments (*Deposits, Global Card Services, Home Loans & Insurance, Global Markets, Global Banking* and *GWIM*) total revenue, net of interest expense, on a FTE basis and net income to the Consolidated Statement of Income. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Segments total revenue, net of interest expense[1]	**$ 31,938**	$ 18,340
Adjustments:		
ALM activities	**4,325**	279
Equity investment income	**1,326**	268
Liquidating businesses	**298**	70
FTE basis adjustment	**(322)**	(300)
Managed securitization impact to total revenue, net of interest expense	**(2,182)**	(1,416)
Other	**375**	(170)
Consolidated revenue, net of interest expense	**$ 35,758**	$ 17,071
Segments net income	**$ 1,276**	$ 1,446
Adjustments, net of taxes:		
ALM activities	**1,571**	(28)
Equity investment income	**835**	169
Liquidating businesses	**110**	32
Merger and restructuring charges	**(482)**	(107)
Other	**937**	(302)
Consolidated net income	**$ 4,247**	$ 1,210

(1) FTE basis

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NOTE 19 Performance by Geographical Area

Since the Corporation s operations are highly integrated, certain income, expense, asset and liability amounts must be allocated to arrive at total revenue, net of interest expense, income before income taxes, net income and total assets by geographic area. The Corporation identifies its geographic performance based upon the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the related expense or capital deployed in the region.

		Three Months Ended March 31		
(Dollars in millions)	Year	Total Revenue, Net of Interest Expense (1)	Income Before Income Taxes	Net Income (Loss)
Domestic (2)	**2009**	**$ 29,617**	**$ 1,740**	**$ 1,868**
	2008	15,948	1,606	1,098
Asia	**2009**	**3,116**	**2,475**	**1,560**
	2008	239	109	69
Europe, Middle East and Africa	**2009**	**2,649**	**961**	**692**
	2008	672	(98)	(70)
Latin America and the Caribbean	**2009**	**376**	**200**	**127**
	2008	212	181	113
Total Foreign	**2009**	**6,141**	**3,636**	**2,379**
	2008	1,123	192	112
Total Consolidated	**2009**	**$ 35,758**	**$ 5,376**	**$ 4,247**
	2008	17,071	1,798	1,210

(1) There were no material intercompany revenues between geographic regions for any of the periods presented.

(2) Includes the Corporation s Canadian operations which had total revenue, net of interest expense of $341 million and $298 million; income before income taxes of $155 million and $157 million; and net income of $106 million and $116 million for the three months ended March 31, 2009 and 2008, respectively.

	Total Assets (1)	
(Dollars in millions)	**March 31, 2009**	December 31, 2008
Domestic (2)	**$ 2,060,957**	$ 1,678,853

Asia	**78,334**	50,567
Europe, Middle East and Africa	**166,204**	78,790
Latin America and the Caribbean	**16,468**	9,733
Total Foreign	**261,006**	139,090
Total Consolidated	**$ 2,321,963**	$ 1,817,943

(1) Total assets include long-lived assets, which are primarily located in the U.S.

(2) Includes the Corporation s Canadian operations which had total assets of $19.4 billion and $13.5 billion at March 31, 2009 and December 31, 2008.

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Bank of America Corporation and Subsidiaries

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

Throughout the MD&A, we use certain acronyms and

abbreviations which are defined in the Glossary beginning on page 176.

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

This report on Form 10-Q may contain, and from time to time our management may make, certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent the current expectations, plans or forecasts of Bank of America Corporation and its subsidiaries (the Corporation) regarding the Corporation s future results, integration of acquisitions and related cost savings, loan modifications, investment bank rankings, growth opportunities, business outlook, loan and deposit growth, mortgage originations and market share, credit losses, credit reserves and charge offs, business levels, consumer credit card net loss ratios, tax rates, payments on mortgage backed securities, global markets originations and trading, and other similar matters. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation s forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report, under Item 1A. Risk Factors of the Corporation s 2008 Annual Report on Form 10-K and in any of the Corporation s other subsequent SEC filings: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the credit quality of our loan portfolios (the degree of the impact of which is dependent upon the duration and severity of these conditions); the level and volatility of the capital markets, interest rates, currency values and other market indices which may affect, among other things, our liquidity and the value of our assets and liabilities and, in turn, our trading and investment portfolios; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions; the Corporation s credit ratings and the credit ratings of our securitizations, which are important to the Corporation s liquidity, borrowing costs and trading revenues; estimates of fair value of certain of the Corporation s assets and liabilities, which could change in value significantly from period to period; legislative and regulatory actions in the United States and internationally which may increase the Corporation s costs and adversely affect the Corporation s businesses and economic conditions as a whole; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments; various monetary and fiscal policies and regulations of the U.S. and non-U.S. governments; changes in accounting standards, rules and interpretations and the impact on the Corporation s financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; the Corporation s ability to attract new employees and retain and motivate existing employees; mergers and acquisitions and their integration into the Corporation, including its ability to realize the benefits and costs savings from and limit any unexpected liabilities acquired as a result of the Merrill Lynch acquisition; the Corporation s reputation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

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.

The Corporation, headquartered in Charlotte, North Carolina, operates in all 50 states, the District of Columbia and more than 40 foreign countries. As of March 31, 2009, the Corporation provided a diversified range of banking and nonbanking financial services and products domestically and internationally through six business segments: *Deposits, Global Card Services, Home Loans & Insurance*, *Global Banking, Global Markets* and *Global Wealth & Investment Management (GWIM).*

At March 31, 2009, the Corporation had $2.3 trillion in assets and approximately 285,000 full-time equivalent employees. Notes to the Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

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First Quarter 2009 Economic Environment

During the first quarter of 2009, credit quality deteriorated further as the economy continued to weaken. Consumers experienced high levels of stress from higher unemployment and underemployment as well as further declines in home prices. These factors combined with further reductions in spending by consumers and businesses and continued turmoil in the financial markets negatively impacted the commercial portfolio. These conditions drove increases in consumer and commercial net charge-offs, and nonperforming assets as well as higher commercial criticized utilized exposure and reserve increases across most portfolios during the three months ended March 31, 2009. For more information on credit quality, see the Credit Risk Management discussion beginning on page 130.

Capital market conditions showed some signs of improvement during the first quarter of 2009 and *Global Markets* took advantage of the favorable trading environment. Market dislocations that occurred throughout 2008 continued to impact our results in the first quarter of 2009 but to a lesser extent as we incurred reduced losses on CDOs and other *Global Markets* exposures (e.g., leveraged finance and CMBS) when compared to the same period in the prior year. We have also reduced certain asset levels in *Global Markets* for balance sheet efficiencies. For more information on *Global Markets* results and their related exposures, see the discussion beginning on page 103.

Market conditions also continue to impact the ratings of certain monolines. We have direct and indirect exposure to monolines and, in certain situations, recognized losses related to some of these exposures during the first quarter of 2009 which included losses related to a monoline counterparty that restructured its business and subsequently had its credit rating downgraded. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 151.

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

Regulatory Initiatives

On February 10, 2009, pursuant to the Emergency Economic Stabilization Act of 2008 (EESA), the U.S. Treasury announced the creation of the Financial Stability Plan. This plan outlined a series of key initiatives; a new Capital Assistance Program (CAP) to help ensure that banking institutions have sufficient capital; the creation of a new Public-Private Investment Program (PPIP) as discussed below; the expansion of the Term Asset-Backed Securities Loan Facility (TALF); the extension of the FDIC s Temporary Liquidity Guarantee Program (TLGP) to October 31, 2009; the small business lending initiative; a broad program to stabilize the housing market by encouraging lower mortgage rates and making it easier for homeowners to refinance and avoid foreclosure; and a new framework of governance and oversight related to the use of funds received as a result of the Financial Stability Plan.

As part of the CAP, we as well as several other large financial institutions are subject to stress testing conducted by the federal regulators. The objective of stress testing is to assess losses that could occur under certain economic scenarios, including economic conditions more severe than we currently anticipate. As of the time of this filing final results have not been publicly released. We intend to file a Current Report on Form 8-K discussing our stress test results shortly after the federal regulators announcement.

On March 23, 2009, the U.S. Treasury, FDIC and Federal Reserve announced further details related to the PPIP as part of efforts to improve balance sheets throughout the financial system and stimulate lending. This program will utilize $75 billion to $100 billion in Troubled Asset Relief Program (TARP) capital as well as capital from private investors and is expected to generate $500 billion in purchasing power to buy certain illiquid assets from financial institutions. This program may expand to $1 trillion over time. The PPIP seeks to maximize the impact of taxpayer dollars, share risks and profits with private sector participants, and allow private sector participation in the setting of competitive prices of the assets. The PPIP has established separate guidelines for the way in which the program addresses legacy loans and securities. We are currently evaluating the terms of this program.

On March 16, 2009, the U.S. Treasury announced that it will provide $15 billion to help increase small business owners access to credit. As part of the lending initiative, the U.S. Treasury intends to begin making direct purchases of certain securities backed by Small Business Administration (SBA) loans to improve liquidity in the credit markets and it will stand ready to purchase new securities to ensure that financial institutions feel confident in extending new loans to local businesses. The program will also temporarily raise guarantees to up to 90 percent in the SBA s loan program and temporarily eliminate certain SBA loan fees. The Corporation continues to lend to credit-worthy small business customers through small business credit cards, loans and line of credit products.

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On March 4, 2009, the U.S. Treasury provided details of the $75 billion Homeowner Affordability and Stability Plan (HASP). The HASP is focused on reducing the number of foreclosures and making it easier for customers to refinance loans. The HASP consists of two separate programs, the Home Affordable Modification program which provides guidelines on loan modifications and the Home Affordable Refinance program which provides guidelines for loan refinancing. The Home Affordable Modification program intends to help up to three to four million at-risk homeowners avoid foreclosure by reducing monthly mortgage payments. This program will provide incentives to lenders to modify all eligible loans that fall under the guidelines of this program. The Home Affordable Refinance program is available to approximately four to five million homeowners who have a proven payment history on an existing mortgage owned by Fannie Mae or Freddie Mac. The HASP will help eligible homeowners refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance adjustable-rate mortgages into more stable fixed-rate mortgages. We will continue to help our customers address financial challenges through these government programs and the continuation of our own home retention programs as discussed in more detail on page 131.

On February 27, 2009, the FDIC passed an interim rule that allows it to charge banks a special assessment of 20 basis points (bps) on deposits to replenish the deposit insurance fund. This special assessment will be collected in the third quarter of 2009. The special assessment is currently under review by the FDIC and proposals are being considered to reduce the special assessment to 10 bps if certain other conditions are met. Additionally, beginning April 1, 2009, the FDIC will increase fees on deposits based on a revised risk-weighted methodology which will increase the base assessment rates potentially up to five bps.

In addition to the programs discussed above, we continue to utilize other programs including the Term Auction Facility and the TLGP. Further, we continue to evaluate the terms of the TALF. For additional information related to these and other programs, please refer to the detailed discussion provided in Regulatory Initiatives beginning on page 14 of the MD&A of the Corporation s 2008 Annual Report on Form 10-K.

Recent Events

On April 29, 2009, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of $0.01 per share, payable on June 26, 2009 to common stockholders of record on June 5, 2009. On January 16, 2009, the Board declared a regular quarterly cash dividend on common stock of $0.01 per share, which was paid on March 27, 2009 to common stockholders of record on March 6, 2009. In addition, in April 2009, the Board declared aggregate dividends on preferred stock of $1.1 billion including $713 million in dividend payments to the U.S. government on the preferred stock issued pursuant to the TARP. In the first quarter of 2009 we recorded aggregate dividends on preferred stock of $1.0 billion including $402 million to the U.S. government. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 131.

On January 1, 2009, we acquired Merrill Lynch & Co., Inc. (Merrill Lynch) through its merger with a subsidiary of the Corporation in exchange for common and preferred stock totaling $29.1 billion, creating a financial services franchise with significantly enhanced wealth management, investment banking and international capabilities. For more information related to the Merrill Lynch acquisition, see *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements.

Also, as part of the initial $125 billion of TARP funds provided by the U.S. Treasury to participants and in connection with the Merrill Lynch acquisition, in January 2009 we issued to the U.S. Treasury 400 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series Q (Series Q Preferred Stock) with a par value of $0.01 per share for $10.0 billion. The Series Q Preferred Stock initially pays quarterly dividends at a five percent annual rate, increases to nine percent after five years and has a call feature after three years. In connection with this issuance, we also issued to the U.S. Treasury 10-year warrants to purchase approximately 48.7 million shares of Bank of America Corporation common stock at an exercise price of $30.79 per share.

On January 16, 2009 due to larger than expected fourth quarter losses at Merrill Lynch, the U.S. government and the Corporation entered into an agreement in principle in which the U.S. government would provide protection against the possibility of unusually large losses on a pool of the Corporation s financial instruments. As of the time of filing this document, we have not entered into a binding agreement with the U.S. government.

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

During 2008, we initiated loan modification programs projected to offer modifications for up to 630,000 borrowers, representing $100 billion in mortgage financings. During the first quarter of 2009, to help borrowers avoid foreclosure, Bank of America had completed nearly 119,000 modifications, compared to 230,000 for all of 2008.

In addition to being committed to the loan modification programs, we extended approximately $183.1 billion of credit during the first quarter, which was comprised of $85.2 billion in mortgages; $70.9 billion in commercial non-real estate; $11.2 billion in commercial real estate; $5.5 billion in domestic retail and small business credit card; $4.0 billion in home equity products; and approximately $6.3 billion in other consumer credit products. Commercial credit extensions of $82.1 billion included commercial renewals of $44.3 billion.

Performance Overview

Net income increased to $4.2 billion, or $0.44 per diluted common share for the three months ended March 31, 2009, as compared to $1.2 billion, or $0.23 per diluted common share, for the three months ended March 31, 2008.

Table 1

Business Segment Total Revenue and Net Income

	Three Months Ended March 31			
	Total Revenue [(1)]		Net Income (Loss)	
(Dollars in millions)	**2009**	2008	**2009**	2008
Deposits	**$ 3,464**	$ 4,150	**$ 493**	$ 1,060
Global Card Services [(2)]	**7,457**	7,868	**(1,769)**	867
Home Loans & Insurance	**5,224**	1,372	**(498)**	(732)
Global Banking	**4,641**	3,856	**175**	1,000
Global Markets	**6,791**	(848)	**2,365**	(991)
Global Wealth & Investment Management	**4,361**	1,942	**510**	242
All Other [(2)]	**4,142**	(969)	**2,971**	(236)
Total FTE basis	**36,080**	17,371	**4,247**	1,210
FTE adjustment	**(322)**	(300)		
Total Consolidated	**$ 35,758**	$ 17,071	**$ 4,247**	$ 1,210

(1) Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 87.

(2) *Global Card Services* is presented on a managed basis with a corresponding offset recorded in *All Other*.

The table above presents total revenue and net income for the business segments; the following discussion presents a summary of the related results. For more information on these results, see Business Segment Operations beginning on page 93.

Deposits net income decreased due to lower revenue and higher noninterest expense. Total revenue declined due to a lower residual net interest income allocation from ALM activities and spread compression on money market deposits and certificates of deposit. In addition, noninterest income decreased due to lower service charge income resulting from changes in consumer spending behavior attributable to current economic conditions. Net income was also impacted by higher noninterest expense related to increased FDIC premiums. For more information on *Deposits*, see page 93.

Global Card Services recorded a net loss due to higher credit costs and lower managed net revenue. Managed net revenue declined due to a decrease in card income and the absence of a one-time IPO gain recorded during the same period in the prior year, partially offset by the beneficial impact of lower short-term interest rates on our funding costs. Provision for credit losses increased as economic conditions led to deterioration in the consumer card, consumer lending and small business portfolios, including a higher level of bankruptcies. Also contributing to the provision were reserve additions related to maturing securitizations. For more information on *Global Card Services*, see page 95.

Home Loans & Insurance s net loss narrowed as an increase in total revenue was mostly offset by higher provision for credit losses and an increase in noninterest expense. Total revenue increased due to the acquisition of Countrywide and higher mortgage banking income as lower interest rates drove an increase in mortgage activity. Higher provision for credit losses was driven by economic and housing market weakness particularly in geographic areas experiencing higher unemployment and falling home prices. Noninterest expense increased primarily due to the addition of Countrywide. For more information on *Home Loans & Insurance*, see page 97.

Global Banking s net income declined as the increase in revenue was more than offset by increased provision for credit losses and higher noninterest expense. Total revenue rose due to the acquisition of Merrill Lynch and organic growth in average loans and deposits, partially offset by the absence of *Global Banking* s allocation of a one-time IPO gain recorded during the same period in the prior year. The increase in provision for credit losses was primarily driven by deterioration in the commercial real estate and domestic portfolios. Noninterest expense increased due to the acquisition of Merrill Lynch. For more information on *Global Banking*, see page 100.

Global Markets net income rose due to higher revenue partially offset by increased noninterest expense. The increase in total revenue was driven by strong trading results as well as the addition of the rates and currencies, equity and commodity platforms from the Merrill Lynch acquisition. In addition, *Global Markets* incurred reduced losses on certain retained positions that resulted from the market disruptions over the past year and a half. Partially offsetting the favorable results was an increase in noninterest expense due to the acquisition of Merrill Lynch and an increase in performance-related incentive compensation expense. For more information on *Global Markets*, see page 103.

GWIM s net income rose due to increases in net interest income and investment and brokerage services income partially offset by higher noninterest expense driven by the acquisition of Merrill Lynch. In addition, revenue also benefited from lower support provided to certain cash funds. For more information on *GWIM*, see page 110.

All Other s net income increased due to positive fair value adjustments related to certain Merrill Lynch structured notes, increased gains on sales of debt securities and higher equity investment income related to the gain on the sale of China Construction Bank (CCB) shares. *All Other* s results were adversely impacted by an increase to provision for credit losses due to deterioration in the residential mortgage portfolio and higher noninterest expense due to the Merrill Lynch acquisition which increased merger and restructuring charges. For more information on *All Other*, see page 114.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $2.5 billion to $12.8 billion for the three months ended March 31, 2009 compared to the same period in 2008. The increase was driven by the improved interest rate environment partially offset by the spread dislocation between the Federal Funds rate and LIBOR. In addition, net interest income increased due to the acquisitions of Merrill Lynch and Countrywide. These increases were partially offset by a decrease in interest income on available-for-sale securities due to the deleveraging of the asset and liability management (ALM) portfolio and higher funding costs due to an increase in long-term debt. The net interest yield on a FTE basis decreased three bps to 2.70 percent for the three months ended March 31, 2009 compared to the same period in 2008, as the improvement in market-based yield was more than offset by the addition of lower yielding assets from the Merrill Lynch and Countrywide acquisitions.

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Noninterest Income

Table 2

Noninterest Income

(Dollars in millions)	Three Months Ended March 31 2009	2008
Card income	**$ 2,865**	$ 3,639
Service charges	**2,533**	2,397
Investment and brokerage services	**2,963**	1,340
Investment banking income	**1,055**	476
Equity investment income	**1,202**	1,054
Trading account profits (losses)	**5,201**	(1,783)
Mortgage banking income	**3,314**	451
Insurance income	**688**	197
Gains on sales of debt securities	**1,498**	225
Other income (loss)	**1,942**	(916)
Total noninterest income	**$ 23,261**	$ 7,080

Noninterest income increased $16.2 billion to $23.3 billion for the three months ended March 31, 2009 compared to the same period in 2008.

Card income on a held basis decreased $774 million primarily due to the negative impact of higher credit losses on securitized credit card loans, the absence of a positive valuation adjustment on the interest-only strip that was recorded during the first quarter of 2008 and lower fee income. These items were partially offset by lower securitized borrowing costs.

Service charges grew $136 million resulting from the acquisition of Merrill Lynch partially offset by a decrease in charges on consumer accounts.

Investment and brokerage services increased $1.6 billion primarily due to the acquisition of Merrill Lynch partially offset by the impact of significantly lower valuations in the equity markets.

Investment banking income increased $579 million due to higher advisory and debt underwriting fees primarily as a result of the Merrill Lynch acquisition.

Equity investment income increased $148 million due to the sale of a portion of our CCB investment for a pre-tax gain of $1.9 billion partially offset by the absence of a one-time IPO gain recorded during the prior year. In addition, equity investment income was negatively impacted due to lower valuations in the Global Principal Investments portfolio and other-than-temporary impairments recorded on certain equity securities.

Trading account profits increased $7.0 billion primarily driven by favorable market conditions mainly in rates and currencies, credit products and commodities, and reduced market-disruption charges (e.g., CDO-related losses). For more information,

refer to the *Global Markets* discussion beginning on page 103.

Mortgage banking income increased $2.9 billion primarily as a result of higher mortgage volume driven by a lower interest rate environment and an increase in the value of the MSRs including hedge activities. These factors drove increases in servicing income of $1.5 billion and production income of $1.4 billion.

Insurance income increased $491 million primarily due to the acquisition of Countrywide s life and casualty businesses.

Gains on sales of debt securities increased $1.3 billion driven by the sales of agency mortgage-backed securities.

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Other income increased $2.9 billion to $1.9 billion due to the $2.2 billion positive fair value adjustment related to certain Merrill Lynch structured notes and lower writedowns on leveraged finance loans, CDOs, CMBS and support provided to certain cash funds.

Provision for Credit Losses

The provision for credit losses increased $7.4 billion to $13.4 billion for the three months ended March 31, 2009 compared to the same period in 2008. Deterioration in the economy and housing markets drove higher credit costs in both the consumer and commercial portfolios. For further discussion, see Provision for Credit Losses on page 158.

Noninterest Expense

Table 3
Noninterest Expense

(Dollars in millions)	Three Months Ended March 31 **2009**	2008
Personnel	**$ 8,768**	$ 4,726
Occupancy	**1,128**	849
Equipment	**622**	396
Marketing	**521**	637
Professional fees	**405**	285
Amortization of intangibles	**520**	446
Data processing	**648**	563
Telecommunications	**327**	260
Other general operating	**3,298**	931
Merger and restructuring charges	**765**	170
Total noninterest expense	**$ 17,002**	$ 9,263

Noninterest expense increased $7.7 billion to $17.0 billion for the three months ended March 31, 2009 compared to the same period in 2008 primarily due to the acquisitions of Merrill Lynch and Countrywide which increased various expense categories and increased FDIC premiums.

Income Tax Expense

Income tax expense was $1.1 billion for the three months ended March 31, 2009 compared to $588 million for the same period in 2008 resulting in an effective tax rate of 21.0 percent as compared to 32.7 percent in the prior year. The decrease in the effective tax rate was due to permanent tax preferences (e.g., tax exempt income and tax credits) offsetting a higher percentage of pre-tax income as well as a shift in the geographic mix of our earnings driven by the addition of Merrill Lynch.

The majority of the income of certain foreign subsidiaries is not currently subject to U.S. income tax as a result of deferral provisions applicable to active financing income. These provisions are scheduled to expire for taxable years beginning on or after January 1, 2010. Absent an extension of these provisions, active financing income earned by foreign subsidiaries after expiration will be subject to a tax provision that considers the incremental U.S. tax. Management does not expect the impact, which will depend upon the amount and geographic mix of future earnings, to drive the Corporation s effective tax rate higher than the U.S. statutory tax rates.

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Assets

At March 31, 2009, total assets were $2.3 trillion, an increase of $504.0 billion from December 31, 2008. The increase in total assets was attributable to the acquisition of Merrill Lynch which impacted various line items including federal funds sold and securities borrowed or purchased under agreements to resell, trading account assets, loans and leases, and derivative assets. Excluding the impact of Merrill Lynch, total assets decreased due to lower debt securities and loans and leases partially offset by an increase in cash and cash equivalents. Debt securities decreased due to principal paydowns and a net sale of securities in an effort to deleverage the ALM portfolio. Loans and leases decreased primarily due to lower demand for commercial loans, a seasonal decrease in credit card loans and a decision not to retain new residential mortgage production on balance sheet. The increase in cash and cash equivalents was driven by the deleveraging of the ALM portfolio and the addition of long-term debt as we continue to enhance our liquidity and capital position.

Average total assets for the three months ended March 31, 2009 increased $754.2 billion, or 43 percent, from the same period in 2008. The increase in average total assets was driven by an increase in cash and cash equivalents, loans and leases, federal funds sold and securities borrowed or purchased under agreements to resell and derivative assets primarily due to the acquisitions of Merrill Lynch and Countrywide.

Liabilities and Shareholders Equity

At March 31, 2009, total liabilities were $2.1 trillion, an increase of $441.5 billion from December 31, 2008. Average total liabilities for the three months ended March 31, 2009 increased $680.2 billion, or 42 percent, from the same period in 2008. The increase in total liabilities was attributable to the acquisition of Merrill Lynch which impacted various line items including long-term debt, deposits, and federal funds purchased and securities loaned or sold under agreements to repurchase. This was partially offset by a decrease in foreign deposits. The increase in average total liabilities was also driven by the acquisition of Countrywide.

Period end shareholders equity was $239.5 billion at March 31, 2009, an increase of $62.5 billion from December 31, 2008, due to the issuance of preferred stock and related warrants of $30.0 billion in connection with the TARP, common and preferred stock of $20.5 billion and $8.6 billion, respectively, issued in the Merrill Lynch acquisition and net income of $4.2 billion. The decrease in accumulated OCI was due in part to the sale of a portion of our CCB investment.

Average shareholders equity for the three months ended March 31, 2009 compared to the same period in 2008, increased $74.0 billion due to the same period-end factors discussed above. In addition, the increase was due to the issuance of preferred stock and related warrants during the second half of 2008 in connection with the TARP Capital Purchase Program and common stock issued in connection with the Countrywide acquisition. Partially offsetting the impact of these issuances was a decrease in accumulated OCI due to unrealized losses incurred on our debt and marketable equity securities and the adverse impact of the employee benefit plan adjustments driven by the difference between the assumed and actual rate of return on benefit plan assets.

Impact of Merrill Lynch Acquisition

Effective January 1, 2009, Merrill Lynch s results of operations are included in the Corporation s consolidated results. For the three months ended March 31, 2009, the Merrill Lynch acquisition contributed approximately $3.7 billion to net income, $743 million to net interest income, $9.2 billion to noninterest income and $4.7 billion to noninterest expense. These amounts are before the consideration of certain merger related costs and revenue opportunities that were realized in legacy Bank of America legal entities. At March 31, 2009, after consideration of purchase accounting adjustments the Merrill Lynch acquisition contributed $570.6 billion to total assets, primarily trading-related assets, and $529.6 billion to liabilities, including $166.4 billion of long-term debt and $97.3 billion of deposits.

The majority of Merrill Lynch s ongoing operations are recorded in *Global Banking*, *Global Markets*, and *GWIM*. See these respective business segment discussions as well as *Note 2 Merger and Restructuring Activity* to the Consolidated Financial Statements for more information on the impact of the Merrill Lynch acquisition.

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Table 4
Selected Quarterly Financial Data

(Dollars in millions, except per share information)	2009 Quarter First	2008 Quarters Fourth	Third	Second	First
Income statement					
Net interest income	**$ 12,497**	$ 13,106	$ 11,642	$ 10,621	$ 9,991
Noninterest income	**23,261**	2,574	7,979	9,789	7,080
Total revenue, net of interest expense	**35,758**	15,680	19,621	20,410	17,071
Provision for credit losses	**13,380**	8,535	6,450	5,830	6,010
Noninterest expense, before merger and restructuring charges	**16,237**	10,641	11,413	9,447	9,093
Merger and restructuring charges	**765**	306	247	212	170
Income (loss) before income taxes	**5,376**	(3,802)	1,511	4,921	1,798
Income tax expense (benefit)	**1,129**	(2,013)	334	1,511	588
Net income (loss)	**4,247**	(1,789)	1,177	3,410	1,210
Net income (loss) applicable to common shareholders	**2,814**	(2,392)	704	3,224	1,020
Average common shares issued and outstanding (in thousands)	**6,370,815**	4,957,049	4,543,963	4,435,719	4,427,823
Average diluted common shares issued and outstanding (in thousands)	**6,431,027**	4,957,049	4,563,508	4,457,193	4,461,201
Performance ratios					
Return on average assets	**0.68 %**	(0.37) %	0.25 %	0.78 %	0.28 %
Return on average common shareholders equity	**7.10**	(6.68)	1.97	9.25	2.90
Return on average tangible common shareholders equity [1]	**24.32**	(13.23)	8.92	25.17	8.75
Return on average tangible shareholders equity [1]	**12.41**	(8.10)	6.11	18.12	7.06
Total ending equity to total ending assets	**10.32**	9.74	8.79	9.48	9.00
Total average equity to total average assets	**9.08**	9.06	8.73	9.20	8.77
Dividend payout	**2.28**	n/m	n/m	88.67	n/m
Per common share data					
Earnings (loss)	**$ 0.44**	$ (0.48)	$ 0.15	$ 0.72	$ 0.23
Diluted earnings (loss)	**0.44**	(0.48)	0.15	0.72	0.23
Dividends paid	**0.01**	0.32	0.64	0.64	0.64
Book value	**25.98**	27.77	30.01	31.11	31.22
Market price per share of common stock					
Closing	**$ 6.82**	$ 14.08	$ 35.00	$ 23.87	$ 37.91
High closing	**14.33**	38.13	37.48	40.86	45.03
Low closing	**3.14**	11.25	18.52	23.87	35.31
Market capitalization	**$ 43,654**	$ 70,645	$ 159,672	$ 106,292	$ 168,806
Average balance sheet					
Total loans and leases	**$ 994,121**	$ 941,563	$ 946,914	$ 878,639	$ 875,661
Total assets	**2,519,134**	1,948,854	1,905,691	1,754,613	1,764,927
Total deposits	**964,081**	892,141	857,845	786,002	787,623
Long-term debt	**446,975**	255,709	264,934	205,194	198,463
Common shareholders equity	**160,739**	142,535	142,303	140,243	141,456
Total shareholders equity	**228,766**	176,566	166,454	161,428	154,728
Asset quality [2]					
Allowance for credit losses [3]	**$ 30,405**	$ 23,492	$ 20,773	$ 17,637	$ 15,398
Nonperforming assets [4,5]	**25,743**	18,232	13,576	9,749	7,827
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [5]	**3.00 %**	2.49 %	2.17 %	1.98 %	1.71 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [5]	**121**	141	173	187	203
Net charge-offs	**$ 6,942**	$ 5,541	$ 4,356	$ 3,619	$ 2,715
Annualized net charge-offs as a percentage of average loans and leases outstanding measured at historical cost [5]	**2.85 %**	2.36 %	1.84 %	1.67 %	1.25 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding measured at historical cost [5]	**2.48**	1.77	1.25	1.06	0.84
	2.65	1.96	1.45	1.13	0.90

Nonperforming assets as a percentage of total loans, leases and foreclosed properties (4,5)										
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**1.03**		1.05		1.17		1.18		1.36	
Capital ratios (period end)										
Risk-based capital:										
Tier 1	**10.09**	**%**	9.15	%	7.55	%	8.25	%	7.51	%
Total	**14.03**		13.00		11.54		12.60		11.71	
Tangible equity (1)	**6.42**		5.11		4.13		4.72		4.26	
Tangible common equity (1)	**3.13**		2.93		2.75		3.24		3.21	
Tier 1 leverage	**7.07**		6.44		5.51		6.07		5.59	

(1) Tangible shareholders equity is a non-GAAP measure. For additional information on these ratios and a corresponding reconciliation of tangible shareholders equity to a GAAP financial measure, see Supplemental Financial Data beginning on page 87.

(2) We account for acquired impaired loans in accordance with SOP 03-3. For more information on the impact of SOP 03-3 on asset quality, see Consumer Portfolio Credit Risk Management beginning on page 131.

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

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

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

n/m = not meaningful

Supplemental Financial Data

Table 5 provides a reconciliation of the supplemental financial data mentioned below with financial measures defined by GAAP. Other companies may define or calculate supplemental financial data differently.

Net Interest Income FTE Basis

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

Performance Measures

As 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, investment appetite, competitive environment, market factors, and other items (e.g., risk appetite). The aforementioned performance measures and ratios are presented in Table 5.

Tangible Equity

We also evaluate our business based upon ratios that utilize tangible equity. ROTE measures our earnings contribution as a percentage of shareholders equity reduced by goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible equity ratio and the tangible common equity ratio represent shareholders equity, common or total as applicable, 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. 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.

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Table 5

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended March 31 **2009**		2008	
FTE basis data				
Net interest income	**$ 12,819**		$ 10,291	
Total revenue, net of interest expense	**36,080**		17,371	
Net interest yield	**2.70**	**%**	2.73	%
Efficiency ratio	**47.12**		53.32	
Reconciliation of average shareholders equity to average tangible shareholders equity				
Shareholders equity	**$ 228,766**		$ 154,728	
Goodwill	**(84.448)**		(77,628)	
Intangible assets (excluding MSRs)	**(9,439)**		(10,030)	
Related deferred tax liabilities	**3,977**		1,846	
Tangible shareholders equity	**$ 138,856**		$ 68,916	
Reconciliation of average common shareholders equity to average tangible common shareholders equity				
Common shareholders equity	**$ 160,739**		$ 141,456	
Goodwill	**(84.448)**		(77,628)	
Intangible assets (excluding MSRs)	**(9,439)**		(10,030)	
Related deferred tax liabilities	**3,977**		1,846	
Tangible common shareholders equity	**$ 70,829**		$ 55,644	
Reconciliation of period end shareholders equity to period end tangible shareholders equity				
Shareholders equity	**$ 239,549**		$ 156,309	
Goodwill	**(86,910)**		(77,872)	
Intangible assets (excluding MSRs)	**(13,703)**		(9,821)	
Related deferred tax liabilities	**3,958**		1,687	
Tangible shareholders equity	**$ 142,894**		$ 70,303	
Reconciliation of period end common shareholders equity to period end tangible common shareholders equity				
Common shareholders equity	**$ 166,272**		$ 139,003	
Goodwill	**(86,910)**		(77,872)	
Intangible assets (excluding MSRs)	**(13,703)**		(9,821)	
Related deferred tax liabilities	**3,958**		1,687	
Tangible common shareholders equity	**$ 69,617**		$ 52,997	
Reconciliation of period end assets to period end tangible assets				
Assets	**$ 2,321,963**		$ 1,736,502	
Goodwill	**(86,910)**		(77,872)	
Intangible assets (excluding MSRs)	**(13,703)**		(9,821)	
Related deferred tax liabilities	**3,958**		1,687	
Tangible assets	**$ 2,225,308**		$ 1,650,496	

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Core Net Interest Income Managed Basis

We manage core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *Global Markets* business segment section beginning on page 103, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *Global Markets.* We also adjust for loans that we originated and subsequently sold into credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

Table 6

Core Net Interest Income Managed Basis

(Dollars in millions)	Three Months Ended March 31 **2009**	2008
Net interest income [1]		
As reported	**$ 12,819**	$ 10,291
Impact of market-based net interest income [2]	**(1,895)**	(1,167)
Core net interest income	**10,924**	9,124
Impact of securitizations [3]	**2,749**	2,090
Core net interest income managed basis	**$ 13,673**	$ 11,214
Average earning assets		
As reported	**$ 1,912,483**	$ 1,510,295
Impact of market-based earning assets [2]	**(488,411)**	(394,838)
Core average earning assets	**1,424,072**	1,115,457
Impact of securitizations [4]	**91,567**	102,577
Core average earning assets managed basis	**$ 1,515,639**	$ 1,218,034
Net interest yield contribution [1, 5]		
As reported	**2.70 %**	2.73 %
Impact of market-based activities [2]	**0.39**	0.55
Core net interest yield on earning assets	**3.09**	3.28

Impact of securitizations	**0.54**		0.41	
Core net interest yield on earning assets managed basis	**3.63**	**%**	3.69	%

(1) FTE basis
(2) Represents the impact of market-based amounts included in *Global Markets.*
(3) Represents the impact of securitizations utilizing actual bond costs. This is different from the business segment view which utilizes funds transfer pricing methodologies.
(4) Represents average securitized loans less accrued interest receivable and certain securitized bonds retained.
(5) Calculated on an annualized basis.

Core net interest income on a managed basis increased $2.5 billion to $13.7 billion for the three months ended March 31, 2009 compared to the same period in 2008. The increase was driven by the improved interest rate environment partially offset by the spread dislocation between the Federal Funds rate and LIBOR. In addition, core net interest income on a managed basis increased due to the acquisitions of Merrill Lynch and Countrywide. These increases were partially offset by a decrease in interest income on AFS securities due to the deleveraging of the ALM portfolio.

On a managed basis, core average earning assets increased $297.6 billion to $1.5 trillion for the three months ended March 31, 2009 compared to the same period in 2008 due to the Merrill Lynch and Countrywide acquisitions.

Core net interest yield on a managed basis decreased six bps to 3.63 percent for the three months ended March 31, 2009, as the beneficial impact of the current interest rate environment was offset by the addition of lower yielding assets from the Merrill Lynch and Countrywide acquisitions.

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Table 7

Quarterly Average Balances and Interest Rates - FTE Basis

(Dollars in millions)	First Quarter 2009 Average Balance	First Quarter 2009 Interest Income/ Expense	First Quarter 2009 Yield/ Rate	Fourth Quarter 2008 Average Balance	Fourth Quarter 2008 Interest Income/ Expense	Fourth Quarter 2008 Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments	**$ 26,158**	**$ 191**	**2.96 %**	$ 10,511	$ 158	5.97 %
Federal funds sold and securities borrowed or purchased under agreements to resell	**244,280**	**1,155**	**1.90**	104,843	393	1.50
Trading account assets	**259,322**	**2,499**	**3.89**	205,698	2,170	4.21
Debt securities (1)	**286,249**	**3,902**	**5.47**	280,942	3,913	5.57
Loans and leases (2):						
Residential mortgage	**265,121**	**3,680**	**5.57**	253,560	3,596	5.67
Home equity	**158,575**	**1,787**	**4.55**	151,943	1,954	5.12
Discontinued real estate	**19,386**	**386**	**7.97**	21,324	459	8.60
Credit card domestic	**58,960**	**1,606**	**11.05**	64,906	1,784	10.94
Credit card foreign	**16,858**	**449**	**10.81**	17,211	521	12.05
Direct/Indirect consumer (3)	**100,741**	**1,684**	**6.78**	83,331	1,714	8.18
Other consumer (4)	**3,408**	**64**	**7.50**	3,544	70	7.83
Total consumer	**623,049**	**9,656**	**6.25**	595,819	10,098	6.76
Commercial domestic	**240,683**	**2,485**	**4.18**	226,095	2,890	5.09
Commercial real estate (5)	**72,206**	**550**	**3.09**	64,586	706	4.35
Commercial lease financing	**22,056**	**279**	**5.05**	22,069	242	4.40
Commercial foreign	**36,127**	**462**	**5.18**	32,994	373	4.49
Total commercial	**371,072**	**3,776**	**4.12**	345,744	4,211	4.85
Total loans and leases	**994,121**	**13,432**	**5.46**	941,563	14,309	6.06
Other earning assets	**102,353**	**1,299**	**5.12**	73,116	959	5.22
Total earning assets (6)	**1,912,483**	**22,478**	**4.74**	1,616,673	21,902	5.40
Cash and cash equivalents	**153,007**			77,388		
Other assets, less allowance for loan and lease losses	**453,644**			254,793		
Total assets	**$ 2,519,134**			$ 1,948,854		
Interest-bearing liabilities						
Domestic interest-bearing deposits:						
Savings	**$ 32,378**	**$ 58**	**0.72 %**	$ 31,561	$ 58	0.73 %
NOW and money market deposit accounts	**343,215**	**435**	**0.51**	285,410	813	1.13
Consumer CDs and IRAs	**235,787**	**1,715**	**2.95**	229,410	1,835	3.18
Negotiable CDs, public funds and other time deposits	**31,188**	**149**	**1.94**	36,510	270	2.94
Total domestic interest-bearing deposits	**642,568**	**2,357**	**1.49**	582,891	2,976	2.03
Foreign interest-bearing deposits:						
Banks located in foreign countries	**26,052**	**48**	**0.75**	41,398	125	1.20
Governments and official institutions	**9,849**	**6**	**0.25**	13,738	30	0.87
Time, savings and other	**58,380**	**132**	**0.92**	48,836	165	1.34
Total foreign interest-bearing deposits	**94,281**	**186**	**0.80**	103,972	320	1.22
Total interest-bearing deposits	**736,849**	**2,543**	**1.40**	686,863	3,296	1.91
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**591,928**	**2,222**	**1.52**	459,743	1,910	1.65
Trading account liabilities	**70,799**	**579**	**3.32**	70,859	524	2.94
Long-term debt	**446,975**	**4,315**	**3.89**	255,709	2,766	4.32
Total interest-bearing liabilities (6)	**1,846,551**	**9,659**	**2.11**	1,473,174	8,496	2.30
Noninterest-bearing sources:						
Noninterest-bearing deposits	**227,232**			205,278		
Other liabilities	**216,585**			93,836		
Shareholders equity	**228,766**			176,566		
Total liabilities and shareholders equity	**$ 2,519,134**			$ 1,948,854		
Net interest spread			**2.63 %**			3.10 %
Impact of noninterest-bearing sources			**0.07**			0.21
Net interest income/yield on earning assets		**$ 12,819**	**2.70 %**		$ 13,406	3.31 %

(1)

Yields on AFS debt securities are calculated based on fair value rather than historical cost balances. The use of fair value does not have a material impact on net interest yield.

(2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. We account for acquired impaired loans in accordance with SOP 03-3. Loans accounted for in accordance with SOP 03-3 were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(3) Includes foreign consumer loans of $7.1 billion in the first quarter of 2009, and $2.0 billion, $2.6 billion, $3.0 billion and $3.3 billion in the fourth, third, second and first quarters of 2008, respectively.

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Quarterly Average Balances and Interest Rates FTE Basis (continued)

(Dollars in millions)	Third Quarter 2008 Average Balance	Third Quarter 2008 Interest Income/ Expense	Third Quarter 2008 Yield/ Rate	Second Quarter 2008 Average Balance	Second Quarter 2008 Interest Income/ Expense	Second Quarter 2008 Yield/ Rate	First Quarter 2008 Average Balance	First Quarter 2008 Interest Income/ Expense	First Quarter 2008 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments	$ 11,361	$ 101	3.54 %	$ 10,310	$ 87	3.40 %	$ 10,596	$ 94	3.56 %
Federal funds sold and securities borrowed or purchased under agreements to resell	136,322	912	2.67	126,169	800	2.54	145,043	1,208	3.34
Trading account assets	191,757	2,390	4.98	184,547	2,282	4.95	192,410	2,417	5.04
Debt securities (1)	266,013	3,672	5.52	235,369	2,963	5.04	219,377	2,835	5.17
Loans and leases (2):									
Residential mortgage	260,779	3,683	5.65	256,164	3,541	5.54	270,541	3,837	5.68
Home equity	151,111	2,153	5.67	120,265	1,627	5.44	116,562	1,872	6.46
Discontinued real estate	22,031	399	7.25	n/a	n/a	n/a	n/a	n/a	n/a
Credit card domestic	63,414	1,682	10.55	61,655	1,603	10.45	63,277	1,774	11.28
Credit card foreign	17,075	535	12.47	16,566	512	12.43	15,241	474	12.51
Direct/Indirect consumer (3)	85,392	1,790	8.34	82,593	1,731	8.43	78,705	1,699	8.68
Other consumer (4)	3,723	80	8.78	3,953	84	8.36	4,049	87	8.61
Total consumer	603,525	10,322	6.82	541,196	9,098	6.75	548,375	9,743	7.13
Commercial domestic	224,117	2,852	5.06	219,537	2,762	5.06	212,394	3,198	6.06
Commercial real estate (5)	63,220	727	4.57	62,810	737	4.72	62,202	887	5.74
Commercial lease financing	22,585	53	0.93	22,276	243	4.37	22,227	261	4.69
Commercial foreign	33,467	377	4.48	32,820	366	4.48	30,463	387	5.11
Total commercial	343,389	4,009	4.64	337,443	4,108	4.89	327,286	4,733	5.81
Total loans and leases	946,914	14,331	6.03	878,639	13,206	6.04	875,661	14,476	6.64
Other earning assets	70,099	1,068	6.07	65,200	1,005	6.19	67,208	1,129	6.75
Total earning assets (6)	1,622,466	22,474	5.52	1,500,234	20,343	5.44	1,510,295	22,159	5.89
Cash and cash equivalents	36,030			33,799			33,949		
Other assets, less allowance for loan and lease losses	247,195			220,580			220,683		
Total assets	$ 1,905,691			$ 1,754,613			$ 1,764,927		
Interest-bearing liabilities									
Domestic interest-bearing deposits:									
Savings	$ 32,297	$ 58	0.72 %	$ 33,164	$ 64	0.77 %	$ 31,798	$ 50	0.63 %
NOW and money market deposit accounts	278,552	973	1.39	258,104	856	1.33	248,949	1,139	1.84
Consumer CDs and IRAs	218,862	1,852	3.37	178,828	1,646	3.70	188,005	2,071	4.43
Negotiable CDs, public funds and other time deposits	36,039	291	3.21	24,216	195	3.25	32,201	320	4.00
Total domestic interest-bearing deposits	565,750	3,174	2.23	494,312	2,761	2.25	500,953	3,580	2.87
Foreign interest-bearing deposits:									
Banks located in foreign countries	36,230	266	2.91	33,777	272	3.25	39,196	400	4.10
Governments and official institutions	11,847	72	2.43	11,789	77	2.62	14,650	132	3.62
Time, savings and other	48,209	334	2.76	55,403	410	2.97	53,064	476	3.61

Total foreign interest-bearing deposits	96,286	672	2.78		100,969	759	3.02		106,910	1,008	3.79	
Total interest-bearing deposits	662,036	3,846	2.31		595,281	3,520	2.38		607,863	4,588	3.04	
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	465,511	3,223	2.76		444,578	3,087	2.79		452,854	4,142	3.68	
Trading account liabilities	77,271	661	3.40		70,546	749	4.27		82,432	840	4.10	
Long-term debt	264,934	2,824	4.26		205,194	2,050	4.00		198,463	2,298	4.63	
Total interest-bearing liabilities [6]	1,469,752	10,554	2.86		1,315,599	9,406	2.87		1,341,612	11,868	3.55	
Noninterest-bearing sources:												
Noninterest-bearing deposits	195,809				190,721				179,760			
Other liabilities	73,676				86,865				88,827			
Shareholders equity	166,454				161,428				154,728			
Total liabilities and shareholders equity	$ 1,905,691				$ 1,754,613				$ 1,764,927			
Net interest spread			2.66	%			2.57	%			2.34	%
Impact of noninterest-bearing sources			0.27				0.35				0.39	
Net interest income/yield on earning assets		$ 11,920	2.93	%		$ 10,937	2.92	%		$ 10,291	2.73	%

(4) Includes consumer finance loans of $2.6 billion in the first quarter of 2009, and $2.7 billion, $2.7 billion, $2.8 billion and $3.0 billion in the fourth, third, second and first quarters of 2008, respectively; and other foreign consumer loans of $596 million in the first quarter of 2009, and $654 million, $725 million, $862 million and $857 million in the fourth, third, second and first quarters of 2008, respectively.

(5) Includes domestic commercial real estate loans of $70.9 billion in the first quarter of 2009, and $63.6 billion, $62.2 billion, $61.6 billion and $61.0 billion in the fourth, third, second and first quarters of 2008, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $61 million in the first quarter of 2009, and $41 million, $12 million, $104 million and $103 million in the fourth, third, second and first quarters of 2008, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased (decreased) interest expense on liabilities $(512) million in the first quarter of 2009, and $237 million, $86 million, $37 million and $49 million in the fourth, third, second and first quarters of 2008, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 165.

n/a = not applicable

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Business Segment Operations

Segment Description

The Corporation reports the results of its operations through six business segments: *Deposits, Global Card Services, Home Loans & Insurance, Global Banking, Global Markets* and *GWIM*, with the remaining operations recorded in *All Other.* Effective January 1, 2009, as a result of the Merrill Lynch acquisition, we changed the basis of presentation from three segments to the above six segments. The former *Global Consumer and Small Business Banking* now is reflected in three separate business segments: *Deposits, Global Card Services* and *Home Loans & Insurance.* In order to better coordinate our consumer payments businesses, we consolidated all our consumer and small business card products into *Global Card Services;* therefore, debit card has moved from *Deposits* to *Global Card Services*. The former *Global Corporate and Investment Banking* now is divided into *Global Banking* and *Global Markets.* Prior period amounts have been reclassified to conform to current period presentation. These changes did not have an impact on the previously reported consolidated results of the Corporation. For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue and net income, see *Note 18 Business Segment Information* to the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 87. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the business segments includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

Our ALM activities maintain an overall interest rate risk management strategy that incorporates the use of interest rate contracts to manage fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect net interest income. The results of the business segments will fluctuate based on the performance of corporate ALM activities. ALM activities are recorded in the business segments such as external product pricing decisions, including deposit pricing strategies, the effects of our internal funds transfer pricing process as well as the net effects of other ALM activities. In addition, certain residual impacts of the funds transfer pricing process are retained in *All Other*.

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

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit s stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 122. The Corporation benefits from the diversification of risk across these components, which is reflected as a reduction to allocated equity for each segment. Average equity is allocated to the business segments and the businesses, and is impacted by the portion of goodwill that is specifically assigned to them.

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Deposits

(Dollars in millions)	Three Months Ended March 31 2009	2008
Net interest income (1)	**$ 1,962**	$ 2,572
Noninterest income:		
Service charges	**1,503**	1,564
All other income (loss)	**(1)**	14
Total noninterest income	**1,502**	1,578
Total revenue, net of interest expense	**3,464**	4,150
Provision for credit losses	**311**	246
Noninterest expense	**2,363**	2,216
Income before income taxes	**790**	1,688
Income tax expense (1)	**297**	628
Net income	**$ 493**	$ 1,060
Net interest yield (1)	**2.11 %**	3.08 %
Return on average equity	**8.41**	16.99
Efficiency ratio (1)	**68.20**	53.37
Average Balance Sheet		
Total earning assets (2)	**$ 377,198**	$ 336,187
Total assets (2)	**403,173**	367,596
Total deposits	**377,575**	339,464
Allocated equity	**23,783**	25,125
Period-end Balance Sheet		
Total earning assets (2)	**$ 391,603**	$ 342,116
Total assets (2)	**417,410**	374,173
Total deposits	**391,604**	345,990

(1) FTE basis

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

Deposits includes the results of consumer deposits activities which consist of a comprehensive range of products to consumers and small businesses. In addition, *Deposits* includes our student lending and small business banking results, excluding business card, and the net effect of our ALM activities. In the U.S., we serve approximately 55 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 6,145 banking centers, 18,532 domestic branded ATMs, and telephone and Internet channels.

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest- and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient fund fees, overdraft charges and ATM fees.

We added 218 thousand net new retail checking accounts during the three months ended March 31, 2009, a decrease of 339 thousand from the prior year. While sales are in line with prior year levels, we are experiencing more closures as customers face the pressures of the recessionary environment. Ongoing sales momentum has resulted from the combination of associate engagement activities, marketing and product offerings, including the continued success of new Affinity banking relationships. During the three months ended March 31, 2009, our active online banking customer base grew to 29.5 million subscribers, an increase of 661 thousand net subscribers from December 31, 2008. In addition, our active bill pay users paid $80.3 billion worth of bills online during the first three months of 2009.

Deposits includes the net impact of migrating customers and their related deposit balances between *GWIM* and *Deposits*. A total of $6.1 billion of deposits was migrated to *Deposits* from *GWIM,* primarily in the latter part of the first

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quarter of 2009*,* compared to a total of $7.0 billion that was migrated from *Deposits* to *GWIM* during the three months ended March 31, 2008. The change was mainly due to client segmentation threshold modifications resulting from the Merrill Lynch acquisition, partially offset by the acceleration in 2008 of moving clients into *GWIM* as part of our growth initiatives for our mass affluent and retirement customers. After migration, the associated net interest income, service charges and noninterest expense are recorded in the appropriate segment.

Net income decreased $567 million, or 53 percent, to $493 million during the three months ended March 31, 2009 compared to the same period in 2008 driven by lower net revenue and higher noninterest expense.

Net interest income decreased $610 million, or 24 percent, to $2.0 billion for the three months ended March 31, 2009 compared to the same period in 2008 as a result of a lower residual net interest income allocation from ALM activities and spread compression on money market deposits and certificates of deposit. Average deposits grew $38.1 billion, or 11 percent, due to the Countrywide acquisition as well as organic growth in checking and savings products.

Noninterest income decreased $76 million, or five percent, to $1.5 billion for the three months ended March 31, 2009 compared to the same period in 2008 primarily driven by lower service charges of $61 million, or four percent, as a result of changes in consumer spending behavior attributable to current economic conditions partially offset by net new demand deposit accounts.

Noninterest expense increased $147 million, or seven percent, to $2.4 billion for the three months ended March 31, 2009 compared to the same period in 2008 primarily due to increased FDIC premiums.

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Global Card Services

(Dollars in millions)	Three Months Ended March 31 2009	2008
Net interest income [1]	**$ 5,207**	$ 4,527
Noninterest income:		
Card income	**2,115**	2,720
All other income	**135**	621
Total noninterest income	**2,250**	3,341
Total revenue, net of interest expense	**7,457**	7,868
Provision for credit losses [2]	**8,221**	4,312
Noninterest expense	**2,075**	2,199
Income (loss) before income taxes	**(2,839)**	1,357
Income tax expense (benefit) [1]	**(1,070)**	490
Net income (loss)	**$ (1,769)**	$ 867
Net interest yield [1]	**9.41 %**	7.93 %
Return on average equity	**(17.90)**	9.18
Efficiency ratio [1]	**27.83**	27.95
Average Balance Sheet		
Total loans and leases	**$ 224,406**	$ 229,147
Total earning assets	**224,406**	229,465
Total assets	**242,974**	253,034
Allocated equity	**40,070**	38,001
Period-end Balance Sheet		
Total loans and leases	**$ 218,031**	$ 229,974
Total earning assets	**217,841**	230,361
Total assets	**234,990**	253,363

[1] FTE basis
[2] Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

Global Card Services provides a broad offering of products, including U.S. consumer and business card, consumer lending, international card and debit card. We provide credit card products to customers in the U.S., Canada, Ireland, Spain and the United Kingdom. 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.

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

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. The financial market disruptions that began in 2007 continued to impact the economy and financial services sector. Starting late in the third quarter of 2008 and continuing into the first quarter of 2009, liquidity for asset-backed securitizations became disrupted and spreads have risen to historic highs, negatively impacting our credit card securitization programs. If these conditions persist, it could adversely affect our ability to access these markets at favorable terms. For more information, see the Liquidity Risk and Capital Management discussion on page 123.

Global Card Services recorded a net loss of $1.8 billion for the three months ended March 31, 2009 compared to net income of $867 million for the same period in 2008 as higher provision for credit losses and lower noninterest income were partially offset by growth in net interest income.

Net interest income grew $680 million, or 15 percent, to $5.2 billion for the three months ended March 31, 2009 compared to the same period in 2008 driven by increased loan spreads due to the beneficial impact of lower short-term interest rates on our funding costs partially offset by a decrease in managed average loans and leases of $4.7 billion, or two percent.

Noninterest income decreased $1.1 billion, or 33 percent, to $2.3 billion for the three months ended March 31, 2009 compared to the same period in 2008 driven by a decrease in card income of $605 million, or 22 percent, due to the absence of a positive valuation adjustment on the interest-only strip that was recorded during the three months ended March 31, 2008, as well as lower fee income. In addition, other income in 2008 included a one-time IPO gain of $388 million.

Provision for credit losses increased by $3.9 billion to $8.2 billion for the three months ended March 31, 2009 compared to the same period in 2008 primarily due to economic conditions which led to deterioration in the consumer card, consumer lending and small business portfolios, including a higher level of bankruptcies. Also contributing were reserve additions related to maturing securitizations. For further discussion, see Provision for Credit Losses beginning on page 158.

Noninterest expense decreased $124 million, or six percent, to $2.1 billion for the three months ended March 31, 2009 compared to the same period in 2008 due to lower levels of marketing-related expense.

Key Statistics (Dollars in millions)	**Three Months Ended March 31** **2009**	2008
Global Card Services		
Average total loans and leases:		
Managed	**$ 224,406**	$ 229,147
Held	**121,734**	123,971
Period end total loans and leases:		
Managed	**218,031**	229,974
Held	**112,639**	122,127
Managed net losses [1]:		
Amount	**5,276**	3,073
Percent [3]	**9.54 %**	5.39 %
Credit Card [2]		
Average total loans and leases:		
Managed	**$ 178,490**	$ 183,694
Held	**75,818**	78,518
Period end total loans and leases:		
Managed	**173,352**	183,758
Held	**67,960**	75,911
Managed net losses [1]:		
Amount	**3,794**	2,372
Percent [3]	**8.62 %**	5.19 %

(1) Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.
(2) Includes U.S., Europe and Canada consumer credit card. Does not include business card, debit card and consumer lending.
(3) Ratios are calculated as annualized managed net losses divided by average outstanding managed loans and leases during the period.

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

Managed *Global Card Services* net losses increased $2.2 billion to $5.3 billion, or 9.54 percent of average outstandings for the three months ended March 31, 2009, compared to $3.1 billion, or 5.39 percent in same period in 2008. This increase was driven by portfolio deterioration including a higher level of bankruptcies due to economic conditions. Additionally, consumer lending loss rates increased to 13.53 percent of average outstandings for the three months ended March 31, 2009 compared to 5.73 percent in the same period of 2008. The loss rates were impacted by a tightening in underwriting criteria resulting in a significant slowdown in new loan production.

Managed credit card net losses increased $1.4 billion to $3.8 billion, or 8.62 percent of average credit card outstandings for the three months ended March 31, 2009, compared to $2.4 billion, or 5.19 percent in the same period in 2008. The increase was driven by portfolio deterioration including a higher level of bankruptcies due to economic conditions.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 131.

Home Loans & Insurance

(Dollars in millions)	Three Months Ended March 31 2009	2008
Net interest income [1]	**$ 1,180**	$ 599
Noninterest income:		
Mortgage banking income	**3,403**	656
Insurance income	**581**	88
All other income	**60**	29
Total noninterest income	**4,044**	773
Total revenue, net of interest expense	**5,224**	1,372
Provision for credit losses	**3,372**	1,812
Noninterest expense	**2,650**	722
Loss before income taxes	**(798)**	(1,162)
Income tax benefit [1]	**(300)**	(430)
Net loss	**$ (498)**	$ (732)
Net interest yield [1]	**2.60 %**	2.52 %
Return on average equity	**(13.90)**	(96.85)
Efficiency ratio [1]	**50.73**	52.66
Average Balance Sheet		
Total loans and leases	**$ 126,696**	$ 87,238
Total earning assets	**184,066**	95,545
Total assets	**220,072**	99,894
Allocated equity	**14,526**	3,040
Period-end Balance Sheet		
Total loans and leases	**$ 131,343**	$ 88,321
Total earning assets	**184,147**	97,881
Total assets	**221,559**	102,115

(1) FTE basis

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 personal bankers located in 6,145 banking centers, mortgage loan officers in nearly 1,000 locations and through a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent and wholesale loan acquisition channels. *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 for ALM purposes. *Home Loans & Insurance* is not impacted by the Corporation s 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*. In addition, *Home Loans & Insurance* offers property, casualty, life, disability and credit insurance.

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

Home Loans & Insurance s net loss decreased $234 million to $498 million for the three months ended March 31, 2009 compared to the same period in 2008 as growth in noninterest income and net interest income was almost fully offset by an increase in noninterest expense and higher provision for credit losses.

Net interest income grew $581 million, or 97 percent, for the three months ended March 31, 2009 compared to the same period in 2008 driven primarily by an increase in average home equity loans and LHFS. The growth in average home equity loans of $37.1 billion, or 43 percent, and a $17.9 billion increase in LHFS were attributable to the Countrywide acquisition as well as increases in our home equity portfolio as a result of slower prepayment speeds and organic growth.

Noninterest income increased $3.3 billion to $4.0 billion for the three months ended March 31, 2009 compared to the same period in 2008 driven by higher mortgage banking income and insurance income. Mortgage banking income grew $2.7 billion due primarily to the Countrywide acquisition. Mortgage banking income also benefited as lower current interest rates drove higher production income and higher forward interest rates drove favorable MSR valuation changes including hedge activities. Insurance income increased $493 million due to the Countrywide acquisition.

Provision for credit losses increased $1.6 billion to $3.4 billion for the three months ended March 31, 2009 compared to the same period in 2008. This increase was driven by reserve increases in the home equity portfolio associated with a reduction in principal cash flows expected to be collected on the Countrywide SOP 03-3 portfolio and higher net charge-offs reflective of deterioration in the economy and the housing markets particularly in geographic areas that have experienced higher unemployment and the most significant declines in home prices. For further discussion, see Provision for Credit Losses on page 158.

Noninterest expense increased $1.9 billion to $2.7 billion primarily driven by the Countrywide acquisition.

Mortgage Banking Income

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

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

The following table summarizes the components of mortgage banking income:

Mortgage banking income

	Three Months Ended March 31	
(Dollars in millions)	**2009**	2008
Production income	**$ 1,637**	$ 396
Servicing income:		
Servicing fees and ancillary income	**1,517**	250
Impact of customer payments	**(1,185)**	(197)
Fair value changes of MSRs, net of economic hedge results	**1,301**	207
Other servicing-related revenue	**133**	-
Total net servicing income	**1,766**	260
Total mortgage banking income	**$ 3,403**	$ 656

Production income increased $1.2 billion for the three months ended March 31, 2009 compared to the same period in 2008. This increase was driven by the Countrywide acquisition and higher volumes driven by lower current interest rates.

Net servicing income increased $1.5 billion for the three months ended March 31, 2009 compared to the same period in 2008 due primarily to changes in the fair value of MSRs including hedge activities of $1.3 billion during the three months ended March 31, 2009. Contributing to the positive hedge results were improvements in the values of mortgage-backed securities used as economic hedges relative to the related MSRs, changes in basis relationships between primary and secondary market rates for mortgages, changes in the forward interest rate curve and expected changes in home prices. For further discussion on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 170.

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The following table presents select key indicators for *Home Loans & Insurance*.

Home Loans & Insurance Key Statistics

(Dollars in millions, except as noted)	Three Months Ended March 31 2009	2008
Loan production		
Home Loans & Insurance:		
First mortgage	**$ 79,072**	$ 18,044
Home equity	**2,923**	13,821
Total Corporation:		
First mortgage	**85,218**	21,922
Home equity	**4,038**	16,641
Period end	**March 31, 2009**	December 31, 2008
Mortgage servicing portfolio (in billions) [1]	**$ 2,112.8**	$ 2,057.3
Mortgage loans serviced for investors (in billions)	**1,699**	1,654
Mortgage servicing rights:		
Balance	**14,096**	12,733
Capitalized mortgage servicing rights (% of loans serviced)	**83 bps**	77 bps