What's next for Bank of America?

We are transforming our company —
making Bank of America simpler, more transparent,
easier to do business with and focused on
serving the needs of our customers and clients.

Bank of America

Brian T. Moynihan Chief Executive Officer

To our shareholders,

In 2011, in the face of significant challenges, we made great strides in transforming our company. We streamlined our businesses, built capital and liquidity and, most important, maintained or built on market-leading capabilities to serve our customers' and clients' core financial services needs. Our company has reduced risk and is less complex. As a stronger, more straightforward company, we are building deeper relationships with our customers and clients, and are doing what we can to help restore confidence and strength to our economy.

“What does ‘customer-focused’ mean, and what are you doing to make it real?”

“We listen to our customers and clients, learn what their needs are, and do all we can to provide the advice, services and products that respond to those needs. To do that best, we want to have the broadest possible financial relationship with our customers and clients. Simply put: We can do more for them than anyone else, wherever they are in their financial lives.”

In 2010, we established a clear goal — to be the finest financial services firm in the world in the eyes of our customers, our employees and each of you as shareholders. There is ample evidence that we are making progress on the course we set. Our focus and strategy are clear: We deliver to three groups of customers and clients the leading capabilities they need to manage their financial lives and businesses. Simply put: We can do more for people, companies and institutional investors than any other financial services company. And day after day, we are proving it in the marketplace.

Our financial results for 2011 show both the progress we have made and the challenges that remain. For the full year, the company reported net income of $1.4 billion, or $0.01 per diluted share, compared with a net loss of $2.2 billion, or $0.37 per diluted share, in 2010. Revenue, net of interest expense, on an FTE basis,[1] declined 15 percent to $94.4 billion, reflecting, among other things, increased reserves for mortgage-related matters.

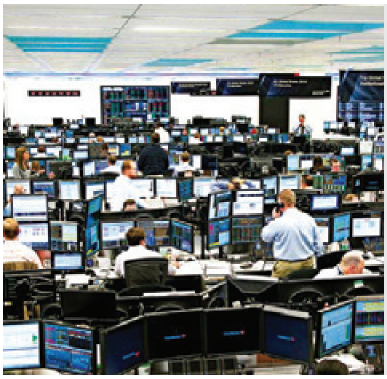
Obviously, our stock price does not yet reflect the work we are doing to strengthen capital, reduce risk and attract more business from our customers. There are many issues weighing not only on us, but on the entire financial services industry. These include concerns about the global economy; a sustained period of near-record low interest rates; the implementation of new regulations and capital requirements; how these new rules may affect our ability to deliver for our customers and clients; and the time it will take to resolve mortgage issues.

There is more work to do, but today we are better organized to serve our customers and clients; to offer customers more reasons to do more business with us; to earn the profits our shareholders expect; and to contribute to economic growth in all of the communities we serve.

Continue to build a fortress balance sheet

When we set out to transform our company two years ago, our first urgent challenge was to strengthen our foundation — the balance sheet. We focused on selling non-core assets, increasing capital ratios, building liquidity and reducing risk.

[1] Fully taxable-equivalent (FTE) basis is a non-GAAP financial measure. For reconciliation to GAAP financial measures, refer to Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.



A Strong Company Begins With a Strong Balance Sheet
In 2011, Bank of America made significant progress to streamline its balance sheet by selling non-core assets, building capital and reducing debt. At the end of 2011, the company's Tier 1 common capital ratio was 9.86 percent, up 126 basis points from the previous year, long-term debt was down $76 billion to $372 billion and Global Excess Liquidity Sources were up $42 billion to $378 billion.

"What is the financial strength of the company today?"

"Since the financial crisis of a few years ago, we have increased our capital to record levels and increased our Tier 1 common capital ratio to twice what it was before the crisis. The same goes for our liquidity; at the end of 2011, we had $378 billion in Global Excess Liquidity Sources, and our time-to-required funding, which measures the amount of time that our parent company could fulfill its obligations without tapping external funding sources, increased to 29 months."

Let me highlight a few examples of our progress.

On December 31, 2011, our Tier 1 common capital ratio was 9.86 percent, up 126 basis points from the end of 2010, and double the level in 2007 as we headed into the economic crisis.

During 2011, we increased our Global Excess Liquidity Sources by $42 billion to $378 billion, and we improved our "time-to-required funding," which measures the length of time that our parent company could pay all unsecured contractual obligations without tapping external sources of funds, to 29 months from 24 months.

We also reduced our risk in 2011 by decreasing risk-weighted assets by $171 billion to $1.28 trillion, including reducing legacy risk exposures in our Global Banking & Markets business by 35 percent to $15 billion.

The result is a stronger, leaner company better prepared to handle economic uncertainty.

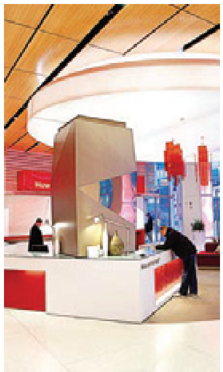
The second urgent challenge we addressed was resolving issues related to the mortgage crisis.

In January 2011, we announced agreements with Fannie Mae and Freddie Mac to resolve representations and warranties repurchase claims involving certain residential mortgage loans sold to them by entities related to Countrywide. In April, we announced an agreement with Assured Guaranty Ltd. to resolve all of the monoline insurer's outstanding and potential repurchase claims involving 29 first- and second-lien residential mortgage-backed securitization (RMBS) trusts where Assured Guaranty provided financial guarantee insurance. In June, we announced an agreement to resolve nearly all of our Countrywide-issued first-lien RMBS repurchase exposure with respect to 530 trusts with an original principal balance of $424 billion. And, in March 2012, we joined with the four other largest U.S. mortgage servicers in reaching global settlements to resolve federal and state investigations into certain origination, servicing and foreclosure practices.

The progress we've made on these issues covers a significant portion of our exposure to issues related to the mortgage crisis and housing downturn. And while we still have more work

Supporting Customers and Clients
Bank of America continued to support the economic recovery in 2011 by extending $557 billion in credit to U.S. consumers, small and medium-sized businesses and large corporate clients, and raising approximately $644 billion in capital on behalf of its global clients.

The credit we extended and the capital we raised helped our customers and clients meet their goals, such as buying a new home, paying for college, adding another assembly line or expanding into new markets.



to do on these exposures and other mortgage-related matters, we ended 2011 with almost $16 billion in reserves to handle the costs of mortgage-related representations and warranties claims. Resolving these and other claims will take time, but we are moving through these issues aggressively and resolving them in the best interest of our shareholders — settling when appropriate, and contesting them when we believe that is the right course. There is considerable disclosure on our mortgage exposure in the Financial Review section of this report, and I encourage all shareholders to review this section.

Having made so much progress on the two urgent challenges of balance sheet strength and mortgage issues, our company is now better positioned to deliver on all our operating principles as we move forward in 2012.

Being customer-focused
Being customer-focused, in the broadest sense, simply means being responsive to the needs of customers and clients — providing the products and services they want, when, how and where they want them.

To do this more effectively, we conducted an important reorganization of our company in 2011 when we named two executives to newly created roles as co-chief operating officers. The intent of this reorganization was to better align our operating units to serve our three groups of customers. David Darnell, a 33-year veteran of the company who has led many of our businesses during his tenure, is responsible for those businesses that serve retail customers, wealthy clients and small businesses in the U.S. Tom Montag, who has led global wholesale financial businesses for more than 25 years, is responsible for all of our businesses that serve medium-sized to large companies and institutional investors worldwide.

Retail customers put a premium on convenience, clarity, choice and value. Over the past two years, we have overhauled the design of our products and services to emphasize these attributes. Our customers have responded: Average deposit balances across our retail businesses grew by $20 billion in 2011 to nearly $663 billion, and we continued to see growth in consumer spending in our credit and debit card businesses.

"How do customers feel about the basics: Is Bank of America providing high-quality and efficient service to customers?"

"Customers and clients consistently tell us they appreciate the one-on-one service they get in our 5,700 retail banking centers from their financial advisors and commercial, corporate and investment bankers. Our investor clients consistently rank the research they get from our research platform at or near the best in the world. Customers also appreciate the many ways they can reach us, including ATMs, mobile applications and online. In areas where the service is less consistently satisfactory, we are investing and improving. Often this is the result of disparate technology platforms, service centers that have not yet been consolidated and rationalized after mergers, or, in the case of home loans modifications and other challenges, the sheer spike in volume following the mortgage crisis. These are the areas we are focusing on in 2012 to bring service quality across the organization up to the highest level."



Helping Homeowners

Providing solutions for distressed homeowners remains a critical focus for us. Since January 2008, we have completed more than 1 million loan modifications under our own programs and government programs. In partnership with national and local nonprofits, we have also conducted outreach programs to work with homeowners who are in danger of falling behind on their payments. In addition, we recently announced innovative partnerships in Cleveland, Chicago and Detroit to assist with the demolition of deteriorating structures and to donate low-value vacant and abandoned properties for redevelopment, open space, urban farming or other uses that benefit the community.

"What is Bank of America doing to help get the housing market going again?"

"We have modified more mortgage loans than any other servicer: More than 1 million homeowners have been helped. We are making one in three modifications in the entire country. Helping our customers who are at risk of foreclosure with sustainable mortgage payments through loan modification is good for our customers, our investors and the overall U.S. economy."

We also continued to help distressed mortgage customers, either by modifying loans to create sustainable, long-term solutions, or by helping them through a dignified transition to new housing. We have now modified more than 1 million mortgage loans since the beginning of 2008, and Bank of America is now responsible for about one in three mortgage modifications in the country. This work is helping individual borrowers and supporting the recovery of the housing markets and the broader U.S. economy.

We originated $6.4 billion in small business loans and commitments in 2011, and we hired more than 500 new small business bankers during the year to further support small business customers. We expect to reach our goal this year of adding 1,000 small business bankers to serve these customers and help our economy keep growing.

We provided our affluent clients with a full set of investment management, brokerage, banking, retirement, wealth structuring and trust services through our Merrill Lynch Global Wealth Management, U.S. Trust and Merrill Edge businesses. In 2011, we continued to invest in these businesses to ensure we meet our clients' needs, with the addition of more than 1,600 wealth advisors to our team. Our long-term flows of assets under management from these clients grew to $28 billion.

Large companies and institutional investors need the best global corporate, investment banking and research capabilities integrated to help them achieve their business goals — and we are delivering. We maintained our No. 2 global ranking in investment banking fees by working together to deliver the full capabilities of the company to our clients. We also continued to be a source of leading research and ideas for our institutional investor clients, as *Institutional Investor* magazine named Bank of America Merrill Lynch "Top Global Research Firm of 2011."

Being the best place to work

We believe that by being the best place to work for our employees, they can better serve our customers and clients, which, in turn, will result in good returns for our shareholders. To put this philosophy into practice, we continue to improve training and career opportunities. In 2011, we placed tens of thousands of teammates in new jobs throughout the company, representing opportunities for employees to build new skills and benefit from new experiences.

Every employee has had opportunities to share ideas for how we can be a better place to work through Project New BAC, our companywide program designed to align our resources as efficiently as we can to better serve our customers and clients. These changes are not only making Bank of America more efficient, they also are making it easier for employees to do business and operate across the company. And, we have continued to earn recognition as an employer of choice from national and international publications, including *Working Mother*, *Military Times EDGE*, *Black Enterprise* and *Latina Style*.

Our employees also continue to donate their time to their communities. We believe strongly in the importance of employee engagement in our communities, and we encourage employees to take up to two hours per week of company time for volunteer activities. Collectively, our employees logged 1.5 million volunteer hours (including company time and personal time) in 2011 and gave to many important causes through $25 million in individual donations as well as through the United Way campaign, which raised $34 million for community needs.

Manage risk well

Risk management is an integral part of our business operations. Our goal is to set a tone and create a risk management culture in which every employee is empowered to raise an issue or express a concern. That means having a well-defined, clear-cut business model, a strategy that puts that model into practice, and operating principles to guide the thousands of daily decisions that are made by managers across the company.

We have taken a number of steps to strengthen and sustain a strong risk management culture. We have developed a clear understanding of our risk appetite across all businesses. This includes seven major categories: credit risk, market risk, operational risk, compliance risk, liquidity risk, strategic risk and reputational risk. We are putting specific emphasis on improving operational risk awareness and execution throughout the company this year. Finally, we are clear about accountability — all employees understand their obligation to speak up if they have a concern, and it is part of our culture to encourage it.

Manage efficiency well

To be the finest financial services company in the world also means we must be the best operator — a company that is efficient and effective, gets it right for customers and clients and, if an error occurs, corrects it promptly and courteously every time.

At the heart of our pursuit of operational excellence is Project New BAC. We completed Phase 1 evaluations in September 2011, covering our consumer businesses and the related staff functions that support them, approving more than 2,000 ideas employees submitted to improve the way we work for customers. Many of these ideas are being implemented now. Through this work, we have a goal to reduce our expenses by $5 billion, or about 18 percent of the expenses in these areas, by the end of 2013.

Phase 2 evaluations, covering Global Wealth & Investment Management, Global Commercial Banking, Global Banking & Markets and the staff functions not subject to evaluation in Phase 1, are in progress. Evaluations will conclude this April.

Deliver on our shareholder return model

Ultimately, we will be judged by our ability to generate profits and by our stock price, which, as I've said, clearly does not yet reflect much of the work we are doing or the progress we have made. One important measure of our progress is tangible book value,[2] which, at $12.95 per share at the end of 2011, held steady over the course of the year even as we significantly added to our reserves for mortgage-related exposures.

Looking ahead

While our results in 2011 were lower than we would expect in a more normal environment, we are making progress in rebuilding profitability in all our core businesses. With the economy slowly but steadily improving, we believe this trend should continue in 2012.

This year will bring its own mix of successes and challenges, but our direction is clear. We will continue to focus intently on what we can control: providing our customers and clients with the best service and most comprehensive financial services solutions in the market; managing our costs; and doing our part to keep the economy moving forward. Our long-term value will come through when we do that.

As we proceed, I would like to thank our employees for their continuing commitment to this important work; our customers and clients for their confidence in our ability to deliver for them; and our shareholders for continuing to share our journey.

As always, I welcome your thoughts and feedback as we move forward together.

Brian T. Moynihan
Chief Executive Officer
March 12, 2012

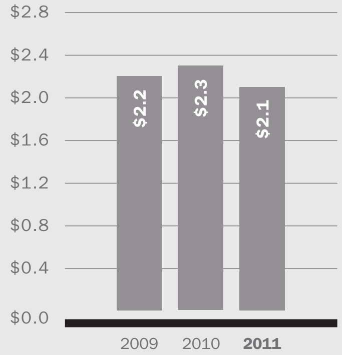
[2] Tangible book value is a non-GAAP financial measure. For reconciliation to GAAP financial measures, refer to Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

A Strong and Balanced Global Company

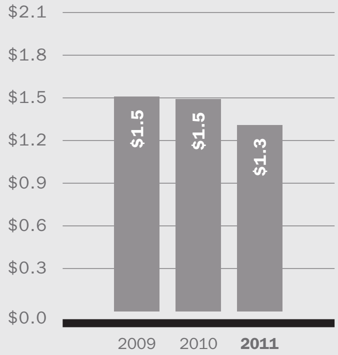
Bank of America is one of the world's leading financial institutions, serving individuals, small- and middle-market businesses, large corporations, and governments around the world with a full range of banking, investment management and other financial and risk management products and services.

Since the beginning of 2010, we have made significant progress transforming the company into a simpler, more efficient enterprise by selling non-core assets, reducing risk exposures and building capital.

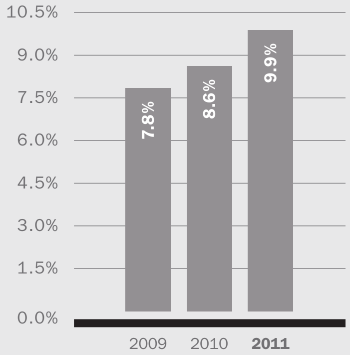
Total Assets
(at year-end, in trillions)



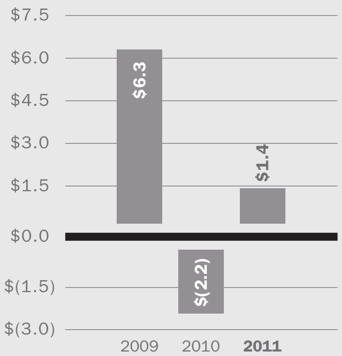
Risk-Weighted Assets
(at year-end, in trillions)



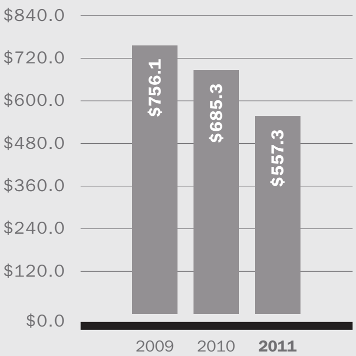
Tier 1 Common Capital Ratio
(at year-end)



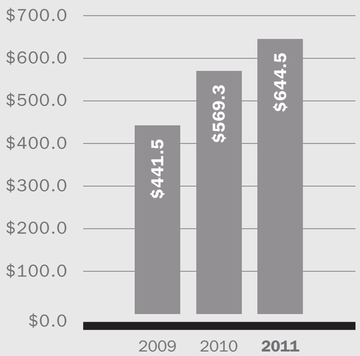
Net Income (Loss)
(in billions, full year)

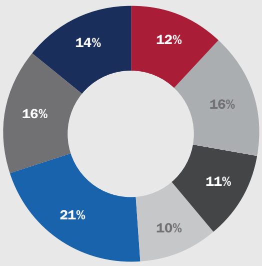


Credit Extended
(domestic, in billions, full year)



Capital Raised for Clients
(in billions, full year)





2011 Net Revenue by Business[1,2]

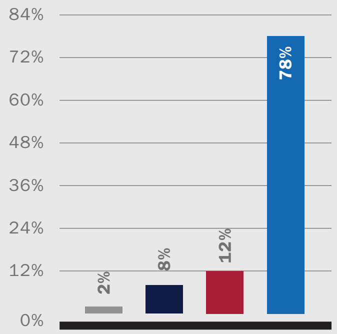
- Deposits
- Card Services
- Consumer Real Estate Services[3]
- Global Commercial Banking
- Global Banking & Markets
- Global Wealth & Investment Management
- All Other

[1] Fully taxable-equivalent basis

[2] We provide a diversified range of banking and non-banking financial services and products through six business segments: Deposits, Card Services, Consumer Real Estate Services (CRES), Global Commercial Banking, Global Banking & Markets (GBAM) and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. For additional information, see Note 26 — Business Segment Information in the 2011 Financial Review Section.

[3] Excludes representations and warranties provision of $15.6 billion, recorded in CRES for the year ended December 31, 2011. Including the representations and warranties provision, revenue was a negative $3.2 billion on an as-reported basis. For additional information, see Consumer Real Estate Services on page 37 in the 2011 Financial Review section. Excluding representations and warranties provision is a non-GAAP financial measure.

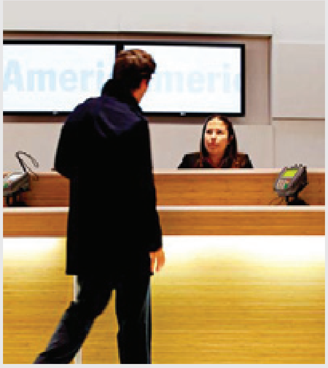
2011 Net Revenue by Geographic Area

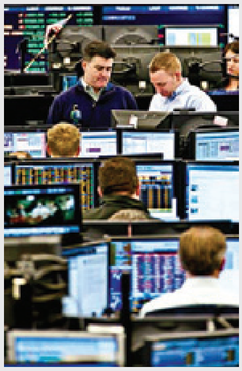


- Latin America and the Caribbean
- Europe, Middle East and Africa
- Asia
- U.S. and Canada

A CONVERSATION WITH DAVID DARNELL AND TOM MONTAG

CO-CHIEF OPERATING OFFICERS





Pictured left to right: David C. Darnell and Thomas K. Montag

In September of 2011, CEO Brian Moynihan named David Darnell and Tom Montag co-chief operating officers of the company. David's organization serves retail customers, wealthy clients, and small businesses inside the U.S., while Tom's organization serves middle-market companies, large corporations and institutional investors globally, and wealthy individual clients outside the U.S.

What's your strategy for growing your respective businesses?

David: In Consumer Banking, it's all about growing existing relationships. One out of every two U.S. households does business with us today. Because these customers already know us — and we know them — it makes sense to focus on expanding existing relationships by offering high-quality service and a broad range of innovative products.

In Merrill Lynch Wealth Management and in Business Banking, we are expanding relationships through referrals across the company, and working to attract new clients as well. Across all our businesses, one theme is constant: By expanding a one- or two-product relationship to a half-dozen or more core services, and creating real financial solutions for those we serve, we can win customers' and clients' loyalty and build strong, long-lasting and profitable relationships.

Tom: It's the same principle at work with our corporate and institutional clients. The products are different, but the idea is the same. Our client base includes 98 percent of the U.S. Fortune 1000 and 85 percent of the Global Fortune 500. When you combine that geographic reach with strong capabilities, the opportunities are very compelling both for us and for our clients.

How do you plan to offset the revenue that has been lost by new regulations?

David: This is primarily an issue in Consumer Banking, and it's not as simple as just finding a way to replace lost revenue. We're in a competitive marketplace, and we have to win business by understanding customers' needs and offering the best combination of products, service and value. New regulations change the rules of the game for all financial services companies, but they will not change our approach. We still have to provide the best products and service at a fair price that enables us to generate a good return for our shareholders. And that's what we're focused on doing.

Can you provide an update on your plans to build out the global franchise?

Tom: We are committed to doing business wherever our global clients need us to be to serve their needs. That includes western Europe, the U.S. and the Pacific Rim — and it also includes a growing presence in emerging global markets in regions like Latin America and the Middle East. The key is to continue building our capabilities with a balanced approach, with risk management and other functions to support the client-facing teams, so that we can not only win new business, but execute every transaction to the standards that we and our clients expect.

“Why should I bank with Bank of America?”

“We offer the best in banking convenience, clarity and choice, through solutions that meet consumers’ needs at every stage of their financial lives.”

I started with the bank as a part-time teller in August 2001, learning about our customers and the company and volunteering with teammates to support our community. Now, I also provide feedback to our leaders regarding our customers’ needs and how we can serve them better. Our customers see the difference in what we have to offer and they let us know about it. They know we’re here to help them, and when we do, they want to bring us more of their business.

Shameka Hillage

BANKING CENTER MANAGER — CONSUMER BANKING

How has consumer banking changed at Bank of America since you joined the company 10 years ago? The biggest change is the technology we have to serve our customers. We have better systems in place today and the transactions are more secure. When a customer visits a banking center, our bankers can take into account the customer's entire relationship with us. This allows us to suggest options they may not have considered. And that's critical, because what hasn't changed is our commitment to do the right thing for our customers every day, making sure we listen to them, meet their needs and delight them with the products and services we provide.

What would you say your customers need now? I don't just work in Beltsville, Md., I live in the area, so the customers I work with every day are my friends, neighbors and members of my church. They want to be treated fairly. While they appreciate that we are a large company with a lot to offer, they want us to know them — who they are and what they need — and to offer them solutions that are simple, convenient, reliable and backed by great service. They want us to be candid and clear about how they can get the most value from what we provide. When my customers walk into the banking center, I want them to know that we are here to help them with whatever they need, whether that's cashing a check, applying for a loan or learning how to use online banking.

What makes Bank of America unique? Convenience is very important to my customers and they tell me they really appreciate the fact that they can bank with us in a way that's best for them, whether that's by visiting one of our banking centers, using an ATM, or banking online or with a mobile phone. By introducing new ways to bank with us, I can spend more time working with customers to make sure we are up to date on what they need and how their goals may have changed, so I can be sure they have the best products and services for them.

Customers understand we can do more than provide them with banking, credit card and savings products. We do those things very well, but we also can place them with the right specialists for other needs, helping them through every stage of life. We can serve their needs on a mortgage so they can buy their first home. We provide great tools and research through Merrill Edge™ for their investing needs, along with access to a financial services advisor for help and guidance so they can invest for the future and pursue their retirement goals. And if a customer wants to start a business, our small business bankers can offer advice and tools to manage cash flow, payroll and credit needs. We're working every day to simplify what we do so it's easy for our customers to get what they need from us.

“How can you help us grow and preserve what we’ve earned?”

“Our more than 18,000 wealth advisors work with clients to understand the challenges they face, and design sophisticated, customized strategies to help them meet their goals.”

John (Jeff) Erdmann III

SENIOR VICE PRESIDENT — WEALTH MANAGEMENT

PRIVATE WEALTH ADVISOR

Can you give an example of how you served a Merrill Lynch Wealth Management client with a broad range of needs? We recently helped a private business owner sell his company, advising on the ramifications to the family of handling a large infusion of cash. For example, we brought in teammates across Bank of America and Merrill Lynch to help with tax minimization strategies, philanthropic goals and ways to finance the grandchildren’s education. Now we can help the client manage the assets of all three generations by providing financial guidance to each family member, including access to credit solutions. In this instance, we help with all aspects of the client’s finances, including online bill pay and banking needs, trust and foundation services and portfolio strategies.

Why is it important for investors to have a financial advisor? An investor’s wealth management, banking and even legacy needs are all interrelated, and it is critical that the investor has an advisor who understands those needs and can offer a broad range of solutions. In wealth management, we evaluate income, mortgage needs and other factors, and then assess cash flow needs to help determine an appropriate mix of investment and risk strategies for the client’s goals. We also conduct due diligence on external investment managers. Private banking needs could include cash management, bill pay and credit needs, where convenience, efficiency and attention to detail are critical. And as a financial advisor to the family, I understand a client’s legacy needs and offer guidance on ways of managing wealth over multiple generations. Being part of a large global franchise is a beneficial way for me to provide this in-depth expertise.

What does the strength of Bank of America banking and Merrill Lynch investing enable you to provide your clients? We have access to the resources that enable me to deliver the financial tools my clients need — but what truly sets us apart is our ability to work as a team on behalf of each of our clients. Clients value our abilities and our investment management and guidance team, which conducts rigorous due diligence so we can offer access to some of the leading money managers across investment categories. By understanding each client’s full range of needs, we can identify ways to provide access to services and solutions, including credit, trust and global banking capabilities. All of these considerations make it convenient for clients to have access to more financial products and services.

I believe Merrill Lynch's greatest strength is our ability to offer solutions to our clients in a variety of positions on the wealth spectrum. I've been in this business for more than 27 years and it's gratifying to be able to work with the children and grandchildren of clients I helped early in my career.

“What makes you the right partner?”

“We help corporations and institutional investors meet their financial objectives and operate successfully worldwide — that’s why we’re among the global leaders in virtually every aspect of global corporate and investment banking and capital markets.”

Jeff P. Kulik

MANAGING DIRECTOR — GLOBAL ENERGY AND POWER GROUP

Can you give us an example of a recent transaction that highlights all you can do for clients? We recently helped PPL Corporation acquire Central Networks, the largest acquisition of U.K. utility businesses by a U.S. utility in over a decade. This deal is a great example of all we can do for clients because it encompasses the full range of our investment and corporate banking capabilities in the U.S. and Europe as well as our investor-client relationships worldwide. We provided M&A advice to PPL, worked with a major European bank to provide a bridge loan, and arranged a revolving credit facility, successfully syndicating it and the bridge loan in the European and U.S. loan markets. Long-term financing included a $2.3 billion common equity offering, a $1 billion convertible offering, and U.S. dollar and pound sterling denominated senior notes offerings. In addition, we used both foreign exchange and interest rate derivatives to help manage the risks associated with the financings. We executed this transaction in record time, and the strength of our distribution capabilities with our investor clients enabled us to generate attractive demand for the securities, leading to advantageous pricing for our client, PPL.

What was it about Bank of America Merrill Lynch that won you this business? An important reason behind winning this business was our long-standing relationship with PPL. Bank of America and Merrill Lynch both had relationships with the company going back more than 10 years. When we created BofA Merrill several years ago, we solidified and strengthened our relationship with PPL across the advisory, lending and capital markets areas and expanded it by providing more capabilities, including treasury services, serving as their everyday banker as well as a bank they can come to for big deals. Relationships are critical in our business. They are built by knowing our clients, providing the expertise they need and demonstrating the ability to execute on their behalf. We had also executed a similar deal for this client in 2010, so they were well aware of our capabilities.

What does this type of deal say about your company? This transaction demonstrates the power of our global platform. Our clients have confidence in our expertise across the full range of products and services, and they know we can execute across borders. Clients benefit from having a relationship with one firm that can deliver a full array of products and services with speed, accuracy and efficiency.

We have great teammates around the globe who provide deep business and product expertise and strong execution skills, so we can strengthen our client relationships and help them grow. We are pleased and proud that this transaction's offerings represented the second-largest combined simultaneous common stock and convertible offering in the world in 2011.

Pictured left to right: Peter Hall, David McShane, Laurie Coben, Jeff Kulik and David Mikula

This is what we're doing.

We're supporting small businesses, helping customers with financial challenges and strengthening our communities through lending and investing programs and philanthropic initiatives. Here are examples of how we supported the economy in 2011 and continued to serve our customers, clients and communities.

Extended $557 billion in total credit

Modified more than 1 million mortgages since 2008

Originated $152 billion in first mortgages, including $35 billion for low- and moderate-income customers

Increased new loans and commitments to small businesses by 20 percent

Financed $3.6 billion globally to address climate change

Provided more than $200 million globally in corporate philanthropy

A. Connecting workers to 21st-century jobs. To connect individuals to meaningful employment opportunities, in 2011 we announced a three-year, $50 million philanthropic goal to support education and workforce development as part of our 10-year, $2 billion giving goal. This will help the unemployed, veterans and youth access and complete post-secondary degrees in community colleges and gain skills through job training initiatives, such as the program offered by FareStart in Seattle.

B. Creating green jobs for veterans and families. We're working with our client SolarCity on Project SolarStrong — the first residential solar power project of its kind. SolarStrong is expected to create more than $1 billion in solar projects, thousands of jobs and up to 300 megawatts of energy through the installation of rooftop solar panels to as many as 120,000 U.S. military residences across the country.

C. Supporting low- and moderate-income communities. Since 2009, we have committed more than $460 billion toward our 10-year, $1.5 trillion community development lending and investing goal. We invested in Oakwood Shores Senior Apartments in Chicago to help create 3,000 affordable rental and for-sale housing units and much-needed services for elderly residents, as well as new parks, schools and retail facilities.

D. Expanding access to capital for small businesses and underserved communities. Our $12 million Community Development Financial Institution grant program has allowed nonprofit lenders to serve 8,700 local businesses, including the Tracy Optometry Group, Inc., owned by Dr. David Moline and Dr. Brian Yee, who received a low-cost loan to modernize and expand their full-service optometrist practice in Tracy, Calif.

E. Meeting critical needs. To help individuals struggling with basic needs, we made nearly $6 million in emergency safety net grants and extended customer donations through our Gift for Opportunity™ fund, helping to provide 26 million meals to the hungry. And in 2011, our employees donated 1.5 million volunteer hours globally, building affordable housing, providing financial education, and packing food at organizations like the Houston Food Bank.

F. Reducing our emissions. After reducing our greenhouse gas emissions by 18 percent between 2004 and 2009 — twice our original target — we've established a new global 15 percent reduction target for 2015. We are reducing our energy use and pursuing LEED® (Leadership in Energy and Environmental Design) certification in 20 percent of our corporate real estate, like 1 Bank of America Center in Charlotte, N.C.

Bank of America Corporation — Financial Highlights

Bank of America Corporation (NYSE: BAC) is headquartered in Charlotte, N.C. As of December 31, 2011, we operated in all 50 states, the District of Columbia and more than 40 countries. Through our banking and various non-banking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and non-banking financial services and products through six business segments: Deposits, Card Services, Consumer Real Estate Services, Global Commercial Banking, Global Banking & Markets and Global Wealth & Investment Management. Bank of America is a member of the Dow Jones Industrial Average.

Financial Highlights (in millions, except per share information)

For the year	2011	2010	2009
Revenue, net of interest expense (FTE basis)[1]	$ **94,426**	$ 111,390	$ 120,944
Net income (loss)	**1,446**	(2,238)	6,276
Net income, excluding goodwill impairment charges[2]	**4,630**	10,162	n/a
Earnings (loss) per common share	**0.01**	(0.37)	(0.29)
Diluted earnings (loss) per common share	**0.01**	(0.37)	(0.29)
Diluted earnings per common share, excluding goodwill impairment charges[2]	**0.32**	0.86	n/a
Dividends paid per common share	**0.04**	0.04	0.04
Return on average assets	**0.06%**	n/m	0.26%
Return on average tangible shareholders' equity[1]	**0.96**	n/m	4.18
Efficiency ratio (FTE basis)[1]	**85.01**	74.61	55.16
Average diluted common shares issued and outstanding	**10,255**	9,790	7,729

At year-end	2011	2010	2009
Total loans and leases	$ **926,200**	$ 940,440	$ 900,128
Total assets	**2,129,046**	2,264,909	2,230,232
Total deposits	**1,033,041**	1,010,430	991,611
Total shareholders' equity	**230,101**	228,248	231,444
Book value per common share	**20.09**	20.99	21.48
Tangible book value per common share[3]	**12.95**	12.98	11.94
Market price per common share	**5.56**	13.34	15.06
Common shares issued and outstanding	**10,536**	10,085	8,650
Tier 1 common capital ratio	**9.86%**	8.60%	7.81%
Tangible common equity ratio[3]	**6.64**	5.99	5.56

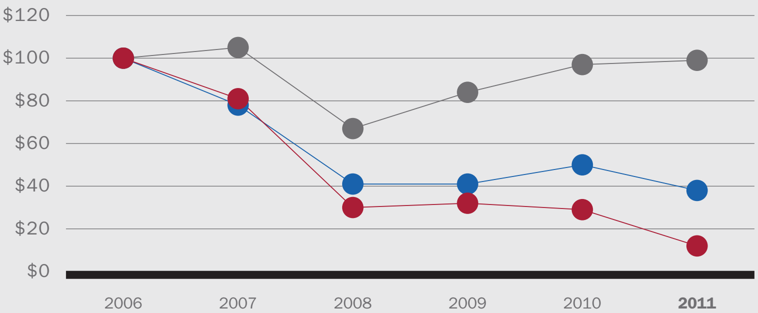
[1] Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratios are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

[2] Net income (loss) and diluted earnings per common share ratios have been calculated excluding the impact of goodwill impairment charges of $3.2 billion in 2011 and $12.4 billion in 2010, and accordingly, these are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

[3] Tangible book value per share of common stock and tangible common equity ratio are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

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

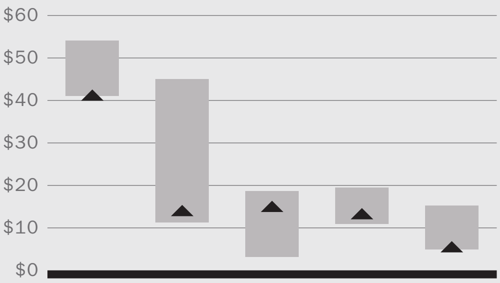
Total Cumulative Shareholder Return[4]



	December 31	2006	2007	2008	2009	2010	2011
BAC	BANK OF AMERICA CORPORATION	$100	$81	$30	$32	$29	**$12**
SPX	S&P 500 COMP	$100	$105	$67	$84	$97	**$99**
BKX	KBW BANK INDEX	$100	$78	$41	$41	$50	**$38**

[4] This graph compares the yearly change in the Corporation's total cumulative shareholder return on its common stock with (i) the Standard & Poor's 500 Index and (ii) the KBW Bank Index for the years ended December 31, 2007 through 2011. The graph assumes an initial investment of $100 at the end of 2006 and the reinvestment of all dividends during the years indicated.

BAC Five-Year Stock Performance



	2007	2008	2009	2010	2011
HIGH	$54.05	$45.03	$18.59	$19.48	**$15.25**
LOW	41.10	11.25	3.14	10.95	**4.99**
▲CLOSE	41.26	14.08	15.06	13.34	**5.56**

Bank of America
2011 Financial Review

Bank of America

Financial Review Contents

Throughout the MD&A, we use certain acronyms and abbreviations which are defined in the Glossary.

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

This report, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "expects," "anticipates," "believes," "estimates," "targets," "intends," "plans," "goal" and other similar expressions or future or conditional verbs such as "will," "may," "might," "should," "would" and "could." The forward-looking statements made represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the potential impacts of the European Union sovereign debt crisis; the impact of the U.K. 2011 Finance Bill and review by the U.K. Financial Services Authority; the charge to income for each one percent reduction in the U.K. corporate income tax rate; the agreements in principle with the state attorneys general and U.S. Department of Justice are expected to result in programs that would extend additional relief to homeowners and make refinancing options available to more homeowners; the programs expected to be developed pursuant to the agreements in principle, including expanded mortgage modification solutions such as broader use of principal reduction, short sales and other additional assistance programs, expanded refinancing opportunities, the amount of our commitments under the agreements in principle, as well as expectations that further details about eligibility and implementation will be provided; that the financial impact of the settlements is not expected to cause any additional reserves over existing accruals as of December 31, 2011 based on our understanding of the terms of the agreements in principle, as well as the expected impact of refinancing assistance and operating costs; that certain amounts may be reduced by credits earned for principal reductions; that our payment obligations under agreements in principle with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency would be deemed satisfied by payments and provisions of relief under the agreements in principle; the expectation that government entities will provide releases from further liability and the exclusions from the releases; expectations regarding reaching final agreements, obtaining necessary regulatory and court approvals and finalization of the settlements; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including expected personnel reductions and estimated cost savings; the impact of and costs associated with each of the agreements with the Bank of New York Mellon (as trustee for certain legacy Countrywide Financial Corporation (Countrywide) private-label securitization trusts), and each of the government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (collectively, the GSEs), to resolve bulk representations and warranties claims; our expectation that the $1.7 billion in claims from private-label securitization investors in the covered trusts under the private-label securitization settlement with the Bank of New York Mellon (the BNY Mellon Settlement) would be extinguished upon final court approval of the BNY Mellon Settlement; the belief that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation's non-GSE repurchase claims; the estimated range of possible loss for non-GSE representations and warranties exposure as of December 31, 2011 of up to $5 billion over existing accruals and the effect of adverse developments with respect to one or more of the assumptions underlying the liability for non-GSE representations and warranties and the corresponding estimated range of possible loss; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs and update its processes related to these changing GSE behaviors; our expressed intention not to pay compensatory fees under the new GSE servicing guides; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our beliefs regarding our ability to resolve rescissions before the expiration of the appeal period allowed by FNMA; our expectation that mortgage-related assessments and waivers costs and costs related to resources necessary to perform the foreclosure process assessments will remain elevated as additional loans are delayed in the foreclosure process; the expected repurchase claims on the 2004-2008 loan vintages, including the belief regarding reduced exposure related to loans originated after 2008; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process; the impact of delays in connection with the Corporation's temporary halt of foreclosure proceedings in late 2010; continued cooperation with investigations; the potential materiality of liability with respect to potential servicing-related claims; our estimates regarding the percentages of loans expected to prepay, default or reset in 2012 and thereafter; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; the realizability of deferred tax assets prior to expiration of any carryforward periods; credit trends and conditions, including credit losses, credit reserves, the allowance for credit losses, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including continued expected reductions in the allowance for loan and lease losses in 2012; the role of non-core asset sales in our capital strategy; investment banking fees; sales and trading revenue; consumer and commercial service charges, including the impact of changes in the Corporation's overdraft policy and the Corporation's ability to mitigate a decline in revenues; the effects of new accounting pronouncements; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America and with the requirements *of various regulatory agencies, including our ability to comply with any Basel capital requirements endorsed by U.S. regulators within any applicable regulatory timelines; the expectation that the Corporation will meet the Basel III liquidity standards within regulatory timelines; the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act), including, but not limited to, the Durbin Amendment and the Volcker Rule; our expectations regarding the December 15, 2010 notice of proposed rulemaking on the Risk-based Capital Guidelines for Market Risk; our expectation that our market share of mortgage originations will continue to decline in 2012; CRES's ceasing to deliver purchase money first mortgage products into FNMA mortgage-backed securities pools and our expectation that this cessation will not have a material impact on CRES's business; our expectations regarding losses in the event of legitimate mortgage insurance rescissions related to loans held for investment; our expressed intended actions in the response to repurchase requests with which we do not agree; the continued reduction of our debt footprint as appropriate through 2013; the estimated range of possible loss from and the impact of various legal proceedings discussed in "Litigation and Regulatory Matters" in Note 14 – Commitments and Contingencies to the Consolidated Financial Statements; our management processes; credit protection maintained and the effects of certain events on those positions; our estimates of contributions to be made to pension plans; our expectations regarding probable losses related to unfunded lending commitments; our funding strategies including contingency plans; our trading risk management processes; our interest rate and mortgage banking risk management strategies and models; our expressed intention to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital-related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted or expected to be deducted under Basel III, from capital; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Bank of America's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.*

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. Risk Factors of this Annual Report on Form 10-K, and in any of the Corporation's subsequent Securities and Exchange Commission filings: the Corporation's timing and determinations regarding any revised comprehensive capital plan submission and the Federal Reserve's response; the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation's resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs' remaining claims; the Corporation's ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; the Corporation's mortgage modification policies and related results; the timing and amount of any potential dividend increase, including any necessary approvals; estimates of the fair value of certain of the Corporation's assets and liabilities; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the Corporation's ability to limit liabilities acquired as a result of the Merrill Lynch & Co., Inc. and Countrywide acquisitions; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation's subsidiaries or affiliates. Our principal executive offices are located in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the U.S. and in international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: *Deposits*, *Card Services, Consumer Real Estate Services (CRES)*, *Global Commercial Banking*, *Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. At December 31, 2011, the Corporation had $2.1 trillion in assets and approximately 282,000 full-time equivalent employees.

As of December 31, 2011, we operate in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve approximately 57 million consumer and small business relationships with 5,700 banking centers, 17,750 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

Table 1 provides selected consolidated financial data for 2011 and 2010.

Table 1 Selected Financial Data

(Dollars in millions, except per share information)	2011	2010
Income statement		
Revenue, net of interest expense (FTE basis) (1)	$ 94,426	$ 111,390
Net income (loss)	1,446	(2,238)
Net income, excluding goodwill impairment charges (2)	4,630	10,162
Diluted earnings (loss) per common share (3)	0.01	(0.37)
Diluted earnings per common share, excluding goodwill impairment charges (2)	0.32	0.86
Dividends paid per common share	0.04	0.04
Performance ratios		
Return on average assets	0.06%	n/m
Return on average assets, excluding goodwill impairment charges (2)	0.20	0.42%
Return on average tangible shareholders' equity (1)	0.96	n/m
Return on average tangible shareholders' equity, excluding goodwill impairment charges (1, 2)	3.08	7.11
Efficiency ratio (FTE basis) (1)	85.01	74.61
Efficiency ratio (FTE basis), excluding goodwill impairment charges (1, 2)	81.64	63.48
Asset quality		
Allowance for loan and lease losses at December 31	$ 33,783	$ 41,885
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (4)	3.68%	4.47%
Nonperforming loans, leases and foreclosed properties at December 31 (4)	$ 27,708	$ 32,664
Net charge-offs	20,833	34,334
Net charge-offs as a percentage of average loans and leases outstanding (4)	2.24%	3.60%
Net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans (4)	2.32	3.73
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.62	1.22
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs excluding purchased credit-impaired loans	1.22	1.04
Balance sheet at year end		
Total loans and leases	$ 926,200	$ 940,440
Total assets	2,129,046	2,264,909
Total deposits	1,033,041	1,010,430
Total common shareholders' equity	211,704	211,686
Total shareholders' equity	230,101	228,248
Capital ratios at year end		
Tier 1 common capital	9.86%	8.60%
Tier 1 capital	12.40	11.24
Total capital	16.75	15.77
Tier 1 leverage	7.53	7.21

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to GAAP financial measures, see Table XV.

(2) Net income (loss), diluted earnings (loss) per common share, return on average assets, return on average tangible shareholders' equity and the efficiency ratio have been calculated excluding the impact of goodwill impairment charges of $3.2 billion and $12.4 billion in 2011 and 2010, and accordingly, these are non-GAAP financial measures. For additional information on these measures and ratios, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to GAAP financial measures, see Table XV.

(3) Due to a net loss applicable to common shareholders in 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 86 and corresponding Table 36, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 94 and corresponding Table 45.

n/m = not meaningful

2011 Economic and Business Environment

The banking environment and markets in which we conduct our businesses will continue to be strongly influenced by developments in the U.S. and global economies, including the results of the European Union (EU) sovereign debt crisis, continued large budget imbalances in key developed nations, and the implementation and rulemaking associated with recent financial reform. The global economy expanded at a diminished pace in 2011, with the U.S., U.K., Europe and Japan all losing momentum, while economic growth in emerging nations diminished somewhat but remained robust.

United States

The U.S. economy expanded only modestly in 2011, as a promising beginning with an improving labor market gave way to an appreciable slowdown in domestic demand early in the year. By mid-year, the labor market had slowed once more, followed by a sharp reversal in the stock market and in consumer sentiment. Increasing oil prices and supply chain disruptions stemming from Japan's earthquake, along with continued financial market anxiety due to the European sovereign debt crisis and difficult and protracted U.S. budget negotiations related to the federal debt ceiling, contributed to the weakness. As some of these factors dissipated, domestic demand picked up in the second half of 2011, easing U.S. recession fears. In the fourth quarter, equities rebounded from their mid-year declines, consumer confidence edged up and labor markets showed clear signs of improvement. The unemployment rate ended the year at 8.5 percent compared to 9.4 percent at December 31, 2010.

Despite subdued U.S. economic growth, year-over-year inflation drifted higher over the first three quarters of 2011, lifted in part by the surge in energy costs, before edging lower in the fourth quarter. Fears of deflation, prevalent in 2010, faded as year-over-year core inflation, which began 2011 below one percent, moved to above two percent by year end. Nevertheless, bond yields, which drifted gradually lower in the first half of 2011, fell during a volatile third quarter amid anxiety over the European sovereign debt crisis, exacerbated by the U.S. debt ceiling debate and fears of recession. Despite the Standard & Poor's Rating Services (S&P) ratings downgrade of U.S. sovereign debt, mounting concerns about Europe's financial crisis generated strong demand for U.S. government securities. The Federal Reserve completed its second round of quantitative easing near mid-year. Responding to sharp declines in equity markets, low consumer expectations and heightened worries about recession, the Federal Reserve adopted another financial support program in September 2011 aimed at lowering bond yields. The program involved sales of $400 billion of shorter-term (less than three years) government securities and purchases of an equal volume of longer-term (six years and over) government bonds. Bonds yields held near all-time post-Great Depression lows at year end.

Housing activity remained at historically low levels in 2011 and the supply of unsold homes remained high. Meanwhile, corporate profits continued to grow at a robust pace in 2011, despite slowing from their initial sharp rebound. After bottoming in late 2010, commercial and industrial lending also accelerated in 2011.

Europe

Europe's financial crisis escalated in 2011 despite a series of initiatives by policymakers, and several European nations were experiencing recessionary conditions in the fourth quarter. Europe's problems involve unsustainably high public debt in some nations, including Greece and Portugal, slow growth and significant refinancing risk related to maturing sovereign debt in Italy, and excess household debt and sharp declines in wealth stemming from falling home values following unsustainable housing bubbles in other nations, including Spain and Ireland. These national challenges are closely intertwined with the problems facing Europe's banks, which are some of the largest holders of the bonds of troubled European nations. During 2011, financial markets became increasingly skeptical that government policies would resolve these problems, and risk-averse investors reduced their exposures to bonds of troubled nations, driving up their bond yields and, to varying degrees, restricting access to capital markets. This exacerbated already onerous debt service burdens. In response, European policymakers provided financial support to troubled nations through the European Financial Stability Facility (EFSF) and purchases of sovereign debt by the European Central Bank (ECB). Despite these efforts, sharp increases in the bond yields of Spanish and Italian bonds further complicated Europe's financial problems beyond the current capabilities of the EFSF. As the magnitude of the financial stresses rose, reflected in higher sovereign bond yields and mounting funding shortfalls at select banks, the ECB instituted new programs to provide low-cost, three-year loans to European banks, and expanded collateral eligibility. This served to alleviate bank funding pressures toward year end and provided greater liquidity in sovereign debt markets.

Asia

Japan's economic environment in 2011 was marked by the trauma of its massive earthquake in early 2011 that caused a dramatic decline in economic activity followed by a quick rebound. A sharp decline in consumption and domestic demand was accompanied by temporary production shutdowns of various intermediate and durable goods that disrupted supply chains throughout Asia and the world. The ripple effects were pronounced, although temporary, throughout Asia. China continued to grow rapidly throughout 2011, with real GDP growth exceeding nine percent, despite elevated inflation and government efforts to constrain price pressures through the tightening of monetary policy and bank credit, and regulations that limit speculation and price increases in real estate. China's economic growth slowed modestly in the second half of the year, reflecting in part slower growth of exports to Europe and other destinations. China's inflation also began to subside toward year end. Other Asian nations continued to experience strong growth rates.

For information on our non-U.S. portfolio, see Non-U.S. Portfolio on page 98 and *Note 28 – Performance by Geographical Area* to the Consolidated Financial Statements.

Recent Events

Mortgage Related Matters

Department of Justice/Attorney General Matters

On February 9, 2012, we reached agreements in principle (collectively, the Servicing Resolution Agreements) with (1) the U.S. Department of Justice (DOJ), various federal regulatory agencies and 49 state attorneys general to resolve federal and state investigations into certain origination, servicing and foreclosure practices (the Global AIP), (2) the Federal Housing Administration (FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by Countrywide prior to and for a period following our acquisition of that lender (the FHA AIP) and (3) each of the Federal Reserve and the Office of the Comptroller of the Currency (OCC) regarding civil monetary penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011 (the Consent Order AIPs).

The Servicing Resolution Agreements are subject to ongoing discussions among the parties and completion and execution of definitive documentation, as well as required regulatory and court approvals. The FHA AIP provides for an upfront cash payment and an additional cash payment if we fail to meet certain principal reduction thresholds over a three-year period. Under the terms of the Servicing Resolution Agreements, the federal and participating state governments would provide us with releases from liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies.

The financial impact of the Servicing Resolution Agreements is not expected to require any additional reserves over existing accruals as of December 31, 2011, based on our understanding of the terms of the Servicing Resolution Agreements. The refinancing assistance commitment under the Servicing Resolution Agreements is expected to be recognized as lower interest income in future periods as qualified borrowers pay reduced interest rates on loans refinanced. The Servicing Resolution Agreements do not cover claims arising out of securitization, including representations made to investors respecting mortgage-backed securities (MBS) and certain other claims. For additional information, see Item 1A. Risk Factors of this Annual Report on Form 10-K and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 57.

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

On June 28, 2011, the Corporation, BAC Home Loans Servicing, LP (BAC HLS, which was subsequently merged with and into Bank of America, N.A. (BANA) in July 2011), and its legacy Countrywide affiliates entered into a settlement agreement with BNY Mellon, as trustee (Trustee), to resolve all outstanding and potential claims related to alleged representations and warranties breaches (including repurchase claims), substantially all historical loan servicing claims and certain other historical claims with respect to 525 legacy Countrywide first-lien and five second-lien non government-sponsored enterprise (GSE) residential mortgage-backed securitization trusts (the Covered Trusts) containing loans principally originated between 2004 and 2008 for which BNY Mellon acts as trustee or indenture trustee (the BNY Mellon Settlement). The BNY Mellon Settlement agreement is subject to final court approval and certain other conditions.

An investor opposed to the settlement removed the proceeding to the U.S. District Court for the Southern District of New York. On October 19, 2011, the district court denied BNY Mellon's motion to remand the proceeding to state court. BNY Mellon and the Investor Group petitioned to appeal the denial of this motion and on December 27, 2011, the U.S. Court of Appeals for the Second Circuit accepted the appeal and stated in an amended scheduling order that, pursuant to statute, it would decide the appeal by February 27, 2012. On November 4, 2011, the district court entered a written order setting a discovery schedule, and discovery is ongoing.

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

For additional information about the BNY Mellon Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50, Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 57 and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Capital Related Matters

We continued to sell certain business units and assets as part of our capital management and enterprise-wide initiatives. In November 2011, we sold an aggregate of approximately 10.4 billion common shares of China Construction Bank Corporation (CCB) through private transactions with investors resulting in an aggregate pre-tax gain of $2.9 billion. We currently hold approximately one percent of the outstanding common shares of CCB. The sale also generated approximately $2.9 billion of Tier 1 common capital and reduced our risk-weighted assets by $4.9 billion under Basel I, strengthening our Tier 1 common capital ratio by approximately 24 basis points (bps).

In December 2011, we sold our Canadian consumer card portfolio strengthening our Tier 1 common capital ratio by approximately seven bps.

In November and December 2011, we entered into separate agreements with certain institutional preferred and trust preferred security holders to exchange shares, or depositary shares representing fractional interests in shares, of various series of our outstanding preferred stock, or trust preferred or hybrid income term securities of various unconsolidated trusts, as applicable, with an aggregate liquidation preference of $5.8 billion for 400 million shares of our common stock and $2.3 billion aggregate principal amount of our senior notes. In connection with the exchanges of trust preferred securities, we recorded gains of $1.2 billion. The exchanges in aggregate resulted in an increase of $3.9 billion in Tier 1 common capital and increased our Tier 1 common capital ratio approximately 29 bps under Basel I. For additional information regarding these exchanges, see *Note 13 – Long-term Debt* and *Note 15 – Shareholders' Equity* to the Consolidated Financial Statements.

Overall during 2011, we generated 126 bps of Tier 1 common capital and reduced risk-weighted assets by $172 billion, including as a result of, among other things, the exchanges of preferred stock and trust preferred or hybrid securities, our sales of CCB shares and the $5.0 billion investment in preferred stock and common stock warrant by Berkshire Hathaway, Inc. (Berkshire). For additional information on the Berkshire investment, see *Note 15 – Shareholders' Equity* to the Consolidated Financial Statements.

As credit spreads for many financial institutions, including the Corporation, have widened during the past year due to global uncertainty and volatility, the market value of debt previously issued by financial institutions has decreased. This uncertainty in the market, evidenced by, among other things, volatility in credit spreads, makes it economically advantageous to consider purchasing and retiring certain of our outstanding debt instruments. In 2012, we completed a tender offer to purchase and retire certain subordinated notes for approximately $3.4 billion in cash and will consider additional purchases in the future depending upon prevailing market conditions, liquidity and other factors. If the purchase of any debt instruments is at an amount less than the carrying value, such purchases would be accretive to earnings and capital.

We intend to continue to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from capital. We expect non-core asset sales to play a less prominent role in our capital strategy in future periods. We issued approximately 122 million of immediately tradable shares of common stock, or approximately $1.0 billion (after-tax) to certain employees in February 2012 in lieu of a portion of their 2011 year-end cash incentive. We may engage, from time to time, in privately negotiated transactions involving the issuance of common stock, cash or other consideration in exchange for preferred stock and certain trust preferred securities in amounts that are not expected to be material to us, either individually or in the aggregate.

Credit Ratings

On December 15, 2011, Fitch Ratings (Fitch) downgraded the Corporation's and BANA's long-term and short-term debt ratings as a result of Fitch's decision to lower its "support floor" for systemically important U.S. financial institutions. On November 29, 2011, S&P downgraded our long-term and short-term debt ratings as well as BANA's long-term debt rating as a result of S&P's implementation of revised methodologies for determining Banking Industry Country Risk Assessments and bank ratings. On September 21, 2011, Moody's Investors Service, Inc. (Moody's) downgraded our long-term and short-term debt ratings as well as BANA's long-term debt rating as a result of Moody's lowering the amount of uplift for potential U.S. government support it incorporates into ratings. On February 15, 2012, Moody's placed the Corporation's long-term debt ratings and BANA's long-term and short-term debt ratings on review for possible downgrade as part of its review of financial institutions with global capital markets operations. Any adjustment to our ratings will be determined based on Moody's review; however, the agency offered guidance that downgrades to our ratings, if any, would likely be limited to one notch.

Currently, our long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa1/P-2 (negative) by Moody's, A-/A-2 (negative) by S&P and A/F1 (stable) by Fitch. The rating agencies could make further adjustments to our ratings at any time and there can be no assurance that additional downgrades will not occur.

Under the terms of certain over-the-counter (OTC) derivative contracts and other trading agreements, in the event of a downgrade of our credit ratings or certain subsidiaries' credit ratings, counterparties to those agreements may require us or certain subsidiaries to provide additional collateral or to terminate those contracts or agreements or provide other remedies.

For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 73, *Note 4 – Derivatives* to the Consolidated Financial Statements and Item 1A. Risk Factors of this Annual Report on Form 10-K.

European Union Sovereign Credit Risks

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continue to experience varying degrees of financial stress. Uncertainty in the progress of debt restructuring negotiations and the lack of a clear resolution to the crisis has led to continued volatility in European as well as global financial markets, and if the situation worsens, may further adversely affect these markets. In December 2011, the European Central Bank announced initiatives to address European bank liquidity and funding concerns by providing low-cost, three-year loans to banks, and expanding collateral eligibility. While reducing systemic risk, there remains considerable uncertainty as to future developments regarding the European debt crisis. In early 2012, S&P, Fitch and Moody's downgraded the credit ratings of several European countries, and S&P downgraded the credit rating of the EFSF, adding to concerns about investor appetite for continued support in stabilizing the affected countries. Our total sovereign and non-sovereign exposure to Greece, Italy, Ireland, Portugal and Spain, was $15.3 billion at December 31, 2011 compared to $16.6 billion at December 31, 2010. Our total net sovereign and non-sovereign exposure to these countries was $10.5 billion at December 31, 2011 compared to $12.4 billion at December 31, 2010, after taking into account net credit default protection. At December 31, 2011 and 2010, the fair value of net credit default protection purchased was $4.9 billion and $4.2 billion. Losses could still result because our credit protection contracts only pay out under certain scenarios. For a further discussion of our direct sovereign and non-sovereign exposures in Europe, see Non-U.S. Portfolio on page 98 and for more information about the risks associated with our non-sovereign exposures in Europe, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Project New BAC

Project New BAC is a two-phase, enterprise-wide initiative to simplify and streamline workflows and processes, align businesses and expenses more closely with our overall strategic plan and operating principles, and increase revenues. Phase 1 evaluations, which were completed in September 2011, focused on the consumer businesses, including *Deposits*, *Card Services* and *CRES*, and related support, technology and operations functions. Phase 2 evaluations began in October 2011 and are focused on *Global Commercial Banking*, *GBAM* and *GWIM*, and related support, technology and operations functions not subject to evaluation in Phase 1. Phase 2 evaluations are expected to continue through April 2012.

Implementation of Phase 1 recommendations began in 2011. Phase 1 has a stated goal of a reduction of approximately 30,000 positions, with natural attrition and the elimination of unfilled positions expected to represent a significant part of the reduction. A stated goal of the full implementation of Phase 1 is to reduce certain costs by $5 billion per year by 2014 and we anticipate that more than 20 percent of these cost savings could be achieved by the end of 2012. As implementation of the Phase 1 recommendations continues and Phase 2 begins, reductions in staffing levels in the affected areas are expected to result in some incremental costs including severance.

Reductions in the areas subject to evaluation for Phase 2 have not yet been fully identified, and accordingly, potential cost savings cannot be estimated at this time; however, they are expected to be lower than Phase 1 because the businesses have lower headcount. All aspects of New BAC are expected to be implemented by the end of 2014. There were no material expenses related to New BAC recorded in 2011. For information about the risks associated with Project New BAC, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Performance Overview

Net income was $1.4 billion in 2011 compared to a net loss of $2.2 billion in 2010. After preferred stock dividends of $1.4 billion in both 2011 and 2010, net income applicable to common shareholders was $85 million, or $0.01 per diluted common share in 2011 compared to a net loss of $3.6 billion, or $0.37 per diluted common share in 2010. The principal contributors to the pre-tax net income in 2011 were the following: gains of $6.5 billion on the sale of CCB shares (we currently hold approximately one percent of the outstanding common shares), a $7.4 billion reduction in the allowance for credit losses, $3.4 billion of gains on sales of debt securities, positive fair value adjustments of $3.3 billion related to our own credit spreads on structured liabilities, a $1.2 billion gain on the exchange of certain trust preferred securities for common stock and debt and DVA gains on derivatives of $1.0 billion, net of hedges. These contributors were offset by $15.6 billion in representations and warranties provision, litigation expense of $5.6 billion, goodwill impairment charges of $3.2 billion, $1.8 billion of mortgage-related assessments and waivers costs, and $1.1 billion of impairment charges on our merchant services joint venture.

Table 2 Summary Income Statement

(Dollars in millions)	2011	2010
Net interest income (FTE basis) (1)	$ 45,588	$ 52,693
Noninterest income	48,838	58,697
Total revenue, net of interest expense (FTE basis) (1)	94,426	111,390
Provision for credit losses	13,410	28,435
Goodwill impairment	3,184	12,400
All other noninterest expense	77,090	70,708
Income (loss) before income taxes	742	(153)
Income tax expense (benefit) (FTE basis) (1)	(704)	2,085
Net income (loss)	1,446	(2,238)
Preferred stock dividends	1,361	1,357
Net income (loss) applicable to common shareholders	$ 85	$ (3,595)
Per common share information		
Earnings (loss)	$ 0.01	$ (0.37)
Diluted earnings (loss)	0.01	(0.37)

(1) Fully taxable-equivalent (FTE) basis is a non-GAAP financial measure. Other companies may define or calculate this measure differently. For more information on this measure, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to a GAAP financial measure, see Table XV.

Net interest income on a FTE basis decreased $7.1 billion in 2011 to $45.6 billion. The decline was primarily due to lower consumer loan balances and yields and decreased investment security yields. Lower trading-related net interest income also negatively impacted 2011 results. These decreases were partially offset by ongoing reductions in our debt footprint and lower rates paid on deposits. The net interest yield on a FTE basis was 2.48 percent for 2011 compared to 2.78 percent for 2010.

Noninterest income decreased $9.9 billion in 2011 to $48.8 billion. The most significant contributors to the decline were lower mortgage banking income, down $11.6 billion largely due to higher representations and warranties provision, and a decrease of $3.4 billion in trading account profits. These declines were partially offset by the gains on the sale of CCB shares and higher positive fair value adjustments related to our own credit on structured liabilities in 2011. In addition, in connection with separate agreements with certain trust preferred security holders to exchange their holdings for common stock and senior notes, we recorded gains of $1.2 billion in 2011. For additional information on these exchange agreements, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements.

The provision for credit losses decreased $15.0 billion in 2011 to $13.4 billion. The provision for credit losses was $7.4 billion lower than net charge-offs for 2011, resulting in a reduction in the allowance for credit losses, as portfolio trends continued to improve across most of the consumer and commercial businesses, particularly the *Card Services* and commercial real estate portfolios partially offset by additions to consumer purchased credit-impaired (PCI) loan portfolio reserves. This compared to a $5.9 billion reduction in the allowance for credit losses in 2010.

Noninterest expense decreased $2.8 billion in 2011 to $80.3 billion. The decline was driven by a $9.2 billion decrease in goodwill impairment charges and a $1.2 billion decline in merger and restructuring charges in 2011. Partially offsetting these decreases was a $4.9 billion increase in other general operating expense which included increases of $3.0 billion in litigation expense and $1.6 billion in mortgage-related assessments and waivers costs, and an increase of $1.8 billion in personnel costs due to the continued build-out of certain businesses, technology costs as well as increases in default-related servicing costs.

The income tax benefit on a FTE basis was $704 million on the pre-tax income of $742 million for 2011 compared to income tax expense on a FTE basis of $2.1 billion on the pre-tax loss of $153 million for 2010. For more information, see Financial Highlights – Income Tax Expense on page 28.

Segment Results

The following discussion provides an overview of the results of our business segments and *All Other* for 2011 compared to 2010. For additional information on these results, see Business Segment Operations on page 33.

Table 3 Business Segment Results

	Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	**2011**	2010	**2011**	2010
Deposits	**$ 12,689**	$ 13,562	**$ 1,192**	$ 1,362
Card Services	**18,143**	22,340	**5,788**	(6,980)
Consumer Real Estate Services	**(3,154)**	10,329	**(19,529)**	(8,947)
Global Commercial Banking	**10,553**	11,226	**4,402**	3,218
Global Banking & Markets	**23,618**	27,949	**2,967**	6,297
Global Wealth & Investment Management	**17,376**	16,289	**1,635**	1,340
All Other	**15,201**	9,695	**4,991**	1,472
Total FTE basis	**94,426**	111,390	**1,446**	(2,238)
FTE adjustment	**(972)**	(1,170)	**—**	—
Total Consolidated	**$ 93,454**	$ 110,220	**$ 1,446**	$ (2,238)

(1) Total revenue is net of interest expense and is on a FTE basis which is a non-GAAP financial measure. For more information on this measure, see Supplemental Financial Data on page 32, and for a corresponding reconciliation to a GAAP financial measure, see Table XV.

Deposits net income decreased compared to the prior year due to a decline in revenue partially offset by lower noninterest expense. The decline in revenue was primarily driven by a decline in service charges reflecting the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010, partially offset by an increase in net interest income as a result of a customer shift to more liquid products and continued pricing discipline. Noninterest expense decreased due to lower litigation and operating expenses partially offset by an increase in Federal Deposit Insurance Corporation (FDIC) expense.

Card Services net income increased compared to the prior year due primarily to a $10.4 billion non-cash, non-tax deductible goodwill impairment charge in 2010 and a decrease in the provision for credit losses. The decrease in revenue was driven by lower average loan balances and yields. Noninterest income decreased primarily due to the implementation of the Durbin Amendment, the absence of the gain on the sale of our MasterCard position in 2010 and the implementation of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act).

CRES net loss increased compared to the prior year primarily due to a decline in revenue and an increase in noninterest expense. Revenue declined due to an increase in representations and warranties provision, lower core production income and a decrease in insurance income due to the sale of Balboa Insurance Company's lender-placed insurance business (Balboa). Noninterest expense increased due to higher litigation expense, increased mortgage-related assessments and waivers costs, higher default-related and other loss mitigation expenses and a higher non-cash, non-tax deductible goodwill impairment charge, partially offset by lower insurance and production expenses.

Global Commercial Banking net income increased compared to the prior year primarily due to an improvement in the provision for credit losses. Revenue decreased primarily driven by lower net interest income related to asset and liability management (ALM) activities and lower average loan balances, partially offset by an increase in average deposits. The decrease in the provision for credit losses was driven by improved economic conditions and an accelerated rate of loan resolutions in the commercial real estate portfolio.

GBAM net income decreased compared to the prior year driven by a decline in sales and trading revenue due to a challenging market environment, partially offset by DVA gains, net of hedges. Provision for credit losses decreased driven by the positive impact of the economic environment on the credit portfolio in 2011. Higher noninterest expense was driven primarily by increased costs related to investments in infrastructure. Income tax expense included a charge related to the U.K. corporate income tax rate changes enacted during the year to reduce the carrying value of the deferred tax assets.

GWIM net income increased compared to the prior year driven by higher net interest income, higher asset management fees and lower credit costs, partially offset by higher noninterest expense. Revenue increased driven by higher asset management fees from higher market levels and long-term assets under management (AUM) flows as well as higher net interest income. The provision for credit losses decreased driven by improving portfolio trends. Noninterest expense increased due to higher volume-driven expenses and personnel costs associated with the continued investment in the business.

All Other net income increased compared to the prior year primarily due to higher noninterest income and lower merger and restructuring charges. Noninterest income increased due to an increase in the positive fair value adjustments related to our own credit spreads on structured liabilities as well as the gain on the sale of CCB shares in 2011. The provision for credit losses decreased primarily due to divestitures, improvements in delinquencies, collections and insolvencies in the non-U.S. credit card portfolio and continued run-off in the legacy Merrill Lynch & Co., Inc. (Merrill Lynch) commercial portfolio.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $7.1 billion to $45.6 billion for 2011 compared to 2010. The decline was primarily due to lower consumer loan balances and yields and decreased investment security yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations, and increased hedge ineffectiveness. Lower trading-related net interest income also negatively impacted 2011 results.

These decreases were partially offset by ongoing reductions in our debt footprint and lower interest rates paid on deposits. The net interest yield on a FTE basis decreased 30 bps to 2.48 percent for 2011 compared to 2010 as the yield continues to be under pressure due to the aforementioned items and the low rate environment. We expect net interest income to continue to be muted based on the current forward yield curve in 2012.

Noninterest Income

Table 4 Noninterest Income

(Dollars in millions)	2011	2010
Card income	$ 7,184	$ 8,108
Service charges	8,094	9,390
Investment and brokerage services	11,826	11,622
Investment banking income	5,217	5,520
Equity investment income	7,360	5,260
Trading account profits	6,697	10,054
Mortgage banking income (loss)	(8,830)	2,734
Insurance income	1,346	2,066
Gains on sales of debt securities	3,374	2,526
Other income	6,869	2,384
Net impairment losses recognized in earnings on available-for-sale debt securities	(299)	(967)
Total noninterest income	$ 48,838	$ 58,697

Noninterest income decreased $9.9 billion to $48.8 billion for 2011 compared to 2010. The following highlights the significant changes.

- Card income decreased $924 million primarily due to the implementation of new interchange fee rules under the Durbin Amendment, which became effective on October 1, 2011 and the CARD Act provisions that were implemented during 2010.
- Service charges decreased $1.3 billion largely due to the impact of overdraft policy changes in conjunction with Regulation E, which became effective in the third quarter of 2010.
- Equity investment income increased $2.1 billion. The results for 2011 included $6.5 billion of gains on the sale of CCB shares, $836 million of CCB dividends and a $377 million gain on the sale of our investment in BlackRock, Inc. (BlackRock), partially offset by $1.1 billion of impairment charges on our merchant services joint venture. The prior year included $2.5 billion of net gains which included the sales of certain strategic investments, $2.3 billion of gains in our Global Principal Investments (GPI) portfolio which included both cash gains and fair value adjustments, and $535 million of CCB dividends.
- Trading account profits decreased $3.4 billion primarily due to adverse market conditions and extreme volatility in the credit markets compared to the prior year. DVA gains, net of hedges, on derivatives were $1.0 billion in 2011 compared to $262 million in 2010 as a result of a widening of our credit spreads. In conjunction with regulatory reform measures *GBAM* exited its stand-alone proprietary trading business as of June 30, 2011. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.4 billion for 2010.
- Mortgage banking income decreased $11.6 billion primarily due to an $8.8 billion increase in the representations and warranties provision which was largely related to the BNY Mellon Settlement. Also contributing to the decline was lower production income due to a reduction in new loan origination volumes partially offset by an increase in servicing income.
- Other income increased $4.5 billion primarily due to positive fair value adjustments of $3.3 billion related to widening of our own credit spreads on structured liabilities compared to $18 million in 2010. In addition, 2011 included a $771 million gain on the sale of Balboa as well as a $1.2 billion gain on the exchange of certain trust preferred securities for common stock and debt.

Provision for Credit Losses

The provision for credit losses decreased $15.0 billion to $13.4 billion for 2011 compared to 2010. The provision for credit losses was $7.4 billion lower than net charge-offs for 2011, resulting in a reduction in the allowance for credit losses driven primarily by lower delinquencies, improved collection rates and fewer bankruptcy filings across the *Card Services* portfolio, and improvement in overall credit quality in the commercial real estate portfolio partially offset by additions to consumer PCI loan portfolio reserves. This compared to a $5.9 billion reduction in the allowance for credit losses in 2010. We expect reductions in the allowance for credit losses to be lower in 2012.

The provision for credit losses related to our consumer portfolio decreased $11.1 billion to $14.3 billion for 2011 compared to 2010. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $3.9 billion to a benefit of $915 million for 2011 compared to 2010.

Net charge-offs totaled $20.8 billion, or 2.24 percent of average loans and leases for 2011 compared to $34.3 billion, or 3.60 percent for 2010. The decrease in net charge-offs was primarily driven by improvements in general economic conditions that resulted in lower delinquencies, improved collection rates and fewer bankruptcy filings across the *Card Services* portfolio as well as lower losses in the home equity portfolio driven primarily by fewer delinquent loans. For more information on the provision for credit losses, see Provision for Credit Losses on page 102.

Noninterest Expense

Table 5 Noninterest Expense

(Dollars in millions)	2011	2010
Personnel	$ 36,965	$ 35,149
Occupancy	4,748	4,716
Equipment	2,340	2,452
Marketing	2,203	1,963
Professional fees	3,381	2,695
Amortization of intangibles	1,509	1,731
Data processing	2,652	2,544
Telecommunications	1,553	1,416
Other general operating	21,101	16,222
Goodwill impairment	3,184	12,400
Merger and restructuring charges	638	1,820
Total noninterest expense	$ 80,274	$ 83,108

Noninterest expense decreased $2.8 billion to $80.3 billion for 2011 compared to 2010. The prior year included goodwill impairment charges of $12.4 billion compared to $3.2 billion for 2011.

Personnel expense increased $1.8 billion for 2011 attributable to personnel costs related to the continued build-out of certain businesses, technology costs as well as increases in default-related servicing. Additionally, professional fees increased $686 million related to consulting fees for regulatory initiatives as well as higher legal expenses. Other general operating expenses increased $4.9 billion largely as a result of a $3.0 billion increase in litigation expense, primarily mortgage-related, and an increase of $1.6 billion in mortgage-related assessments and waivers costs. Merger and restructuring expenses decreased $1.2 billion in 2011.

Income Tax Expense

The income tax benefit was $1.7 billion on the pre-tax loss of $230 million for 2011 compared to income tax expense of $915 million on the pre-tax loss of $1.3 billion for 2010. These amounts are before FTE adjustments. The effective tax rate for 2011 was not meaningful due to a small pre-tax loss, and for 2010, due to the impact of non-deductible goodwill impairment charges of $12.4 billion.

The income tax benefit for 2011 was driven by recurring tax preference items, such as tax-exempt income and affordable housing credits, a $1.0 billion benefit from the release of the remaining valuation allowance applicable to the Merrill Lynch capital loss carryover deferred tax asset, and a benefit of $823 million for planned realization of previously unrecognized deferred tax assets related to the tax basis in certain subsidiaries. These benefits were partially offset by the $782 million tax charge for the U.K. corporate income tax rate reductions referred to below. The $3.2 billion of goodwill impairment charges recorded in 2011 were non-deductible.

The effective tax rate for 2010 excluding goodwill impairment charges from pre-tax income was 8.3 percent. In addition to our recurring tax preference items, this rate was driven by a $1.7 billion benefit from the release of a portion of the valuation allowance applicable to the Merrill Lynch capital loss carryover deferred tax asset, partially offset by the $392 million charge from a one percent reduction to the U.K. corporate income tax rate enacted during 2010.

On July 19, 2011, the U.K. 2011 Finance Bill was enacted which reduced the corporate income tax rate one percent to 26 percent beginning on April 1, 2011, and then to 25 percent effective April 1, 2012. These rate reductions will favorably affect income tax expense on future U.K. earnings but also required us to remeasure our U.K. net deferred tax assets using the lower tax rates. As noted above, the income tax benefit for 2011 included a $782 million charge for the remeasurement, substantially all of which was recorded in *GBAM*. If corporate income tax rates were to be reduced to 23 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, a charge to income tax expense of approximately $400 million for each one percent reduction in the rate would result in each period of enactment (for a total of approximately $800 million).

Balance Sheet Overview

Table 6 Selected Balance Sheet Data

	December 31		Average Balance	
(Dollars in millions)	**2011**	2010	**2011**	2010
Assets				
Federal funds sold and securities borrowed or purchased under agreements to resell	**$ 211,183**	$ 209,616	**$ 245,069**	$ 256,943
Trading account assets	**169,319**	194,671	**187,340**	213,745
Debt securities	**311,416**	338,054	**337,120**	323,946
Loans and leases	**926,200**	940,440	**938,096**	958,331
Allowance for loan and lease losses	**(33,783)**	(41,885)	**(37,623)**	(45,619)
All other assets	**544,711**	624,013	**626,320**	732,260
Total assets	**$ 2,129,046**	$ 2,264,909	**$ 2,296,322**	$ 2,439,606
Liabilities				
Deposits	**$ 1,033,041**	$ 1,010,430	**$ 1,035,802**	$ 988,586
Federal funds purchased and securities loaned or sold under agreements to repurchase	**214,864**	245,359	**272,375**	353,653
Trading account liabilities	**60,508**	71,985	**84,689**	91,669
Commercial paper and other short-term borrowings	**35,698**	59,962	**51,894**	76,676
Long-term debt	**372,265**	448,431	**421,229**	490,497
All other liabilities	**182,569**	200,494	**201,238**	205,290
Total liabilities	**1,898,945**	2,036,661	**2,067,227**	2,206,371
Shareholders' equity	**230,101**	228,248	**229,095**	233,235
Total liabilities and shareholders' equity	**$ 2,129,046**	$ 2,264,909	**$ 2,296,322**	$ 2,439,606

At December 31, 2011, total assets were $2.1 trillion, a decrease of $136 billion, or six percent, from December 31, 2010. Average total assets decreased $143 billion in 2011. At December 31, 2011, total liabilities were $1.9 trillion, a decrease of $138 billion, or seven percent, from December 31, 2010. Average total liabilities decreased $139 billion in 2011.

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

Assets

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

Federal funds transactions involve lending reserve balances on a short-term basis. Securities borrowed and securities purchased under agreements to resell are utilized to accommodate customer transactions, earn interest rate spreads and obtain securities for settlement. Average federal funds sold and securities borrowed or purchased under agreements to resell decreased $11.9 billion, or five percent, in 2011 attributable to an overall decline in balance sheet usage.

Trading Account Assets

Trading account assets consist primarily of fixed-income securities including government and corporate debt, and equity and convertible instruments. Year-end trading account assets decreased $25.4 billion in 2011 primarily due to actions to reduce risk on the balance sheet. Average trading account assets decreased $26.4 billion in 2011 primarily due to a reclassification of noninterest-earning equity securities from trading account assets to other assets for average balance sheet purposes.

Debt Securities

Debt securities primarily include U.S. Treasury and agency securities, MBS, principally agency MBS, foreign bonds, corporate bonds and municipal debt. We use the debt securities portfolio primarily to manage interest rate and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. Year-end balances of debt securities decreased $26.6 billion due to agency MBS sales in 2011. Average balances of debt securities increased $13.2 billion due to agency MBS purchases in the second half of 2010 and the first three quarters of 2011. For additional information on available-for-sale (AFS) debt securities, see *Note 5 – Securities* to the Consolidated Financial Statements.

Loans and Leases

Year-end and average loans and leases decreased $14.2 billion to $926.2 billion and $20.2 billion to $938.1 billion in 2011. The decrease was primarily due to consumer portfolio run-off outpacing new originations and loan portfolio sales, partially offset by non-U.S. commercial growth as international demand continues to remain high. For a more detailed discussion of the loan portfolio, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Allowance for Loan and Lease Losses

Year-end and average allowance for loan lease losses decreased $8.1 billion and $8.0 billion in 2011 primarily due to the impact of the improving economy partially offset by reserve additions in the PCI portfolio throughout 2011. For a more detailed discussion of the Allowance for Loan and Lease Losses, see page 103.

All Other Assets

Year-end and average other assets decreased $79.3 billion and $105.9 billion in 2011 driven primarily by the sale of strategic investments, a reduction in loans held-for-sale (LHFS) and lower mortgage servicing rights (MSRs). Average other assets was also impacted by lower cash balances held at the Federal Reserve.

Liabilities

Deposits

Year-end and average deposits increased $22.6 billion and $47.2 billion to $1.0 trillion in 2011. The increase was attributable to growth in our noninterest-bearing deposits.

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

Federal funds transactions involve borrowing reserve balances on a short-term basis. Securities loaned and securities sold under agreements to repurchase are collateralized borrowing transactions utilized to accommodate customer transactions, earn interest rate spreads and finance assets on the balance sheet. Year-end and average federal funds purchased and securities loaned or sold under agreements to repurchase decreased $30.5 billion and $81.3 billion in 2011 primarily due to planned funding reductions.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in fixed-income securities including government and corporate debt, equity and convertible instruments. Year-end and average trading account liabilities decreased $11.5 billion and $7.0 billion in 2011 in line with declines in trading account assets.

Commercial Paper and Other Short-term Borrowings

Commercial paper and other short-term borrowings provide an additional funding source. Year-end and average commercial paper and other short-term borrowings decreased $24.3 billion to $35.7 billion and $24.8 billion to $51.9 billion in 2011 due to planned reductions in wholesale borrowings. During 2011, we reduced to an insignificant amount our use of unsecured short-term borrowings including commercial paper and master notes.

Long-term Debt

Year-end and average long-term debt decreased $76.2 billion to $372.3 billion and $69.3 billion to $421.2 billion in 2011. The decreases were attributable to the Corporation's strategy to reduce our debt footprint. For additional information on long-term debt, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements.

All Other Liabilities

Year-end all other liabilities decreased $17.9 billion in 2011 driven primarily by a decline in the liability related to collateral held, a decrease in lower customer margin credits and liquidation of a consolidated variable interest entity (VIE).

Shareholders' Equity

Year-end shareholders' equity increased $1.9 billion. The increase was driven primarily by the investment by Berkshire, exchanges of certain preferred securities for common stock and debt and positive earnings. Average shareholders' equity decreased $4.1 billion in 2011 primarily driven by losses late in 2010.

Cash Flows Overview

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

Cash and cash equivalents increased $11.7 billion during 2011 due to sales of non-core assets and net sales of AFS securities partially offset by repayment and maturities of certain long-term debt. Cash and cash equivalents decreased $12.9 billion during 2010 due to repayment and maturities of certain long-term debt and net purchases of AFS securities partially offset by deposit growth.

During 2011, net cash provided by operating activities was $64.5 billion compared to $82.6 billion in 2010. The more significant adjustments to net income (loss) to arrive at cash provided by operating activities included the provision for credit losses, goodwill impairment charges and the net decrease in trading and derivative instruments.

During 2011, net cash provided by investing activities increased to $52.4 billion primarily driven by net sales of debt securities. During 2010, net cash of $30.3 billion was used in investing activities primarily for net purchases of debt securities.

During 2011 and 2010, the net cash used in financing activities of $104.7 billion and $65.4 billion primarily reflected the net decreases in long-term debt as maturities outpaced new issuances.

Table 7 Five Year Summary of Selected Financial Data

(In millions, except per share information)	2011	2010	2009	2008	2007
Income statement					
Net interest income	$ 44,616	$ 51,523	$ 47,109	$ 45,360	$ 34,441
Noninterest income	48,838	58,697	72,534	27,422	32,392
Total revenue, net of interest expense	93,454	110,220	119,643	72,782	66,833
Provision for credit losses	13,410	28,435	48,570	26,825	8,385
Goodwill impairment	3,184	12,400	—	—	—
Merger and restructuring charges	638	1,820	2,721	935	410
All other noninterest expense [(1)]	76,452	68,888	63,992	40,594	37,114
Income (loss) before income taxes	(230)	(1,323)	4,360	4,428	20,924
Income tax expense (benefit)	(1,676)	915	(1,916)	420	5,942
Net income (loss)	1,446	(2,238)	6,276	4,008	14,982
Net income (loss) applicable to common shareholders	85	(3,595)	(2,204)	2,556	14,800
Average common shares issued and outstanding	10,143	9,790	7,729	4,592	4,424
Average diluted common shares issued and outstanding [(2)]	10,255	9,790	7,729	4,596	4,463
Performance ratios					
Return on average assets	0.06%	n/m	0.26%	0.22%	0.94%
Return on average common shareholders' equity	0.04	n/m	n/m	1.80	11.08
Return on average tangible common shareholders' equity [(3)]	0.06	n/m	n/m	4.72	26.19
Return on average tangible shareholders' equity [(3)]	0.96	n/m	4.18	5.19	25.13
Total ending equity to total ending assets	10.81	10.08%	10.38	9.74	8.56
Total average equity to total average assets	9.98	9.56	10.01	8.94	8.53
Dividend payout	n/m	n/m	n/m	n/m	72.26
Per common share data					
Earnings (loss)	$ 0.01	$ (0.37)	$ (0.29)	$ 0.54	$ 3.32
Diluted earnings (loss) [(2)]	0.01	(0.37)	(0.29)	0.54	3.29
Dividends paid	0.04	0.04	0.04	2.24	2.40
Book value	20.09	20.99	21.48	27.77	32.09
Tangible book value [(3)]	12.95	12.98	11.94	10.11	12.71
Market price per share of common stock					
Closing	$ 5.56	$ 13.34	$ 15.06	$ 14.08	$ 41.26
High closing	15.25	19.48	18.59	45.03	54.05
Low closing	4.99	10.95	3.14	11.25	41.10
Market capitalization	$ 58,580	$ 134,536	$ 130,273	$ 70,645	$ 183,107
Average balance sheet					
Total loans and leases	$ 938,096	$ 958,331	$ 948,805	$ 910,871	$ 776,154
Total assets	2,296,322	2,439,606	2,443,068	1,843,985	1,602,073
Total deposits	1,035,802	988,586	980,966	831,157	717,182
Long-term debt	421,229	490,497	446,634	231,235	169,855
Common shareholders' equity	211,709	212,686	182,288	141,638	133,555
Total shareholders' equity	229,095	233,235	244,645	164,831	136,662
Asset quality [(4)]					
Allowance for credit losses [(5)]	$ 34,497	$ 43,073	$ 38,687	$ 23,492	$ 12,106
Nonperforming loans, leases and foreclosed properties [(6)]	27,708	32,664	35,747	18,212	5,948
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [(6)]	3.68%	4.47%	4.16%	2.49%	1.33%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [(6)]	135	136	111	141	207
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [(6)]	101	116	99	136	n/a
Amounts included in allowance that are excluded from nonperforming loans [(7)]	$ 17,490	$ 22,908	$ 17,690	$ 11,679	$ 6,520
Allowances as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [(7)]	65%	62%	58%	70%	91%
Net charge-offs	$ 20,833	$ 34,334	$ 33,688	$ 16,231	$ 6,480
Net charge-offs as a percentage of average loans and leases outstanding [(6)]	2.24%	3.60%	3.58%	1.79%	0.84%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [(6)]	2.74	3.27	3.75	1.77	0.64
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [(6)]	3.01	3.48	3.98	1.96	0.68
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.62	1.22	1.10	1.42	1.79
Capital ratios (year end)					
Risk-based capital:					
Tier 1 common	9.86%	8.60%	7.81%	4.80%	4.93%
Tier 1	12.40	11.24	10.40	9.15	6.87
Total	16.75	15.77	14.66	13.00	11.02
Tier 1 leverage	7.53	7.21	6.88	6.44	5.04
Tangible equity [(3)]	7.54	6.75	6.40	5.11	3.73
Tangible common equity [(3)]	6.64	5.99	5.56	2.93	3.46

(1) Excludes merger and restructuring charges and goodwill impairment charges.
(2) Due to a net loss applicable to common shareholders for 2010 and 2009, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.
(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 32 and Table XV.
(4) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 75 and Commercial Portfolio Credit Risk Management on page 88.
(5) Includes the allowance for loan and lease losses and the reserve for unfunded lending commitments.
(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 86 and corresponding Table 36 and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 94 and corresponding Table 45.
(7) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to *Card Services* portfolios, PCI loans and the non-U.S. credit card portfolio in *All Other*.
n/m = not meaningful
n/a = not applicable

Supplemental Financial Data

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

As mentioned above, certain performance measures including the efficiency ratio and net interest yield utilize net interest income (and thus total revenue) on a FTE basis. The efficiency ratio measures the costs expended to generate a dollar of revenue, and net interest yield measures the bps we earn over the cost of funds.

We also evaluate our business based on certain ratios that utilize tangible equity, a non-GAAP financial measure. Tangible equity represents an adjusted shareholders' equity or common shareholders' equity amount which has been reduced by goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. These measures are used to evaluate our use of equity. In addition, profitability, relationship and investment models all use Return on average tangible shareholders' equity (ROTE) as key measures to support our overall growth goals.

- Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of adjusted common shareholders' equity plus any Common Equivalent Securities (CES). The tangible common equity ratio represents adjusted common shareholders' equity plus any CES divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- ROTE measures our earnings contribution as a percentage of adjusted average shareholders' equity. The tangible equity ratio represents adjusted total shareholders' equity divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities.
- Tangible book value per common share represents adjusted ending common shareholders' equity divided by ending common shares outstanding.

In addition, we evaluate our business segment results based on measures that utilize return on average economic capital, a non-GAAP financial measure, including the following:

- Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital.
- Economic capital represents allocated equity less goodwill and a percentage of intangible assets (excluding MSRs).

The aforementioned supplemental data and performance measures are presented in Tables 7 and 8 and Statistical Tables XII and XIV. In addition, in Table 8 and Statistical Table XIV, we have excluded the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded in 2011 and 2010 when presenting certain of these metrics. Accordingly, these are non-GAAP financial measures.

Statistical Tables XV, XVI and XVII provide reconciliations of these non-GAAP financial measures with financial measures defined by GAAP. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation and our segments. Other companies may define or calculate these measures and ratios differently.

Table 8 Five Year Supplemental Financial Data

(Dollars in millions, except per share information)	**2011**	2010	2009	2008	2007
Fully taxable-equivalent basis data					
Net interest income	**$ 45,588**	$ 52,693	$ 48,410	$ 46,554	$ 36,190
Total revenue, net of interest expense	**94,426**	111,390	120,944	73,976	68,582
Net interest yield	**2.48%**	2.78%	2.65%	2.98%	2.60%
Efficiency ratio	**85.01**	74.61	55.16	56.14	54.71
Performance ratios, excluding goodwill impairment charges (1)					
Per common share information					
Earnings	**$ 0.32**	$ 0.87			
Diluted earnings	**0.32**	0.86			
Efficiency ratio	**81.64%**	63.48%			
Return on average assets	**0.20**	0.42			
Return on average common shareholders' equity	**1.54**	4.14			
Return on average tangible common shareholders' equity	**2.46**	7.03			
Return on average tangible shareholders' equity	**3.08**	7.11			

(1) Performance ratios are calculated excluding the impact of goodwill impairment charges of $3.2 billion and $12.4 billion recorded during 2011 and 2010.

Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the *GBAM* business segment section on page 43, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *GBAM.* An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation in Table 9 provides additional clarity in assessing our results.

Table 9 Core Net Interest Income

(Dollars in millions)	2011	2010
Net interest income (FTE basis)		
As reported [(1)]	$ 45,588	$ 52,693
Impact of market-based net interest income [(2)]	(3,813)	(4,430)
Core net interest income	**41,775**	48,263
Average earning assets		
As reported	1,834,659	1,897,573
Impact of market-based earning assets [(2)]	(448,776)	(512,804)
Core average earning assets	**$ 1,385,883**	$1,384,769
Net interest yield contribution (FTE basis)		
As reported [(1)]	2.48%	2.78%
Impact of market-based activities [(2)]	0.53	0.71
Core net interest yield on earning assets	**3.01%**	3.49%

(1) Net interest income and net interest yield include fees earned on overnight deposits placed with the Federal Reserve of $186 million and $368 million for 2011 and 2010.

(2) Represents the impact of market-based amounts included in *GBAM*.

Core net interest income decreased $6.5 billion to $41.8 billion for 2011 compared to 2010. The decline was primarily due to lower consumer loan balances and yields and decreased investment security yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness. These decreases were partially offset by ongoing reductions in our debt footprint and lower interest rates paid on deposits.

Core average earning assets increased $1.1 billion to $1,385.9 billion for 2011 compared to 2010. The increase was primarily due to growth in investment securities partially offset by declines in consumer loans.

Core net interest yield decreased 48 bps to 3.01 percent for 2011 compared to 2010 primarily due to the factors noted above. In addition, the yield curve flattened significantly with long-term rates near historical lows at December 31, 2011. This has resulted in net interest yield compression as assets have repriced down and liability yields have declined less significantly due to the absolute low level of short-end rates.

Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: *Deposits, Card Services, CRES, Global Commercial Banking, GBAM* and *GWIM*, with the remaining operations recorded in *All Other*.

We prepare and evaluate segment results using certain non-GAAP financial measures, many of which are discussed in Supplemental Financial Data on page 32. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges.

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

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

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

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment's credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 62. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The total amount of average allocated equity reflects both risk-based capital and the portion of goodwill and intangibles specifically assigned to the business segments. The risk-adjusted methodology is periodically refined and such refinements are reflected as changes to allocated equity in each segment.

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

Deposits

(Dollars in millions)	2011	2010	% Change
Net interest income (FTE basis)	$ 8,471	$ 8,278	2%
Noninterest income:			
Service charges	3,995	5,057	(21)
All other income	223	227	(2)
Total noninterest income	4,218	5,284	(20)
Total revenue, net of interest expense	12,689	13,562	(6)
Provision for credit losses	173	201	(14)
Noninterest expense	10,633	11,196	(5)
Income before income taxes	1,883	2,165	(13)
Income tax expense (FTE basis)	691	803	(14)
Net income	**$ 1,192**	$ 1,362	(12)
Net interest yield (FTE basis)	2.02%	2.00%	
Return on average allocated equity	5.02	5.62	
Return on average economic capital (1)	20.66	21.97	
Efficiency ratio (FTE basis)	83.80	82.55	
Balance Sheet			
Average			
Total earning assets	$ 419,445	$ 413,595	1
Total assets	445,922	440,030	1
Total deposits	421,106	414,877	2
Allocated equity	23,735	24,222	(2)
Economic capital (1)	5,786	6,247	(7)
Year end			
Total earning assets	$ 418,623	$ 414,215	1
Total assets	445,680	440,954	1
Total deposits	421,871	415,189	2
Client brokerage assets	66,576	63,597	5

(1) Return on average economic capital and economic capital are non-GAAP financial measures. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.

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

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

Net income decreased $170 million to $1.2 billion in 2011 compared to 2010 due to a decrease in revenue partially offset by a decrease in noninterest expense. Revenue of $12.7 billion was down $873 million from a year ago primarily driven by a decline in service charges reflecting the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010. This was partially offset by an increase in net interest income due to a customer shift to more liquid products and continued pricing discipline. Noninterest expense decreased $563 million, or five percent, to $10.6 billion due to lower litigation and operating expenses partially offset by an increase in FDIC expense.

Average deposits increased $6.2 billion from a year ago driven by a customer shift to more liquid products in a low interest rate environment as checking, traditional savings and money market savings grew $23.6 billion. Growth in liquid products was partially offset by a decline in average time deposits of $17.4 billion. As a result of the shift in the mix of deposits and our continued pricing discipline, rates paid on average deposits declined by 16 bps to 27 bps in 2011 compared to 2010.

Card Services

(Dollars in millions)	2011	2010	% Change
Net interest income (FTE basis)	$ 11,507	$ 14,413	(20)%
Noninterest income:			
Card income	6,286	7,049	(11)
All other income	350	878	(60)
Total noninterest income	6,636	7,927	(16)
Total revenue, net of interest expense	18,143	22,340	(19)
Provision for credit losses	3,072	10,962	(72)
Goodwill impairment	—	10,400	n/m
All other noninterest expense	6,024	5,957	1
Income (loss) before income taxes	9,047	(4,979)	n/m
Income tax expense (FTE basis)	3,259	2,001	63
Net income (loss)	$ 5,788	$ (6,980)	n/m
Net interest yield (FTE basis)	9.04%	9.85%	
Return on average allocated equity	27.40	n/m	
Return on average economic capital [(1)]	55.08	23.62	
Efficiency ratio (FTE basis)	33.20	73.22	
Efficiency ratio, excluding goodwill impairment charge (FTE basis)	33.20	26.66	
Balance Sheet			
Average			
Total loans and leases	$ 126,084	$ 145,081	(13)
Total earning assets	127,259	146,304	(13)
Total assets	130,266	150,672	(14)
Allocated equity	21,128	32,418	(35)
Economic capital [(1)]	10,539	14,774	(29)
Year end			
Total loans and leases	$ 120,669	$ 137,024	(12)
Total earning assets	121,992	138,072	(12)
Total assets	127,636	138,491	(8)

(1) Return on average economic capital and economic capital are non-GAAP financial measures. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.

n/m = not meaningful

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses providing a broad offering of lending products including co-branded and affinity products. During 2011, we sold our Canadian consumer card business and we are evaluating our remaining international consumer card operations. In light of these actions, the international consumer card business results were moved to *All Other*, prior period results have been reclassified and the *Global Card Services* business segment was renamed *Card Services*.

During 2010 and 2011, *Card Services* was negatively impacted by provisions of the CARD Act. The majority of the provisions of the CARD Act became effective on February 22, 2010, while certain provisions became effective in the third quarter of 2010. The CARD Act has negatively impacted net interest income due to restrictions on our ability to reprice credit cards based on risk and card income due to restrictions imposed on certain fees.

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment, effective October 1, 2011, that established the maximum allowable interchange fees a bank can receive for a debit card transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements, with which we are currently in compliance. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which are effective April 1, 2012. For more information on the final interchange rules, see Regulatory Matters on page 60. The new interchange fee rules resulted in a reduction of debit card revenue in the fourth quarter of 2011 of $430 million.

Net income increased $12.8 billion to $5.8 billion in 2011 primarily due to the $10.4 billion goodwill impairment charge in 2010, and a $7.9 billion decrease in the provision for credit losses in 2011. This was partially offset by a decrease in revenue of $4.2 billion, or 19 percent, to $18.1 billion in 2011 compared to 2010.

Net interest income decreased $2.9 billion, or 20 percent, to $11.5 billion in 2011 compared to 2010 driven by lower average loan balances and yields. The net interest yield decreased 81 bps to 9.04 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $1.3 billion, or 16 percent, to $6.6 billion in 2011 compared to 2010 due to the implementation of the Durbin Amendment on October 1, 2011, the gain on the sale of our MasterCard position in 2010 and the implementation of the CARD Act in 2010.

The provision for credit losses decreased $7.9 billion to $3.1 billion in 2011 compared to 2010 reflecting improving delinquencies and collections, and fewer bankruptcies as a result of improving economic conditions, and lower loan balances. For more information on the provision for credit losses, see Provision for Credit Losses on page 102.

The return on average economic capital increased due to higher net income and a decrease in average economic capital. Average economic capital decreased 29 percent due to lower levels of credit risk from a decline in loan balances as well as an improvement in credit quality. Average allocated equity decreased primarily due to the $10.4 billion goodwill impairment charge in 2010 as well as the same reasons as the decrease in economic capital. For more information regarding economic capital and allocated equity, see Supplemental Financial Data on page 32.

Average loans decreased $19.0 billion, or 13 percent, in 2011 compared to 2010 driven by higher payments, charge-offs, continued run-off of non-core portfolios and the impact of portfolio divestitures during 2011.

Consumer Real Estate Services

(Dollars in millions)	2011 Home Loans	2011 Legacy Asset Servicing	2011 Other	2011 Total Consumer Real Estate Services	2010	% Change
Net interest income (FTE basis)	$ 1,964	$ 1,324	$ (81)	$ 3,207	$ 4,662	(31)%
Noninterest income:						
Mortgage banking income (loss)	3,330	(12,176)	653	(8,193)	3,164	n/m
Insurance income	750	—	—	750	2,061	(64)
All other income	959	123	—	1,082	442	145
Total noninterest income (loss)	5,039	(12,053)	653	(6,361)	5,667	n/m
Total revenue, net of interest expense	7,003	(10,729)	572	(3,154)	10,329	n/m
Provision for credit losses	234	4,290	—	4,524	8,490	(47)
Goodwill impairment	—	—	2,603	2,603	2,000	30
All other noninterest expense	5,649	13,642	(1)	19,290	12,886	50
Income (loss) before income taxes	1,120	(28,661)	(2,030)	(29,571)	(13,047)	127
Income tax expense (benefit) (FTE basis)	416	(10,689)	231	(10,042)	(4,100)	145
Net income (loss)	$ 704	$ (17,972)	$ (2,261)	$ (19,529)	$ (8,947)	118
Net interest yield (FTE basis)	2.78%	1.96%	(0.48)%	2.07%	2.52%	
Efficiency ratio (FTE basis)	80.67	n/m	n/m	n/m	n/m	
Balance Sheet						
Average						
Total loans and leases	$ 54,784	$ 65,036	$ —	$ 119,820	$ 129,234	(7)
Total earning assets	70,612	67,518	16,760	154,890	185,344	(16)
Total assets	72,785	83,140	34,442	190,367	224,994	(15)
Allocated equity	n/a	n/a	n/a	16,202	26,016	(38)
Economic capital [1]	n/a	n/a	n/a	14,852	21,214	(30)
Year end						
Total loans and leases	$ 52,369	$ 59,990	$ —	$ 112,359	$ 122,933	(9)
Total earning assets	58,822	63,331	10,228	132,381	172,082	(23)
Total assets	61,417	79,023	23,272	163,712	212,412	(23)

[1] Average economic capital is a non-GAAP financial measure. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.

n/m = not meaningful

n/a = not applicable

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

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

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

CRES includes the impact of transferring customers and their related loan balances between *GWIM* and *CRES* based on client segmentation thresholds. For more information on the migration of customer balances, see *GWIM* on page 46.

Home Loans

Home Loans products are available to our customers through our retail network of approximately 5,700 banking centers, mortgage loan officers in approximately 500 locations and a sales force offering our customers direct telephone and online access to our products. These products were also offered through our correspondent lending channel; however, we exited this channel in late 2011. In 2011, we also exited the reverse mortgage origination business. In October 2010, we exited the first mortgage wholesale acquisition channel. These strategic changes were made to allow greater focus on our direct to consumer channels, deepen relationships with existing customers and use mortgage products to acquire new relationships.

Home Loans includes ongoing loan production activities, certain servicing activities and the *CRES* home equity portfolio not originally selected for inclusion in the Legacy Asset Servicing portfolio. Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to non-default related customer inquiries. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to *Card Services* following the sale of Balboa.

Due to the realignment of *CRES*, the composition of the Home Loans loan portfolio does not currently reflect a normalized level of credit losses and noninterest expense which we expect will develop over time.

Legacy Asset Servicing

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

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

Our home retention efforts are part of our servicing activities, along with supervising foreclosures and property dispositions. These default-related activities are performed by Legacy Asset Servicing. In an effort to help our customers avoid foreclosure, Legacy Asset Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. For additional information on our servicing activities and foreclosures, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 57.

The total owned loans in the Legacy Asset Servicing portfolio decreased $15.7 billion in 2011 to $154.9 billion at December 31, 2011, of which $60.0 billion are reflected on the balance sheet of Legacy Asset Servicing within *CRES* and the remainder are held on the balance sheet of *All Other*.

Other

The Other component within *CRES* includes the results of MSR activities, including net hedge results, together with any related assets or liabilities used as economic hedges. The change in the value of the MSRs reflects the change in discount rates and prepayment speed assumptions, as well as the effect of changes in other assumptions, including the cost to service. These amounts are not allocated between Home Loans and Legacy Asset Servicing since the MSRs are managed as a single asset. For additional information on MSRs, see *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements. Goodwill assigned to *CRES* was included in Other; however, the remaining balance of goodwill was written off in its entirety in 2011.

CRES Results

The *CRES* net loss increased $10.6 billion to $19.5 billion in 2011 compared to 2010. Revenue declined $13.5 billion to a loss of $3.2 billion due in large part to a decrease of $11.4 billion in mortgage banking income driven by an increase in representations and warranties provision of $8.8 billion and a decrease in core production income of $3.4 billion in 2011.

The representations and warranties provision in 2011 included $8.6 billion related to the BNY Mellon Settlement and $7.0 billion related to other exposures. For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50 and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements. The decrease in core production income was due to a decline in loan funding volume caused primarily by a drop in market share, which reflected decisions to price certain loan products in order to align the volume of new loan applications with our underwriting capacity in both the retail and correspondent channels and our exit from the correspondent channel in late 2011. Also contributing to the decline in revenue was a $1.3 billion decrease in insurance income due to the sale of Balboa in 2011 and a decline in net interest income primarily due to lower average LHFS balances. Revenue for 2011 also included a pre-tax gain on the sale of Balboa of $752 million, net of an inter-segment advisory fee.

The provision for credit losses decreased $4.0 billion to $4.5 billion in 2011 compared to 2010 driven primarily by improving portfolio trends, including lower reserve additions in the Countrywide PCI home equity portfolio.

Noninterest expense increased $7.0 billion to $21.9 billion in 2011 compared to 2010 primarily due to a $3.6 billion increase in litigation expense, $1.6 billion higher mortgage-related assessments and waivers costs, higher default-related and other loss mitigation servicing expenses and a non-cash, non-tax deductible goodwill impairment charge of $2.6 billion in 2011 compared to a $2.0 billion goodwill impairment charge in 2010. In 2011, we recorded $1.8 billion of mortgage-related assessments and waivers costs, which included $1.3 billion for compensatory fees as a result of elongated default timelines. These increases were partially offset by a decrease of $1.1 billion in insurance expense due to the sale of Balboa and a decline of $640 million in production expense primarily due to lower origination volumes.

Compensatory fees are fees that we expect to be assessed by the government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the GSEs), as a result of foreclosure delays pursuant to first mortgage seller/servicer guides with the GSEs which provide timelines to complete the liquidation of delinquent loans. In instances where we fail to meet these timelines, our agreements provide the GSEs with the option to assess compensatory fees. The remainder of the mortgage-related assessments and waivers costs are out-of-pocket costs that we do not expect to recover. We expect these costs will remain elevated as additional loans are delayed in the foreclosure process. We also expect that continued elevated costs, including costs related to resources necessary to perform the foreclosure process assessments and to implement other operational changes, will continue.

Average economic capital decreased 30 percent due to a reduction in credit risk driven by lower loan balances, and the sale of Balboa. Average allocated equity decreased for the same reasons as economic capital as well as the goodwill impairment charges in 2011 and 2010. For more information regarding economic capital and allocated equity, see Supplemental Financial Data on page 32.

Mortgage Banking Income

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

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

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

(Dollars in millions)	**2011**	2010
Production loss:		
Core production revenue	**$ 2,797**	$ 6,182
Representations and warranties provision	**(15,591)**	(6,785)
Total production loss	**(12,794)**	(603)
Servicing income:		
Servicing fees	**5,959**	6,475
Impact of customer payments (1)	**(2,621)**	(3,759)
Fair value changes of MSRs, net of economic hedge results (2)	**656**	376
Other servicing-related revenue	**607**	675
Total net servicing income	**4,601**	3,767
Total *CRES* mortgage banking income (loss)	**(8,193)**	3,164
Eliminations (3)	**(637)**	(430)
Total consolidated mortgage banking income (loss)	**$ (8,830)**	$ 2,734

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

Core production revenue of $2.8 billion in 2011 decreased $3.4 billion from 2010 due primarily to lower new loan origination volumes. The 52 percent decline in new loan originations was caused primarily by a drop in market share, as previously discussed, combined with the decline in the overall market demand for mortgages from 2010 to 2011. The representations and warranties provision increased $8.8 billion to $15.6 billion in 2011 due to the BNY Mellon Settlement and other exposures.

Net servicing income increased $834 million in 2011 due to a lower impact of customer payments partially offset by lower servicing fees driven by a decline in the servicing portfolio. Improved MSR results, net of hedges also contributed to the increase in net servicing income.

Key Statistics

(Dollars in millions, except as noted)	2011	2010
Loan production		
CRES:		
First mortgage	**$ 139,273**	$ 287,236
Home equity	**3,694**	7,626
Total Corporation [1]:		
First mortgage	**151,756**	298,038
Home equity	**4,388**	8,437
Year end		
Mortgage servicing portfolio (in billions) [2, 3]	**$ 1,763**	$ 2,057
Mortgage loans serviced for investors (in billions) [3]	**1,379**	1,628
Mortgage servicing rights:		
Balance	**7,378**	14,900
Capitalized mortgage servicing rights (% of loans serviced for investors)	**54 bps**	92 bps

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

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

(3) The total Corporation mortgage servicing portfolio included $1,029 billion in Home Loans and $734 billion in Legacy Asset Servicing at December 31, 2011. The total Corporation mortgage loans serviced for investors included $831 billion in Home Loans and $548 billion in Legacy Asset Servicing at December 31, 2011.

First mortgage production was $151.8 billion in 2011 compared to $298.0 billion in 2010 with the decrease primarily due to a reduction in both the correspondent and retail sales channels. Additionally, the overall industry market demand for mortgages dropped by approximately 17 percent in 2011, contributing to the decline in mortgage production. We expect our market share of mortgage originations in 2012 to be lower than our market share in 2011, due to our exit from the correspondent channel.

Home equity production was $4.4 billion in 2011 compared to $8.4 billion in 2010 with the decrease primarily due to a decline in reverse mortgage originations based on our decision to exit this business in 2011.

At December 31, 2011, the consumer MSR balance was $7.4 billion, which represented 54 bps of the related unpaid principal balance compared to $14.9 billion or 92 bps of the related unpaid principal balance at December 31, 2010. The decline in the consumer MSR balance was primarily driven by lower mortgage rates, which resulted in higher forecasted prepayment speeds combined with the impact of elevated expected costs to service delinquent loans, which reduced expected cash flows and the value of the MSRs, and MSR sales. In addition, the MSRs declined as a result of customer payments. These declines were partially offset by adjustments to prepayment models to reflect muted refinancing activity relative to historic norms and by the addition of new MSRs recorded in connection with sales of loans. During 2011, MSRs in the amount of $896 million were sold. Gains recognized on these transactions were not significant. These sales were undertaken to reduce the balance of MSRs, lower our default-related servicing costs and reduce risk in certain portfolios in preparation of the implementation of Basel III. For additional information on Basel III, see Capital Management – Regulatory Capital Changes on page 67 and for information on MSRs and the related hedge instruments, see Mortgage Banking Risk Management on page 113 and *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements.

Global Commercial Banking

(Dollars in millions)	2011	2010	% Change
Net interest income (FTE basis)	$ 7,176	$ 8,007	(10)%
Noninterest income:			
Service charges	2,264	2,340	(3)
All other income	1,113	879	27
Total noninterest income	3,377	3,219	5
Total revenue, net of interest expense	10,553	11,226	(6)
Provision for credit losses	(634)	1,979	n/m
Noninterest expense	4,234	4,130	3
Income before income taxes	6,953	5,117	36
Income tax expense (FTE basis)	2,551	1,899	34
Net income	$ 4,402	$ 3,218	37
Net interest yield (FTE basis)	2.65%	2.94%	
Return on average allocated equity	10.77	7.38	
Return on average economic capital [(1)]	21.83	14.07	
Efficiency ratio (FTE basis)	40.12	36.79	
Balance Sheet			
Average			
Total loans and leases	$ 189,415	$ 203,824	(7)
Total earning assets	270,901	272,401	(1)
Total assets	309,044	309,326	—
Total deposits	169,192	148,638	14
Allocated equity	40,867	43,590	(6)
Economic capital [(1)]	20,172	22,906	(12)
Year end			
Total loans and leases	$ 188,262	$ 194,038	(3)
Total earning assets	250,882	274,624	(9)
Total assets	289,985	312,807	(7)
Total deposits	176,941	161,279	10

(1) Return on average economic capital and economic capital are non-GAAP financial measures. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.

n/m = not meaningful

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

Net income increased $1.2 billion to $4.4 billion in 2011 from 2010 primarily driven by an improvement in the provision for credit losses, offset by lower revenue and higher expenses.

Revenue decreased $673 million primarily driven by lower net interest income related to ALM activities and lower average loan balances, partially offset by an increase in average deposits as clients continue to maintain high levels of liquidity. Noninterest income increased $158 million largely due to a gain on the termination of a purchase contract, an increase in tax credit and commercial card income, and higher investment gains in the commercial real estate portfolio.

The provision for credit losses decreased $2.6 billion to a benefit of $634 million for 2011 compared to 2010. The decrease was driven by improved economic conditions and an accelerated rate of loan resolutions in the commercial real estate portfolio.

Noninterest expense increased $104 million driven primarily by higher FDIC expense.

The return on average economic capital increased due to higher net income and the 12 percent decrease in average economic capital. Economic capital decreased due to declining loan balances and improvements in credit quality. Average allocated equity decreased due to the same reasons as economic capital. For more information regarding economic capital and allocated equity, see Supplemental Financial Data on page 32.

Global Commercial Banking Revenue

Global Commercial Banking revenue can also be categorized into treasury services revenue primarily from capital and treasury management, and business lending revenue derived from credit related products and services as shown in the table below.

Global Commercial Banking

(Dollars in millions)	2011	2010
Global Treasury Services	$ 4,854	$ 4,741
Business Lending	5,699	6,485
Total revenue, net of interest expense	**$ 10,553**	$ 11,226
Total average deposits	**$ 169,192**	$ 148,638
Total average loans and leases	**189,415**	203,824

Treasury services revenue increased $113 million to $4.9 billion, driven by increased net interest income from the funding benefit of increased deposits, partially offset by lower treasury service charges. As clients manage through current economic conditions, we have seen usage of certain treasury services decline and increased conversion of paper to electronic services. These actions combined with our clients leveraging compensating balances to offset fees have decreased treasury service charges.

Business lending revenue decreased $786 million to $5.7 billion due to lower net interest income related to ALM activities and lower loan balances. Average loan and lease balances decreased $14.4 billion to $189.4 billion as commercial real estate net paydowns and sales outpaced new originations and renewals.

Global Banking & Markets

(Dollars in millions)	2011	2010	% Change
Net interest income (FTE basis)	$ 7,401	$ 8,000	(7)%
Noninterest income:			
Service charges	1,730	1,874	(8)
Investment and brokerage services	2,345	2,377	(1)
Investment banking fees	5,242	5,406	(3)
Trading account profits	6,573	9,689	(32)
All other income	327	603	(46)
Total noninterest income	16,217	19,949	(19)
Total revenue, net of interest expense	23,618	27,949	(15)
Provision for credit losses	(296)	(166)	78
Noninterest expense	18,179	17,535	4
Income before income taxes	5,735	10,580	(46)
Income tax expense (FTE basis)	2,768	4,283	(35)
Net income	$ 2,967	$ 6,297	(53)
Return on average allocated equity	7.97%	12.58%	
Return on average economic capital [(1)]	11.22	15.82	
Efficiency ratio (FTE basis)	76.97	62.74	
Balance Sheet			
Average			
Total trading-related assets [(2)]	$ 473,861	$ 507,830	(7)
Total loans and leases	116,075	98,593	18
Total earning assets [(2)]	563,870	601,084	(6)
Total assets	725,177	753,844	(4)
Total deposits	116,088	97,858	19
Allocated equity	37,233	50,037	(26)
Economic capital [(1)]	26,583	39,931	(33)
Year end			
Total trading-related assets [(2)]	$ 399,202	$ 417,715	(4)
Total loans and leases	133,126	99,964	33
Total earning assets [(2)]	493,340	512,959	(4)
Total assets	637,754	653,737	(2)
Total deposits	122,296	109,691	11

(1) Return on average economic capital and economic capital are non-GAAP financial measures. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.
(2) Trading-related assets includes assets which are not considered earning assets (i.e., derivative assets).

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

Net income decreased $3.3 billion to $3.0 billion in 2011 primarily driven by a decline of $4.2 billion in sales and trading revenue. The decrease in sales and trading revenue was due to a challenging market environment, partially offset by DVA gains, net of hedges. In 2011, DVA gains, net of hedges, were $1.0 billion compared to $262 million in 2010 due to the widening of our credit spreads.

The provision for credit losses decreased $130 million to a benefit of $296 million in 2011 from a benefit of $166 million in 2010 driven by the positive impact of the economic environment on the credit portfolio. Noninterest expense increased $644 million driven primarily by higher costs related to investments in infrastructure.

Income tax expense included a $774 million charge to reduce the carrying value of the deferred tax assets as a result of a reduction in the U.K. corporate income tax rate enacted during 2011 compared to a charge of $388 million for a rate reduction enacted in 2010. For additional information related to the U.K. corporate income tax rate reduction, see Financial Highlights – Income Tax Expense on page 28.

The return on average economic capital decreased due to lower net income partially offset by a 33 percent decrease in average economic capital due to reductions in credit risk driven by improved risk ratings, lower counterparty credit risk and a decline in market risk-related trading exposures. Average allocated equity decreased due to the same reasons as economic capital. For more information regarding economic capital and allocated equity, see Supplemental Financial Data on page 32.

Sales and trading revenue and investment banking fees may continue to be adversely affected in 2012 by lower client activity and challenging market conditions as a result of, among other things, the European sovereign debt crisis, uncertainty regarding the outcome of the evolving domestic regulatory landscape, our credit ratings and market volatility.

Components of Global Banking & Markets

Sales and Trading Revenue

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

Sales and Trading Revenue (1)

(Dollars in millions)	2011	2010
Fixed income, currencies and commodities	$ 8,868	$ 12,857
Equity income	3,968	4,155
Total sales and trading revenue	**$ 12,836**	$ 17,012

(1) Includes a FTE adjustment of $202 million and $274 million for 2011 and 2010. For additional information on sales and trading revenue, including sales and trading investment and brokerage services and net interest income, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

Fixed income, currencies and commodities (FICC) revenue decreased $4.0 billion, or 31 percent, to $8.9 billion in 2011 compared to 2010 primarily due to lower client activity and continued adverse market conditions impacting our mortgage products, credit, and rates and currencies businesses, partially offset by DVA gains, net of hedges. Equity income decreased $187 million, or five percent, to $4.0 billion in 2011 compared to 2010 primarily due to lower equity derivative trading volumes. Sales and trading revenue included total commissions and brokerage fee revenue of $2.3 billion ($2.2 billion from equities and $144 million from FICC) in 2011 compared to $2.4 billion ($2.2 billion from equities and $148 million from FICC) in 2010.

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we exited our stand-alone proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.4 billion for 2010. For additional information on restrictions on proprietary trading, see Regulatory Matters – Limitations on Proprietary Trading on page 60.

Investment Banking Fees

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

Investment Banking Fees (1)

(Dollars in millions)	2011	2010
Advisory (2)	$ 1,246	$ 1,018
Debt issuance	2,693	3,059
Equity issuance	1,303	1,329
Total investment banking fees	**$ 5,242**	$ 5,406

(1) Includes self-led deals of $372 million and $264 million for 2011 and 2010.
(2) Advisory includes fees on debt and equity advisory services and mergers and acquisitions.

Investment banking fees decreased $164 million in 2011 compared to 2010 primarily driven by lower debt issuance fees due to challenging market conditions partially offset by higher advisory fees.

Global Corporate Banking

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

Global Corporate Banking

(Dollars in millions)	2011	2010
Global Treasury Services	$ 2,448	$ 2,259
Business Lending	3,092	3,272
Total revenue, net of interest expense	**$ 5,540**	$ 5,531
Total average deposits	$ 108,663	$ 90,083
Total average loans and leases	97,346	81,415

Global Corporate Banking revenue of $5.5 billion for 2011 remained in line with 2010. Global Treasury Services revenue increased $189 million in 2011 compared to 2010 as growth in U.S. and non-U.S. deposit volumes was partially offset by a challenging rate environment. Business Lending revenues decreased $180 million in 2011 as growth in loans was offset by a declining rate environment and lower accretion on acquired portfolios due to the impact of prepayments in prior periods.

Global Corporate Banking average deposits increased 21 percent in 2011 compared to 2010 as balances continued to grow due to clients' excess liquidity and limited alternative investment options. Average loan and lease balances in Global Corporate Banking increased 20 percent in 2011 due to growth in the commercial loan and non-U.S. trade finance portfolios driven by continuing international demand and improved domestic momentum.

Collateralized Debt Obligation and Monoline Exposure

CDO vehicles hold diversified pools of fixed-income securities and issue multiple tranches of debt securities including commercial paper, and mezzanine and equity securities. Our CDO-related exposure can be divided into funded and unfunded super senior liquidity commitment exposure and other super senior exposure, including cash positions and derivative contracts. For more information on our CDO positions, see *Note 8 – Securitizations and Other Variable Interest Entities* to the Consolidated Financial Statements. Super senior exposure represents the most senior class of notes that are issued by the CDO vehicles and benefits from the subordination of all other securities issued by the CDO vehicles. In 2011, we recorded losses of $86 million from our CDO-related exposure compared to losses of $573 million in 2010.

At December 31, 2011, our super senior CDO exposure before consideration of insurance, net of write-downs, was $376 million, comprised solely of trading account assets, compared to $2.0 billion, comprised of $1.3 billion in trading account assets and $675 million in AFS debt securities at December 31, 2010. Of our super senior CDO exposure at December 31, 2011, $224 million was hedged and $152 million was unhedged compared to $772 million hedged and $1.2 billion unhedged at December 31, 2010. At December 31, 2011, there were no unrealized losses recorded in accumulated other comprehensive income (OCI) on super senior cash positions and retained positions from liquidated CDOs compared to $466 million at December 31, 2010. The change was the result of sales of ABS CDOs.

With the Merrill Lynch acquisition, we acquired a loan that is collateralized by U.S. super senior ABS CDOs and recorded in *All Other.* For additional information, see *All Other* on page 48.

Excluding amounts related to transactions with a single counterparty, which were transferred to other assets as discussed below, the table below presents our original total notional, mark-to-market receivable and credit valuation adjustment for credit default swaps (CDS) and other positions with monolines.

Credit Default Swaps with Monoline Financial Guarantors

(Dollars in millions)	December 31 2011	December 31 2010
Notional	**$ 21,070**	$ 38,424
Mark-to-market or guarantor receivable	**$ 1,766**	$ 9,201
Credit valuation adjustment	**(417)**	(5,275)
Total	**$ 1,349**	$ 3,926
Credit valuation adjustment %	**24%**	57%
Gains (losses)	**$ 116**	$ (24)

Total monoline exposure, net of credit valuation adjustments, decreased $2.6 billion to $1.3 billion at December 31, 2011 driven by terminated monoline contracts and the reclassification of certain exposures. During 2011, we terminated all of our monoline contracts referencing super senior ABS CDOs and reclassified net monoline exposure with a carrying value of $1.3 billion ($4.7 billion gross receivable less impairment) at December 31, 2011 from derivative assets to other assets because of the inherent default risk. Because these contracts no longer provide a hedge benefit, they are no longer considered derivative trading instruments. This exposure relates to a single counterparty and is recorded at fair value based on current net recovery projections. The net recovery projections take into account the present value of projected payments expected to be received from the counterparty.

Global Wealth & Investment Management

(Dollars in millions)	2011	2010	% Change
Net interest income (FTE basis)	**$ 6,046**	$ 5,677	6%
Noninterest income:			
Investment and brokerage services	**9,310**	8,660	8
All other income	**2,020**	1,952	3
Total noninterest income	**11,330**	10,612	7
Total revenue, net of interest expense	**17,376**	16,289	7
Provision for credit losses	**398**	646	(38)
Noninterest expense	**14,395**	13,227	9
Income before income taxes	**2,583**	2,416	7
Income tax expense (FTE basis)	**948**	1,076	(12)
Net income	**$ 1,635**	$ 1,340	22
Net interest yield (FTE basis)	**2.24%**	2.31%	
Return on average allocated equity	**9.19**	7.42	
Return on average economic capital [(1)]	**23.44**	19.57	
Efficiency ratio (FTE basis)	**82.84**	81.20	
Balance Sheet			
Average			
Total loans and leases	**$ 102,143**	$ 99,269	3
Total earning assets	**270,423**	246,236	10
Total assets	**290,357**	267,163	9
Total deposits	**254,777**	232,318	10
Allocated equity	**17,802**	18,068	(1)
Economic capital [(1)]	**7,106**	7,290	(3)
Year end			
Total loans and leases	**$ 103,459**	$ 100,724	3
Total earning assets	**263,347**	275,260	(4)
Total assets	**283,844**	296,251	(4)
Total deposits	**253,029**	257,982	(2)

(1) Return on average economic capital and economic capital are non-GAAP financial measures. For additional information on these measures, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Statistical Table XVI.

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

MLGWM's advisory business provides a high-touch client experience through a network of more than 17,000 financial advisors focused on clients with over $250,000 in total investable assets. *MLGWM* provides tailored solutions to meet our clients' needs through a full set of brokerage, banking and retirement products in both domestic and international locations.

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

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

In 2011, revenue from *MLGWM* was $13.5 billion, up eight percent from 2010 driven by an increase in asset management fees, due to higher average market levels, and long-term AUM flows, as well as higher net interest income. Revenue from *U.S. Trust* was $2.7 billion, which remained relatively unchanged from 2010 as an increase in asset management fees primarily from higher market levels was partially offset by lower net interest income. Revenue from *Retirement Services* was $1.0 billion, up 11 percent compared to 2010 primarily due to higher market levels.

GWIM results are impacted by the migration of clients and their related deposit and loan balances to or from *Deposits*, *CRES* and the ALM portfolio, as presented in the Migration Summary table. Migration in 2011 included the movement of balances to Merrill Edge, which is in *Deposits*. Subsequent to the date of the migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

Migration Summary

(Dollars in millions)	2011	2010
Average		
Total deposits – *GWIM* from / (to) *Deposits*	$ (2,032)	$ 2,486
Total loans – *GWIM* to *CRES* and the ALM portfolio	(174)	(1,405)
Year end		
Total deposits – *GWIM* from / (to) *Deposits*	$ (2,918)	$ 4,317
Total loans – *GWIM* to *CRES* and the ALM portfolio	(299)	(1,625)

Net income increased $295 million, or 22 percent, to $1.6 billion in 2011 compared to 2010 driven by higher net interest income, higher asset management fees and lower credit costs, partially offset by higher noninterest expense. Net interest income increased $369 million, or six percent, to $6.0 billion as the impact of higher average deposit balances more than offset the impact of a lower rate environment. Noninterest income increased $718 million, or seven percent, to $11.3 billion primarily due to higher asset management fees driven by higher average market levels in 2011 compared to 2010 and continued long-term AUM flows. The provision for credit losses decreased $248 million, or 38 percent, to $398 million driven by improving portfolio trends. Noninterest expense increased $1.2 billion, or nine percent, to $14.4 billion due to increased volume-driven expenses and personnel costs associated with continued investment in the business.

Client Balances

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

Client Balances by Type

	December 31	
(Dollars in millions)	2011	2010
Assets under management	$ 647,126	$ 643,343
Brokerage assets	1,024,193	1,064,516
Assets in custody	107,989	114,721
Deposits	253,029	257,982
Loans and leases	103,459	100,724
Total client balances	$ 2,135,796	$ 2,181,286

The decrease in client balances was driven by lower broad based market levels at December 31, 2011 compared to December 31, 2010 partially offset by client inflows, particularly into long-term AUM.

All Other

(Dollars in millions)		2011		2010	% Change
Net interest income (FTE basis)	$	**1,780**	$	3,656	(51)%
Noninterest income:					
Card income		**465**		615	(24)
Equity investment income		**7,037**		4,549	55
Gains on sales of debt securities		**3,098**		2,313	34
All other income (loss)		**2,821**		(1,438)	n/m
Total noninterest income		**13,421**		6,039	122
Total revenue, net of interest expense		**15,201**		9,695	57
Provision for credit losses		**6,173**		6,323	(2)
Goodwill impairment		**581**		—	n/m
Merger and restructuring charges		**638**		1,820	(65)
All other noninterest expense		**3,697**		3,957	(7)
Income (loss) before income taxes		**4,112**		(2,405)	n/m
Income tax benefit (FTE basis)		**(879)**		(3,877)	(77)
Net income	$	**4,991**	$	1,472	n/m
Balance Sheet					
Average					
Loans and leases:					
Residential Mortgage	$	**227,696**	$	210,052	8
Credit Card		**24,049**		28,013	(14)
Discontinued real estate		**12,106**		13,830	(12)
Other		**20,039**		29,747	(33)
Total loans and leases		**283,890**		281,642	1
Total assets [(1)]		**205,189**		293,577	(30)
Total deposits		**49,283**		67,945	(27)
Allocated equity [(2)]		**72,128**		38,884	85
Year end					
Loans and leases:					
Residential Mortgage	$	**224,654**	$	222,299	1
Credit Card		**14,418**		27,465	(48)
Discontinued real estate		**11,095**		13,108	(15)
Other		**17,454**		22,215	(21)
Total loans and leases		**267,621**		285,087	(6)
Total assets [(1)]		**180,435**		210,257	(14)
Total deposits		**32,870**		40,142	(18)

(1) For presentation purposes, in segments where the total of liabilities and equity exceeds assets, which are generally deposit-taking segments, we allocate assets to those segments to match liabilities (i.e., deposits) and allocated equity. Such allocated assets were $662.2 billion and $613.3 billion for 2011 and 2010, and $531.7 billion and $476.5 billion at December 31, 2011 and 2010. The allocation can result in total assets of less than total loans and leases in *All Other*.

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

n/m = not meaningful

All Other consists of two broad groupings, *Equity Investments* and *Other*. *Equity Investments* includes GPI, Strategic and other investments, and Corporate Investments. *Other* includes liquidating businesses, merger and restructuring charges, ALM functions such as the residential mortgage portfolio and investment securities, and related activities including economic hedges and gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. *Other* also includes certain residential mortgage and discontinued real estate loans that are managed by Legacy Asset Servicing within *CRES*. During 2011, we sold our Canadian consumer card business and we are evaluating our remaining international consumer card operations. As a result of these actions, we reclassified results from these businesses, including prior periods, from *Card Services* to *All Other*. For additional information on the other activities included in *All Other*, see *Note 26 – Business Segment Information* to the Consolidated Financial Statements.

All Other reported net income of $5.0 billion in 2011 compared to $1.5 billion in 2010 with the increase primarily due to higher noninterest income and lower merger and restructuring charges. Noninterest income increased due to positive fair value adjustments related to our own credit on structured liabilities of $3.3 billion in 2011 compared to $18 million in 2010. Equity investment income increased $2.5 billion as a result of a $6.5 billion gain from the sale of CCB shares (we currently hold approximately one percent of the outstanding common shares) partially offset by $1.1 billion of impairment charges on our merchant services joint venture and a decrease of $1.9 billion in GPI income. A non-cash, non-tax deductible goodwill impairment charge of $581 million was taken during the fourth quarter of 2011 as a result of a change in the estimated value of the European consumer card business. The prior year included $1.2 billion of gains on the sales of certain strategic investments. The provision for credit losses decreased $150 million to $6.2 billion driven by lower balances due primarily to divestitures; improvements in delinquencies, collections and insolvencies in the non-U.S. credit card portfolio; and continued run-off in the legacy Merrill Lynch commercial portfolio. These increases were largely offset by reserve additions to the Countrywide PCI discontinued real estate and residential mortgage portfolios and higher credit costs related to the non-PCI residential mortgage portfolio due primarily to the continuing decline in home prices.

The income tax benefit was $879 million compared to a benefit of $3.9 billion for 2010. The factors affecting taxes in *All Other* are discussed more fully in Financial Highlights – Income Tax Expense on page 28.

With the Merrill Lynch acquisition, we acquired a loan that is collateralized by U.S. super senior ABS CDOs, with a current carrying value of $3.1 billion at December 31, 2011, down from $4.2 billion at December 31, 2010 primarily due to paydowns. The loan is recorded in *All Other* and all scheduled payments on the loan have been received to date. The loan matures in September 2023. For more information on our CDO exposure, see *GBAM* – Collateralized Debt Obligation and Monoline Exposure on page 45.

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

Equity Investments

	December 31	
(Dollars in millions)	**2011**	2010
Global Principal Investments	**$ 5,627**	$ 11,640
Strategic and other investments	**1,296**	22,545
Total equity investments included in *All Other*	**$ 6,923**	$ 34,185

Equity Investment Income

(Dollars in millions)	**2011**	2010
Global Principal Investments	**$ 392**	$ 2,299
Strategic and other investments	**6,645**	2,543
Corporate Investments	**—**	(293)
Total equity investment income included in *All Other*	**7,037**	4,549
Total equity investment income included in the business segments	**323**	711
Total consolidated equity investment income	**$ 7,360**	$ 5,260

Equity investments included in *All Other* decreased $27.3 billion during 2011 consistent with our continued efforts to reduce non-core assets including reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from regulatory capital. For more information, see Capital Management – Regulatory Capital Changes on page 67.

GPI is comprised of a diversified portfolio of investments in private equity, real estate and other alternative investments. These investments are made either directly in a company or held through a fund with related income recorded in equity investment income. GPI had unfunded equity commitments of $710 million and $1.4 billion at December 31, 2011 and 2010 related to certain of these investments. The Corporation has actively reduced these commitments in a series of transactions involving its private equity fund investments.

Strategic and other investments included in *All Other* decreased $21.2 billion during 2011. The decrease was primarily the result of the sale of CCB shares and all of our investment in BlackRock during 2011. In connection with the sale of our investment in CCB, we recorded gains of $6.5 billion. At December 31, 2011 and 2010, we owned 2.0 billion shares and 25.6 billion shares representing approximately one percent and 10 percent of CCB. Sales restrictions on the remaining 2.0 billion CCB shares continue until August 2013 and accordingly these shares are carried at cost. At December 31, 2011 and 2010, the cost basis of our total investment in CCB was $716 million and $9.2 billion, the carrying value was $716 million and $19.7 billion, and the fair value was $1.4 billion and $20.8 billion. During 2011 and 2010, we recorded dividends of $836 million and $535 million from CCB. During 2011, we sold our remaining ownership interest of approximately 13.6 million preferred shares, or seven percent of BlackRock. In connection with the sale, we recorded a gain of $377 million. For more information, see *Note 5 – Securities* to the Consolidated Financial Statements.

During 2011, we recorded $1.1 billion of impairment charges on our merchant services joint venture. The joint venture had a carrying value of $3.4 billion and $4.7 billion at December 31, 2011 and 2010 with the reduction in carrying value primarily the result of the impairment charges. The impairment charges were based on the ongoing financial performance of the joint venture and updated forecasts of its long-term financial performance. Because of the recent transfer of the joint venture investment from *GBAM* to *Global Commercial Banking*, the impairment charges were recorded in *All Other*. For additional information, see *Note 5 – Securities* to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements and Contractual Obligations

We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into contractual arrangements whereby we commit to future purchases of products or services from unaffiliated parties. Obligations that are legally binding agreements whereby we agree to purchase products or services with a specific minimum quantity defined at a fixed, minimum or variable price over a specified period of time are defined as purchase obligations. Included in purchase obligations are commitments to purchase loans of $2.5 billion and vendor contracts of $15.7 billion. The most significant vendor contracts include communication services, processing services and software contracts. Other long-term liabilities include our contractual funding obligations related to the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans (the Plans). Obligations to the Plans are based on the current and projected obligations of the Plans, performance of the Plans' assets and any participant contributions, if applicable. During 2011 and 2010, we contributed $287 million and $395 million to the Plans, and we expect to make at least $337 million of contributions during 2012.

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

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

Table 10 presents total long-term debt and other obligations at December 31, 2011.

Table 10 Long-term Debt and Other Obligations

	December 31, 2011				
(Dollars in millions)	Due in One Year or Less	Due After One Year Through Three Years	Due After Three Years Through Five Years	Due After Five Years	Total
Long-term debt and capital leases	$ 97,415	$ 93,625	$ 48,539	$ 132,686	**$ 372,265**
Operating lease obligations	3,008	4,573	2,903	6,117	**16,601**
Purchase obligations	7,130	4,781	3,742	4,206	**19,859**
Time deposits	133,907	14,228	6,094	3,197	**157,426**
Other long-term liabilities	768	991	753	1,128	**3,640**
Total long-term debt and other obligations	$ 242,228	$ 118,198	$ 62,031	$ 147,334	**$ 569,791**

Representations and Warranties

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

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

For additional information about accounting for representations and warranties and our representations and warranties claims and exposures, see Recent Events – Private-label Securitization Settlement with the Bank of New York Mellon, Complex Accounting Estimates – Representations and Warranties, *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements and Item 1A. Risk Factors of this Annual Report on Form 10-K.

Representations and Warranties Bulk Settlement Actions

Beginning in the fourth quarter of 2010, we have settled, or entered into agreements to settle, certain bulk representations and warranties claims with a trustee for certain legacy Countrywide private-label securitization trusts (the BNY Mellon Settlement), a monoline insurer (the Assured Guaranty Settlement) and with each of the GSEs (the GSE Agreements). We have vigorously contested any request for repurchase when we conclude that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, we have reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with the above-referenced counterparties in lieu of a loan-by-loan review process. We may reach other settlements in the future if opportunities arise on terms we believe to be advantageous. For a summary of the larger bulk settlement actions we have taken beginning in 2010 and the related impact on the representations and warranties provision and liability, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements. As indicated in *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements, these bulk settlements generally do not cover all transactions with the relevant counterparties or all potential claims that may arise, including in some instances securities law, fraud and servicing claims, and our liability in connection with the transactions and claims not covered by these settlements could be material.

Recent Developments Related to the BNY Mellon Settlement

Under an order entered by the court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline; two of those groups or entities have subsequently withdrawn from the proceeding and one motion to intervene was denied. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both filed notices of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware, whose motions to intervene were granted. Parties who filed notices stating that they wished to obtain more information about the settlement include the FDIC and the Federal Housing Finance Agency. We are not a party to the proceeding.

Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement, including challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the Covered Trusts, while other motions do not make substantive objections but state that they need more information about the settlement. An investor opposed to the settlement removed the proceeding to federal court. On October 19, 2011, the federal court denied BNY Mellon's motion to remand the proceeding to state court. BNY Mellon, as well as the investors that have intervened in support of the BNY Mellon Settlement, petitioned to appeal the denial of this motion. On November 4, 2011, the district court entered a written order setting a discovery schedule, and discovery is ongoing. On December 27, 2011, the U.S. Court of Appeals for the Second Circuit accepted the appeal, and stated in an amended scheduling order that, pursuant to statute, it would rule on the appeal by February 27, 2012.

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

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

There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if we and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, our future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals described under Off-Balance Sheet Arrangements and Contractual Obligations – Experience with Investors Other than Government-sponsored Enterprises on page 55. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Unresolved Claims Status

At December 31, 2011, our total unresolved repurchase claims were approximately $14.3 billion compared to $10.7 billion at December 31, 2010. These repurchase claims include $1.7 billion in demands from investors in the Covered Trusts received in 2010 but otherwise do not include any repurchase claims related to the Covered Trusts. During 2011, we received $17.5 billion in new repurchase claims, including $14.3 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $3.2 billion in repurchase claims related to non-GSE transactions. During 2011, $14.1 billion in claims were resolved primarily with the GSEs and through the Assured Guaranty Settlement. Of the claims resolved, $7.5 billion were resolved through rescissions and $6.6 billion were resolved through mortgage repurchase and make-whole payments. The GSEs' repurchase requests, standards for rescission of repurchase requests and resolution processes have become increasingly inconsistent with the GSEs' own past conduct and our interpretation of contractual liabilities. These developments have resulted in an increase in claims outstanding from the GSEs. Claims outstanding from the monolines declined as a result of the Assured Guaranty Settlement, and new claims from other monolines declined significantly during 2011, which we believe was due in part to the monolines focusing recent efforts towards litigation. Outstanding claims from whole loan, private-label securitization and other investors increased during 2011 primarily as a result of the increase in repurchase claims received from trustees in non-GSE transactions. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly. For additional information concerning FHA-insured loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 57.

In addition to repurchase claims, we receive notices from mortgage insurance companies of claim denials, cancellations or coverage rescission (collectively, MI rescission notices) and the amount of such notices have remained elevated. When there is disagreement with the mortgage insurer as to the resolution of a MI rescission notice, meaningful dialogue and negotiation are generally necessary between the parties to reach a conclusion on an individual notice. The level of engagement of the mortgage insurance companies varies and on-going litigation involving some of the mortgage insurance companies over individual and bulk rescissions or claims for rescission limits our ability to engage in constructive dialogue leading to resolution.

For loans sold to GSEs or private-label securitization trusts (including those wrapped by the monoline bond insurers), a MI rescission may give rise to a claim for breach of the applicable representations and warranties, depending on the governing sale contracts. In those cases where the governing contracts contain a MI-related representation and warranty which upon rescission requires us to repurchase the affected loan or indemnify the investor for the related loss, we realize the loss without the benefit of MI. If we are required to repurchase a loan or indemnify the investor as a result of a different breach of representations and warranties and there has been a MI rescission, or if we hold the loan for investment, we realize the loss without the benefit of MI. In addition, mortgage insurance companies have in some cases asserted the ability to curtail MI payments, which in these cases would reduce the MI proceeds available to reduce such loss on the loan. While a legitimate MI rescission may constitute a valid basis for repurchase or other remedies under the GSE agreements and a small number of private-label MBS securitizations, and a MI rescission notice may result in a repurchase request, we believe MI rescission notices in and of themselves are not valid repurchase requests.

At December 31, 2011, we had approximately 90,000 open MI rescission notices compared to 72,000 at December 31, 2010. Through December 31, 2011, 26 percent of the MI rescission notices received have been resolved. Of those resolved, 24 percent were resolved through our acceptance of the MI rescission, 46 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 30 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of December 31, 2011, 74 percent of the MI rescission notices we have received have not yet been resolved. Of those not yet resolved, 48 percent are implicated by ongoing litigation where no loan-level review is currently contemplated (nor required to preserve our legal rights). In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. We are in the process of reviewing 11 percent of the remaining open MI rescission notices, and we have reviewed and are contesting the MI rescission with respect to 89 percent of these remaining open MI rescission notices. Of the remaining open MI rescission notices, 29 percent are also the subject of ongoing litigation although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation.

Representations and Warranties Liability

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income (loss). The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, which include depending on the counterparty, actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that a repurchase claim will be received, consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that a loan will be required to be repurchased as well as other relevant facts and circumstances, such as bulk settlements and identity of the counterparty or type of counterparty, as we believe appropriate. In the case of private-label securitizations, our estimate considers implied repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be met. The estimate of the liability for representations and warranties is based on currently available information, significant judgment and a number of factors, including those set forth above, that are subject to change.

At December 31, 2011 and 2010, the liability was $15.9 billion and $5.4 billion. For 2011, the provision for representations and warranties and corporate guarantees was $15.6 billion compared to $6.8 billion in 2010. Of the $15.6 billion provision recorded in 2011, $8.6 billion was attributable to the BNY Mellon Settlement and $7.0 billion was related to other exposures. The BNY Mellon Settlement led to the determination that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations. This determination combined with higher estimated GSE repurchase rates were the primary drivers of the balance of the provision in 2011. GSE repurchase rates increased driven by higher than expected claims during 2011, including claims on loans that defaulted more than 18 months prior to the repurchase request and on loans where the borrower has made a significant number of payments (e.g., at least 25 payments), in each case in numbers that were not expected based on historical claims. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on our results of operations for any particular period.

Estimated Range of Possible Loss

Government-sponsored Enterprises

Our estimated liability as of December 31, 2011 for obligations under representations and warranties with respect to GSE exposures is necessarily dependent on, and limited by, our historical claims experience with the GSEs. It includes our understanding of our agreements with the GSEs and projections of future defaults as well as certain other assumptions, and judgmental factors. Accordingly, future provisions associated with obligations under representations and warranties made to the

GSEs may be materially impacted if actual experiences are different from our assumptions. The GSEs' repurchase requests, standards for rescission of repurchase requests, and resolution processes have become increasingly inconsistent with the GSE's own past conduct and the Corporation's interpretation of its contractual obligations. These developments have resulted in an increase in claims outstanding from the GSEs. We intend to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms, and timing thereof, is subject to significant uncertainty.

We are not able to predict changes in the behavior of the GSEs based on our past experiences. Therefore, it is not possible to reasonably estimate a possible loss or range of possible loss with respect to any such potential impact in excess of current accrued liabilities. See Complex Accounting Estimates – Representations and Warranties on page 119 for information related to the sensitivity of the assumptions used to estimate our liability for obligations under representations and warranties.

Non-Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated principally in the 2004 through 2008 vintages. For the remainder of the population of private-label securitizations, we believe it is probable that other claimants in certain types of securitizations may come forward with claims that meet the requirements of the terms of the securitizations. We have seen an increased trend in requests for loan files from private-label securitization trustees and an increase in repurchase claims from private-label securitization trustees that meet the required standards. We believe that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of our non-GSE representations and warranties exposure. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, we have not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole loan and other private-label securitization exposures. We currently estimate that the range of possible loss related to non-GSE representations and warranties exposure as of December 31, 2011 could be up to $5 billion over existing accruals. The estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment, and a number of assumptions, including those set forth below, that are subject to change.

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

In addition, in the case of private-label securitizations, our estimate considers implied repurchase experience based on the BNY Mellon Settlement, adjusted to reflect differences between the Covered Trusts and the remainder of the population of private-label securitizations, and assumes that the conditions to the BNY Mellon Settlement will be satisfied. For additional information about the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual experiences are different from our assumptions in our predictive models, including, without limitation, those regarding ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and this estimated range of possible loss. For example, if courts were to disagree with our interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. Additionally, if recent court rulings related to monoline litigation, including one related to us, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative as compared to a loan-by-loan review. For additional information regarding these issues, see MBIA litigation in Litigation and Regulatory Matters in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements. Finally, although we believe that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, we do not have significant loan-level experience in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures do not include any losses related to litigation matters disclosed in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any possible losses related to potential claims for breaches of performance of servicing obligations (except as such losses are included as potential costs of the BNY Mellon Settlement), potential securities law or fraud claims or potential indemnity or other claims against us, including claims related to loans insured by the FHA. We are not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law (except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements), fraud or other claims against us; however, such loss could be material.

Government-sponsored Enterprises Experience

Our current repurchase claims experience with the GSEs is predominantly concentrated in the 2004 through 2008 origination vintages where we believe that our exposure to representations and warranties liability is most significant. Our repurchase claims experience related to loans originated prior to 2004 has not been significant and we believe that the changes made to our operations and underwriting policies have reduced our exposure related to loans originated after 2008.

Bank of America and legacy Countrywide sold approximately \$1.1 trillion of loans originated from 2004 through 2008 to the GSEs. As of December 31, 2011, 11 percent of the loans in these vintages have defaulted or are 180 days or more past due (severely delinquent). At least 25 payments have been made on approximately 65 percent of severely delinquent or defaulted loans. Through December 31, 2011, we have received \$32.4 billion in repurchase claims associated with these vintages, representing approximately three percent of the loans sold to the GSEs in these vintages. Including the agreement reached with FNMA on December 31, 2010, we have resolved \$25.7 billion of these claims with a net loss experience of approximately 31 percent. The claims resolved and the loss rate do not include \$839 million in claims extinguished as a result of the agreement with FHLMC due to the global nature of the agreement and, specifically, the absence of a formal apportionment of the agreement amount between current and future claims. Our collateral loss severity rate on approved repurchases has averaged approximately 45 to 55 percent.

Table 11 highlights our experience with the GSEs related to loans originated from 2004 through 2008. Outstanding GSE claims increased to \$6.3 billion, primarily attributable to \$14.3 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations. The high level of new claims was partially offset by the resolution of claims with the GSEs.

Table 11 Overview of GSE Balances – 2004-2008 Originations

	Legacy Originator			
(Dollars in billions)	Countrywide	Other	Total	Percent of Total
Original funded balance	$ 846	$ 272	**$ 1,118**	
Principal payments	(452)	(153)	**(605)**	
Defaults	(56)	(9)	**(65)**	
Total outstanding balance at December 31, 2011	**$ 338**	**$ 110**	**$ 448**	
Outstanding principal balance 180 days or more past due (severely delinquent)	$ 50	$ 12	**$ 62**	
Defaults plus severely delinquent	106	21	**127**	
Payments made by borrower:				
Less than 13			**$ 15**	**12%**
13-24			**30**	**23**
25-36			**34**	**27**
More than 36			**48**	**38**
Total payments made by borrower			**$ 127**	**100%**
Outstanding GSE representations and warranties claims (all vintages)				
As of December 31, 2010			**$ 2.8**	
As of December 31, 2011			**6.3**	
Cumulative GSE representations and warranties losses (2004-2008 vintages)			**$ 9.2**	

The GSEs' repurchase requests, standards for rescission of repurchase requests and resolution processes have become increasingly inconsistent with their past conduct as well as our interpretation of our contractual obligations. Notably, in recent periods we have been experiencing elevated levels of new claims from the GSEs, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case, in numbers that were not expected based on historical experience. Also, the criteria and the processes by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to us. These developments have resulted in an increase in claims outstanding from the GSEs. We intend to repurchase loans to the extent required under the contracts and standards that govern our relationships with the GSEs. While we are seeking to resolve our differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether we will be able to achieve a resolution of these differences on acceptable terms and timing thereof, is subject to significant uncertainty.

Beginning in February 2012, we are no longer delivering purchase money and non-MHA refinance first-lien residential mortgage products into FNMA MBS pools because of the expiration and mutual non-renewal of certain contractual delivery commitments and variances that permit efficient delivery of such loans to FNMA. While we continue to have a valid agreement with FNMA permitting the delivery of purchase money and non-MHA refinance first-lien residential mortgage products without such contractual variances, the delivery of such products without contractual delivery commitments and variances would involve time and expense to implement the necessary operational and systems changes and otherwise present practical operational issues. The non-renewal of these variances was influenced, in part, by our ongoing differences with FNMA in other contexts, including repurchase claims. We do not expect this change to have a material impact on our *CRES* business, as we expect to rely on other sources of liquidity to actively extend mortgage credit to our customers including continuing to deliver such products into FHLMC MBS pools. Additionally, we continue to deliver MHA refinancing products into FNMA MBS pools and continue to engage in dialogue to attempt to address these differences.

On June 30, 2011, FNMA issued an announcement requiring servicers to report, effective October 1, 2011, all MI rescission notices with respect to loans sold to FNMA. The announcement also confirmed FNMA's view of its position that a mortgage insurance company's issuance of a MI rescission notice constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. A related announcement included a ban on bulk settlements with mortgage insurers that provide for loss sharing in lieu of rescission. According to FNMA's announcement, through June 30, 2012, lenders have 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. According to FNMA's announcement, in order to be successful in its appeal, a lender must provide documentation confirming reinstatement or continuation of coverage. This announcement could result in more repurchase requests from FNMA than the assumptions in our estimated liability contemplate. We also expect that in many cases (particularly in the context of individual or bulk rescissions being contested through litigation), we will not be able to resolve MI rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the FNMA announcement. We have informed FNMA that we do not believe that the new policy is valid under our contracts with FNMA, and that we do not intend to repurchase loans under the terms set forth in the new policy. Our pipeline of outstanding repurchase claims from the GSEs resulting solely on MI rescission notices has increased during 2011 by $935 million to $1.2 billion at December 31, 2011. If we are required to abide by the terms of the new FNMA policy, our representations and warranties liability will likely increase.

Experience with Investors Other than Government-sponsored Enterprises

In prior years, legacy companies and certain subsidiaries have sold pools of first-lien mortgage loans and home equity loans as private-label securitizations or in the form of whole loans. As detailed in Table 12, legacy companies and certain subsidiaries sold loans originated from 2004 through 2008 with an original principal balance of $963 billion to investors other than GSEs (although the GSEs are investors in certain private-label securitizations), of which approximately $506 billion in principal has been paid and $239 billion has defaulted or are severely delinquent at December 31, 2011.

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

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

Table 12 details the population of loans originated between 2004 and 2008 and the population of loans sold as whole loans or in non-agency securitizations by entity and product together with the defaulted and severely delinquent loans stratified by the number of payments the borrower made prior to default or becoming severely delinquent at December 31, 2011. As shown in Table 12, at least 25 payments have been made on approximately 63 percent of the defaulted and severely delinquent loans. We believe many of the defaults observed in these securitizations have been, and continue to be, driven by external factors like the substantial depreciation in home prices, persistently high unemployment and other negative economic trends, diminishing the likelihood that any loan defect (assuming one exists at all) was the cause of a loan's default. As of December 31, 2011, approximately 25 percent of the loans sold to non-GSEs that were originated between 2004 and 2008 have defaulted or are severely delinquent. Of the original principal balance for Countrywide, $409 billion is included in the BNY Mellon Settlement.

Table 12 Overview of Non-Agency Securitization and Whole Loan Balances

(Dollars in billions)	Principal Balance		Defaulted or Severely Delinquent						
By Entity	Original Principal Balance	Outstanding Principal Balance December 31, 2011	Outstanding Principal Balance 180 Days or More Past Due	Defaulted Principal Balance	Defaulted or Severely Delinquent	Borrower Made less than 13 Payments	Borrower Made 13 to 24 Payments	Borrower Made 25 to 36 Payments	Borrower Made more than 36 Payments
Bank of America	$ 100	$ 28	$ 5	$ 4	$ 9	$ 1	$ 2	$ 2	$ 4
Countrywide	716	252	84	100	184	24	45	46	69
Merrill Lynch	65	19	6	12	18	3	4	3	8
First Franklin	82	21	7	21	28	4	6	5	13
Total (1, 2)	**$ 963**	**$ 320**	**$ 102**	**$ 137**	**$ 239**	**$ 32**	**$ 57**	**$ 56**	**$ 94**
By Product									
Prime	$ 302	$ 102	$ 17	$ 15	$ 32	$ 2	$ 6	$ 7	$ 17
Alt-A	172	71	20	28	48	7	12	12	17
Pay option	150	56	28	28	56	5	14	16	21
Subprime	245	74	34	49	83	16	19	17	31
Home Equity	88	15	1	16	17	2	5	4	6
Other	6	2	2	1	3	—	1	—	2
Total	**$ 963**	**$ 320**	**$ 102**	**$ 137**	**$ 239**	**$ 32**	**$ 57**	**$ 56**	**$ 94**

(1) Excludes transactions sponsored by Bank of America and Merrill Lynch where no representations or warranties were made.
(2) Includes exposures on third-party sponsored transactions related to legacy entity originations.

Monoline Insurers

Legacy companies sold $184.5 billion of loans originated between 2004 and 2008 into monoline-insured securitizations, which are included in Table 12, including $103.9 billion of first-lien mortgages and $80.6 billion of home equity mortgages. Of these balances, $45.9 billion of the first-lien mortgages and $50.4 billion of the home equity mortgages have been paid in full and $36.3 billion of the first-lien mortgages and $16.7 billion of the home equity mortgages have defaulted or are severely delinquent at December 31, 2011. At least 25 payments have been made on approximately 60 percent of the defaulted and severely delinquent loans. Of the first-lien mortgages sold, $39.1 billion, or 38 percent, were sold as whole loans to other institutions which subsequently included these loans with those of other originators in private-label securitization transactions in which the monolines typically insured one or more securities. Through December 31, 2011, we have received $6.0 billion of representations and warranties claims related to the monoline-insured transactions. Of these repurchase claims, $2.0 billion were resolved through the Assured Guaranty Settlement, $813 million were resolved through repurchase or indemnification with losses of $703 million and $138 million were rescinded by the investor or paid in full. The majority of these resolved claims related to home equity mortgages. Experience with most of the monoline insurers has varied in terms of process, and experience with these counterparties has not been predictable.

At December 31, 2011, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.1 billion, substantially all of which we have reviewed and declined to repurchase based on an assessment of whether a material breach exists. At December 31, 2011, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $6.1 billion, excluding loans that had been paid in full and file requests for loans included in the trusts settled with Assured Guaranty. There will likely be additional requests for loan files in the future leading to repurchase claims.

We have had limited experience with the monoline insurers, other than Assured Guaranty, in the repurchase process as each of these monoline insurers has instituted litigation against legacy Countrywide and/or Bank of America, which limits our ability to enter into constructive dialogue with these monolines to resolve the open claims. It is not possible at this time to reasonably estimate probable future repurchase obligations with respect to those monolines with whom we have limited repurchase experience and, therefore, no representations and warranties liability has been recorded in connection with these monolines, other than a liability for repurchase claims where we have determined that there are valid loan defects. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of December 31, 2011 included possible losses related to these monoline insurers.

Whole Loans and Private-label Securitizations

Legacy entities, and to a lesser extent Bank of America, sold loans to investors as whole loans or via private-label securitizations. The majority of the loans sold were included in private-label securitizations, including third-party sponsored transactions. The loans sold with total principal balance of $778.2 billion, included in Table 12, were originated between 2004 and 2008, of which $409.4 billion have been paid in full and $186.1 billion are defaulted or severely delinquent at December 31, 2011. In connection with these transactions, we provided representations and warranties, and the whole-loan investors may retain those rights even when the whole loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. At least 25 payments have been made on approximately 64 percent of the defaulted and severely delinquent loans. We have received approximately $10.9 billion of representations and warranties claims from whole-loan investors and private-label securitization investors related to these vintages, including $6.1 billion from whole-loan investors, $2.2 billion from private-label securitization trustees, $1.7 billion in claims from private-label securitization investors in the Covered Trusts received in 2010, and $819 million from one private-label securitization counterparty which were submitted prior to 2008. In private-label securitizations, certain representation thresholds need to be met in order for any repurchase claim to be asserted by the investors. The majority of the claims that we have received outside of those from the GSEs and monolines are from third-party whole-loan investors. However, the amount of claims received from private-label securitization trustees that meet the required standards has been increasing. In 2011, we received $2.1 billion of repurchase claims from private-label securitization trustees. In addition, there has been an increase in requests for loan files from private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statutes of limitation relating to representations and warranties claims, and we believe it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees that meet the required standards.

We have resolved $6.1 billion of the claims received from whole-loan investors and private-label securitization investors with losses of $1.4 billion. Approximately $2.8 billion of these claims were resolved through repurchase or indemnification and $3.3 billion were rescinded by the investor. Claims outstanding related to these vintages totaled $4.8 billion, including $2.8 billion that have been reviewed where it is believed a valid defect has not been identified which would constitute an actionable breach of representations and warranties and $2.0 billion that are in the process of review.

Certain whole-loan investors have engaged with us in a consistent repurchase process and we have used that experience to record a liability related to existing and future claims from such counterparties. The BNY Mellon Settlement led to the determination in the second quarter of 2011 that we had sufficient experience to record a liability related to our exposure on certain other private-label securitizations. However, the BNY Mellon Settlement did not provide sufficient experience related to certain private-label securitizations sponsored by third-party whole-loan investors. As it relates to certain private-label securitizations sponsored by third-party whole-loan investors and certain other whole loan sales, it is not possible to determine whether a loss has occurred or is probable and, therefore, no representations and warranties liability has been recorded in connection with these transactions. Our estimated range of possible loss related to non-GSE representations and warranties exposure as of December 31, 2011 included possible losses related to these whole loan sales and private-label securitizations sponsored by third-party whole-loan investors.

Private-label securitization investors generally do not have the contractual right to demand repurchase of loans directly or the right to access loan files. The inclusion of the $1.7 billion in outstanding claims noted on page 57 does not mean that we believe these claims have satisfied the contractual thresholds required for these investors to direct the securitization trustee to take action or that these claims are otherwise procedurally or substantively valid. One of these claimants has filed litigation against us relating to certain of these claims; the claims in this litigation would be extinguished if there is final court approval of the BNY Mellon Settlement. Additionally, certain private-label securitizations are insured by the monoline insurers, which are not reflected in these amounts regarding whole loan sales and private-label securitizations.

Other Mortgage-related Matters

Servicing Matters and Foreclosure Processes

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

In October 2010, we voluntarily stopped taking residential mortgage foreclosure proceedings to judgment in states where foreclosure requires a court order following a legal proceeding (judicial states) and stopped foreclosure sales in all states in order to complete an assessment of related business processes. We have resumed foreclosure sales in nearly all non-judicial states. While we have resumed foreclosure proceedings in nearly all judicial states, our progress on foreclosure sales in judicial states has been much slower than in non-judicial states. The pace of foreclosure sales in judicial states increased significantly by the fourth quarter of 2011. However, there continues to be a backlog of foreclosure inventory in judicial states. The implementation of changes in procedures and controls, including loss mitigation procedures related to our ability to recover on FHA-insurance related claims, and governmental, regulatory and judicial actions, may result in continuing delays in foreclosure proceedings and foreclosure sales, and create obstacles to the collection of certain fees and expenses, in both judicial and non-judicial foreclosures.

We entered into a consent order with the Federal Reserve and BANA entered into a consent order with the OCC on April 13, 2011. These consent orders require servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes, adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan and implementation of enhanced controls over third-party vendors that provide default servicing support services. In addition, the OCC consent order required that we retain an independent consultant, approved by the OCC, to conduct a review of all foreclosure actions pending, or foreclosure sales that occurred, between January 1, 2009 and December 31, 2010 and submit a plan to the OCC to remediate all financial injury to borrowers caused by any deficiencies identified through the review. The review is comprised of two parts: a sample file review conducted by the independent consultant, which began in October 2011, and file reviews by the independent consultant based upon requests for review from customers with in-scope foreclosures. We began outreach to those customers in November 2011, and additional outreach efforts are underway. Because the review process is available to a large number of potentially eligible borrowers and involves an examination of many details and documents, each review could take several months to complete. We cannot yet accurately determine how many borrowers will ultimately request a review, how many borrowers will meet the eligibility requirements or how much in compensation might ultimately be paid to eligible borrowers.

We continue to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to our past and current servicing and foreclosure activities, including those claims not covered by the Servicing Resolution Agreements, defined below. This scrutiny may extend beyond our pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. The current environment of heightened regulatory scrutiny may subject us to inquiries or investigations that could significantly adversely affect our reputation and result in material costs to us.

Servicing Resolution Agreements

On February 9, 2012, we reached agreements in principle (collectively, the Servicing Resolution Agreements) with (1) the DOJ, various federal regulatory agencies and 49 state attorneys general to resolve federal and state investigations into certain origination, servicing and foreclosure practices (the Global AIP), (2) the Federal Housing Administration (the FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by Countrywide prior to and for a period following our acquisition of that lender (the FHA AIP) and (3) each of the Federal Reserve and the OCC regarding civil monetary penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011 (the Consent Order AIPs). The Servicing Resolution Agreements are subject to ongoing discussions among the parties and completion and execution of definitive documentation, as well as required regulatory and court approvals. There can be no assurance as to when or whether binding settlement agreements will be reached, that they will be on terms consistent with the Servicing Resolution Agreements, or as to when or whether the necessary approvals will be obtained and the settlements will be finalized.

The Global AIP calls for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, principal reduction, short sales, deeds-in-lieu of foreclosure, and approximately $1.0 billion in refinancing assistance. We could be required to make additional payments if we fail to meet our borrower assistance and refinancing assistance commitments over a three-year period. In addition, we could be required to pay an additional $350 million if we fail to meet certain first-lien principal reduction thresholds over a three-year period. We also entered into agreements with several states under which we committed to perform certain minimum levels of principal reduction and related activities within those states as part of the Global AIP, and under which we could be required to make additional payments if we fail to meet such minimum levels.

The FHA AIP provides for an upfront cash payment of $500 million and the FHA would release us from all claims arising from loans originated on or before April 30, 2009 that were submitted for FHA insurance claim payments prior to January 1, 2012, and from multiple damages and penalties for loans that were originated on or before April 30, 2009, but had not been submitted for FHA insurance claim payment. An additional $500 million would be payable if we fail to meet certain principal reduction thresholds over a three-year period.

Pursuant to an agreement in principle, the OCC agreed to hold in abeyance the imposition of a civil monetary penalty of $164 million. Pursuant to a separate agreement in principle, the Federal Reserve will assess a civil monetary penalty in the amount of $176 million against us. Satisfying our payment, borrower assistance and remediation obligations under the Global AIP will satisfy any civil monetary penalty obligations arising under these agreements in principle. If, however, we do not make certain required payments or undertake certain required actions under the Global AIP, the OCC will assess, and the Federal Reserve will require us to pay, the difference between the aggregate value of the payments and actions under these agreements in principle and the penalty amounts.

Under the terms of the Global AIP, the federal and participating state governments would release us from further liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies. In settling origination issues related to FHA guaranteed loans originated on or before April 30, 2009, the FHA would provide us and our affiliates a release for all claims with respect to such loans if an insurance claim had been submitted to the FHA prior to January 1, 2012 and a release of multiple damages and penalties (but not single damages) if no such claim had been submitted.

The financial impact of the Servicing Resolution Agreements is not expected to require any additional reserves over existing accruals as of December 31, 2011, based on our understanding of the terms of the Servicing Resolution Agreements. The refinancing assistance commitment under the Servicing Resolution Agreements is expected to be recognized as lower interest income in future periods as qualified borrowers pay reduced interest rates on loans refinanced. Although we may incur additional operating costs (e.g., servicing costs) to implement parts of the Servicing Resolution Agreements in future periods, it is expected that those costs will not be material.

The Servicing Resolution Agreements do not cover claims arising out of securitization (including representations made to investors respecting MBS), criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration Systems, Inc. (MERS), and claims by the GSEs (including repurchase demands), among other items. Failure to finalize the documentation related to the Servicing Resolution Agreements, to obtain the required court and regulatory approvals, to meet our borrower and refinancing commitments or other adverse developments with respect to the foregoing could have a material adverse effect on our financial condition and results of operations.

Mortgage Electronic Registration Systems, Inc.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgage loans. There has been significant public commentary regarding the common industry practice of recording mortgages in the name of MERS, as nominee on behalf of the note holder, and whether securitization trusts own the loans purported to be conveyed to them and have valid liens securing those loans. We currently use the MERS system for a substantial portion of the residential mortgage loans that we originate, including loans that have been sold to investors or securitization trusts. A component of the OCC consent order requires significant changes in the manner in which we service loans identifying MERS as the mortgagee. Additionally, certain local and state governments have commenced legal actions against us, MERS, and other MERS members, questioning the validity of the MERS model. Other challenges have also been made to the process for transferring mortgage loans to securitization trusts, asserting that having a mortgagee of record that is different than the holder of the mortgage note could "break the chain of title" and cloud the ownership of the loan. In order to foreclose on a mortgage loan, in certain cases it may be necessary or prudent for an assignment of the mortgage to be made to the holder of the note, which in the case of a mortgage held in the name of MERS as nominee would need to be completed by a MERS signing officer. As such, our practice is to obtain assignments of mortgages from MERS prior to instituting foreclosure. If certain required documents are missing or defective, or if the use of MERS is found not to be valid, we could be obligated to cure certain defects or in some circumstances be subject to additional costs and expenses. Our use of MERS as nominee for the mortgage may also create reputational risks for us.

Impact of Foreclosure Delays

In 2011, we incurred $1.8 billion of mortgage-related assessments and waivers costs which included $1.3 billion for compensatory fees that we expect to be claimed by the GSEs as a result of foreclosure delays with the remainder being out-of-pocket costs that we do not expect to recover because of foreclosure delays. We expect that mortgage-related assessments and waivers costs, compensatory fees assessed by the GSEs and other costs associated with foreclosures will remain elevated as additional loans are delayed in the foreclosure process, although we believe that the governing contracts, our course of dealing, and collective past practices and understandings should inform resolution of these matters. We also expect additional costs related to resources necessary to perform the foreclosure process assessment and to implement other operational changes will continue. This will likely result in continued higher noninterest expense, including higher default servicing costs and legal expenses in *CRES*, and has impacted and may continue to impact the value of our MSRs related to these serviced loans. It is also possible that the delays in foreclosure sales may result in additional costs and expenses, including costs associated with the maintenance of properties or possible home price declines while foreclosures are delayed. In addition, required process changes, including those required under the consent orders with federal bank regulators, are likely to result in further increases in our default servicing costs over the longer term. Finally, the time to complete foreclosure sales may continue to be protracted, which may result in a greater number of nonperforming loans and increased servicing advances and may impact the collectability of such advances and the value of our MSR asset, MBS and real estate owned properties.

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

Mortgage-related Settlements – Servicing Matters

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

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

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

In addition, in connection with the Servicing Resolution Agreements, BANA has agreed to implement certain additional servicing changes. The uniform servicing standards established under the Servicing Resolution Agreements are broadly consistent with the residential mortgage servicing practices imposed by the OCC consent order, however they are more prescriptive and cover a broader range of our residential mortgage servicing activities. These standards are intended to strengthen procedural safeguards and documentation requirements associated with foreclosure, bankruptcy, and loss mitigation activities, as well as addressing the imposition of fees and the integrity of documentation, with a goal of ensuring greater transparency for borrowers. These uniform servicing standards also obligate us to implement compliance processes reasonably designed to provide assurance of the achievement of these objectives. Compliance with the uniform servicing standards will be assessed by a monitor based on the measurement of outcomes with respect to these objectives. Implementation of these uniform servicing standards is expected to incrementally increase costs associated with the servicing process, but is not expected to result in material delays or dislocation in the performance of our mortgage servicing obligations, including the completion of foreclosures.

Regulatory Matters

See Item 1A. Risk Factors of this Annual Report on Form 10-K and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements for additional information regarding regulatory matters and risks.

Financial Reform Act

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

Debit Interchange Fees

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment effective on October 1, 2011 which, among other things, established a regulatory cap for many types of debit interchange transactions to equal no more than 21 cents plus five bps of the value of the transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements, with which we are currently in compliance. The Federal Reserve also approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which are effective April 1, 2012. For additional information, see *Card Services* on page 35.

Limitations on Proprietary Trading

On October 11, 2011, the Federal Reserve, OCC, FDIC and Securities and Exchange Commission (SEC), representing four of the five regulatory agencies charged with promulgating regulations implementing limitations on proprietary trading as well as the sponsorship of or investment in hedge funds and private equity funds (the Volcker Rule) established by the Financial Reform Act, released for comment proposed implementing regulations. On January 11, 2012, the Commodity Futures Trading Commission (CFTC), the fifth agency, released for comment its proposed regulations under the Volcker Rule. The proposed regulations include clarifications to the definition of proprietary trading and distinctions between permitted and prohibited activities. However, in light of the complexity of the proposed regulations and the large volume of comments received (the proposal requested comments on over 1,300 questions on 400 different topics), it is not possible to predict the content of the final regulations or when they will be issued.

The statutory provisions of the Volcker Rule will become effective on July 21, 2012, whether or not the final regulations are adopted, and it gives certain financial institutions two years from the effective date, with opportunities for additional extensions, to bring activities and investments into compliance. Although *GBAM* exited its stand-alone proprietary trading business as of June 30, 2011 in anticipation of the Volcker Rule and further to our initiative to optimize our balance sheet, the ultimate impact of the Volcker Rule on us remains uncertain. However, based upon the content of the proposed regulations, it is possible that the implementation of the Volcker Rule could limit or restrict our remaining trading activities. Implementation of the Volcker Rule could also limit or restrict our ability to sponsor and hold ownership interests in hedge funds, private equity funds and other subsidiary operations, increase our operational and compliance costs, reduce our trading revenues and adversely affect our results of operations. For additional information about our trading business, see *GBAM* on page 43.

Derivatives

The Financial Reform Act includes measures to broaden the scope of derivative instruments subject to regulation by requiring clearing and exchange trading of certain derivatives; imposing new capital, margin, reporting, registration and business conduct requirements for certain market participants; and imposing position limits on certain OTC derivatives. The Financial Reform Act required regulators to promulgate the rulemakings necessary to implement these regulations by July 16, 2011. However, the rulemaking process was not completed as of this date, and is not expected to conclude until well into 2012. Further, the regulators granted temporary relief from certain requirements that would have taken effect on July 16, 2011 absent any rulemaking. The SEC temporary relief is effective until final rules relevant to each requirement become effective. The CFTC temporary relief is effective until the earlier of July 16, 2012 or the date on which final rules relevant to each requirement become effective. The ultimate impact of these derivatives regulations and the time it will take to comply continues to remain uncertain. The final regulations will impose additional operational and compliance costs on us and may require us to restructure certain businesses, thereby negatively impacting our revenues and results of operations.

FDIC Deposit Insurance Assessments

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

Recovery and Resolution Planning

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

On January 17, 2012, the FDIC approved a final rule requiring resolution plans for insured banks with total assets of $50 billion or more. If the FDIC and the Federal Reserve determine that a company's plan is not credible and the company fails to cure the deficiencies in a timely manner, then the FDIC and the Federal Reserve may jointly impose on the company, or any of its subsidiaries, more stringent capital, leverage or liquidity requirements or restrictions on growth, activities or operations. The Corporation's initial plan is required to be submitted on or before July 1, 2012, and updated annually. Similarly, in the U.K., the Financial Services Authority (FSA) has issued proposed rules requiring the submission of significant information about certain U.K. incorporated subsidiaries, including information on intra-group dependencies and legal entity separation, to allow the FSA to develop resolution plans. As a result of the FSA review, we could be required to take certain actions over the next several years which could impose operational costs and potentially result in the restructuring of certain business and subsidiaries.

Orderly Liquidation Authority

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

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

Credit Risk Retention

On March 29, 2011, federal regulators jointly issued a proposed rule regarding credit risk retention that would, among other things, require retention by sponsors of at least five percent of the credit risk of the assets underlying certain ABS and MBS securitizations and would limit the ability to transfer or hedge that credit risk. The proposed rule as currently written would likely have an adverse impact on our ability to engage in many types of the MBS and ABS securitizations conducted in *CRES*, *GBAM* and other business segments, impose additional operational and compliance costs on us, and negatively influence the value, liquidity and transferability of ABS or MBS, loans and other assets. However, it remains unclear what requirements will be included in the final rule and what the ultimate impact of the final rule will be on our *CRES*, *GBAM* and other business segments or on our results of operations.

The Consumer Financial Protection Bureau

The Financial Reform Act established the Consumer Financial Protection Bureau (CFPB) to regulate the offering of consumer financial products or services under federal consumer financial laws. In addition, the CFPB was granted general authority to prevent covered persons or service providers from committing or engaging in unfair, deceptive or abusive acts or practices under federal law in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. Pursuant to the Financial Reform Act, on July 21, 2011, certain federal consumer financial protection statutes and related regulatory authority were transferred to the CFPB. Consequently, certain federal consumer financial laws to which the Corporation is subject, including, but not limited to, the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Electronic Fund Transfers Act, Fair Credit Reporting Act, Truth in Lending and Truth in Savings Acts will be enforced by the CFPB, subject to certain statutory limitations. On January 4, 2012, the CFPB's first director was appointed, and accordingly, was vested with full authority to exercise all supervisory, enforcement and rulemaking authorities granted to the CFPB under the Financial Reform Act, including its supervisory powers over non-bank financial institutions such as pay-day lenders and other types of non-bank financial institutions.

Certain Other Provisions

The Financial Reform Act also expands the role of state regulators in enforcing consumer protection requirements over banks and disqualifies trust preferred securities and other hybrid capital securities from Tier 1 capital. Many of the provisions under the Financial Reform Act have begun to be phased in or will be phased in over the next several months or years and will be subject both to further rulemaking and the discretion of applicable regulatory bodies. For additional information regarding regulatory capital and other rules proposed by federal regulators, see Capital Management – Regulatory Capital Changes on page 67.

The Financial Reform Act will continue to have a significant and negative impact on our earnings through fee reductions, higher costs and new restrictions, as well as reductions to available capital. The Financial Reform Act may also continue to have a material adverse impact on the value of certain assets and liabilities held on our balance sheet. The ultimate impact of the Financial Reform Act on our businesses and results of operations will depend on regulatory interpretation and rulemaking, as well as the success of any of our actions to mitigate the negative earnings impact of certain provisions. For information on the impact of the Financial Reform Act on our credit ratings, see Liquidity Risk on page 70.

Transactions with Affiliates

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

Other Matters

The Corporation has established guidelines and policies for managing capital across its subsidiaries. The guidance for the Corporation's subsidiaries with regulatory capital requirements, including branch operations of banking subsidiaries, requires each entity to maintain satisfactory capital levels. This includes setting internal capital targets for the U.S. bank subsidiaries to exceed "well capitalized" levels. The U.K. has adopted increased capital and liquidity requirements for local financial institutions, including regulated U.K. subsidiaries of non-U.K. bank holding companies and other financial institutions as well as branches of non-U.K. banks located in the U.K. In addition, the U.K. has proposed the creation and production of recovery and resolution plans, commonly referred to as living wills, by such entities. We are currently monitoring the impact of these initiatives.

Managing Risk

Overview

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

Strategic risk is the risk that results from adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, regulatory environment, business strategy execution, and/or other inherent risks of the business including reputational risk. Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as interest rate movements. Liquidity risk is the inability to meet contractual and contingent financial obligations, on-or off-balance sheet, as they come due. Compliance risk is the risk that arises from the failure to adhere to laws, rules, regulations, or internal policies and procedures. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Reputational risk is the potential that negative publicity regarding an organization's conduct or business practices will adversely affect its profitability, operations or customer base, or result in costly litigation or require other measures. Reputational risk is evaluated along with all of the risk categories and throughout the risk management process, and as such is not discussed separately herein. The following sections, Strategic Risk Management on page 65, Capital Management on page 65, Liquidity Risk on page 70, Credit Risk Management on page 74, Market Risk Management on page 106, Compliance Risk Management and Operational Risk Management both on page 113, address in more detail the specific procedures, measures and analyses of the major categories of risk that we manage.

In choosing when and how to take risks, we evaluate our capacity for risk and seek to protect our brand and reputation, our financial flexibility, the value of our assets and the strategic potential of the Corporation. We intend to maintain a strong and flexible financial position. We also intend to focus on maintaining our relevance and value to customers, employees and shareholders. As part of our efforts to achieve these objectives, we continue to build a comprehensive risk management culture and to implement governance and control measures to strengthen that culture.

We take a comprehensive approach to risk management. We have a defined risk framework and clearly articulated risk appetite which is approved annually by the Corporation's Board of Directors (the Board). Risk management planning is integrated with strategic, financial and customer/client planning so that goals and responsibilities are aligned across the organization. Risk is managed in a systematic manner by focusing on the Corporation as a whole as well as managing risk across the enterprise and within individual business units, products, services and transactions, and across all geographic locations. We maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities.

Executive management assesses, and the Board oversees, the risk-adjusted returns of each business segment. Management reviews and approves strategic and financial operating plans, and recommends to the Board for approval a financial plan annually. By allocating economic capital to and establishing a risk appetite for a business segment, we seek to effectively manage the ability to take on risk. Economic capital is assigned to each business segment using a risk-adjusted methodology incorporating each segment's stand-alone credit, market, interest rate and operational risk components, and is used to measure risk-adjusted returns.

In addition to reputational considerations, businesses operate within their credit, market, compliance and operational risk standards and limits in order to adhere to the risk appetite. These limits are based on analyses of risk and reward in each business, and executive management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. The Board monitors financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite and the adequacy of internal controls through its committees.

The Board has completed its review of the Risk Framework and the Risk Appetite Statement for the Corporation, and both the Risk Framework and Risk Appetite Statement were approved in January 2012. The Risk Framework defines the accountability of the Corporation and its employees and the Risk Appetite Statement defines the parameters under which we will take risk. Both documents are intended to enable us to maximize our long-term results and ensure the integrity of our assets and the quality of our earnings. The Risk Framework is designed to be used by our employees to understand risk management activities, including their individual roles and accountabilities. It also defines how risk management is integrated into our core business processes, and it defines the risk management governance structure, including management's involvement. The risk management responsibilities of the businesses, governance and control functions, and Corporate Audit are also clearly defined. The risk management process includes four critical elements: identify and measure risk, mitigate and control risk, monitor and test risk, and report and review risk, and is applied across all business activities to enable an integrated and comprehensive review of risk consistent with the Board's Risk Appetite Statement.

Risk Management Processes and Methods

To support our corporate goals and objectives, risk appetite, and business and risk strategies, we maintain a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Board. All employees have accountability for risk management. Each employee's risk management responsibilities falls into one of three major categories: businesses, governance and control, and Corporate Audit.

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

Governance and control functions are comprised of Global Risk Management, Global Compliance, Legal and the enterprise control functions and are tasked with independently overseeing and managing risk activities. Global Compliance (which included Regulatory Relations) and Legal report to the Chief Legal, Compliance and Regulatory Relations Executive. Enterprise control functions consist of the Chief Financial Officer Group, Global Technology and Operations, Global Human Resources, Global Marketing and Corporate Affairs.

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

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

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

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

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

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

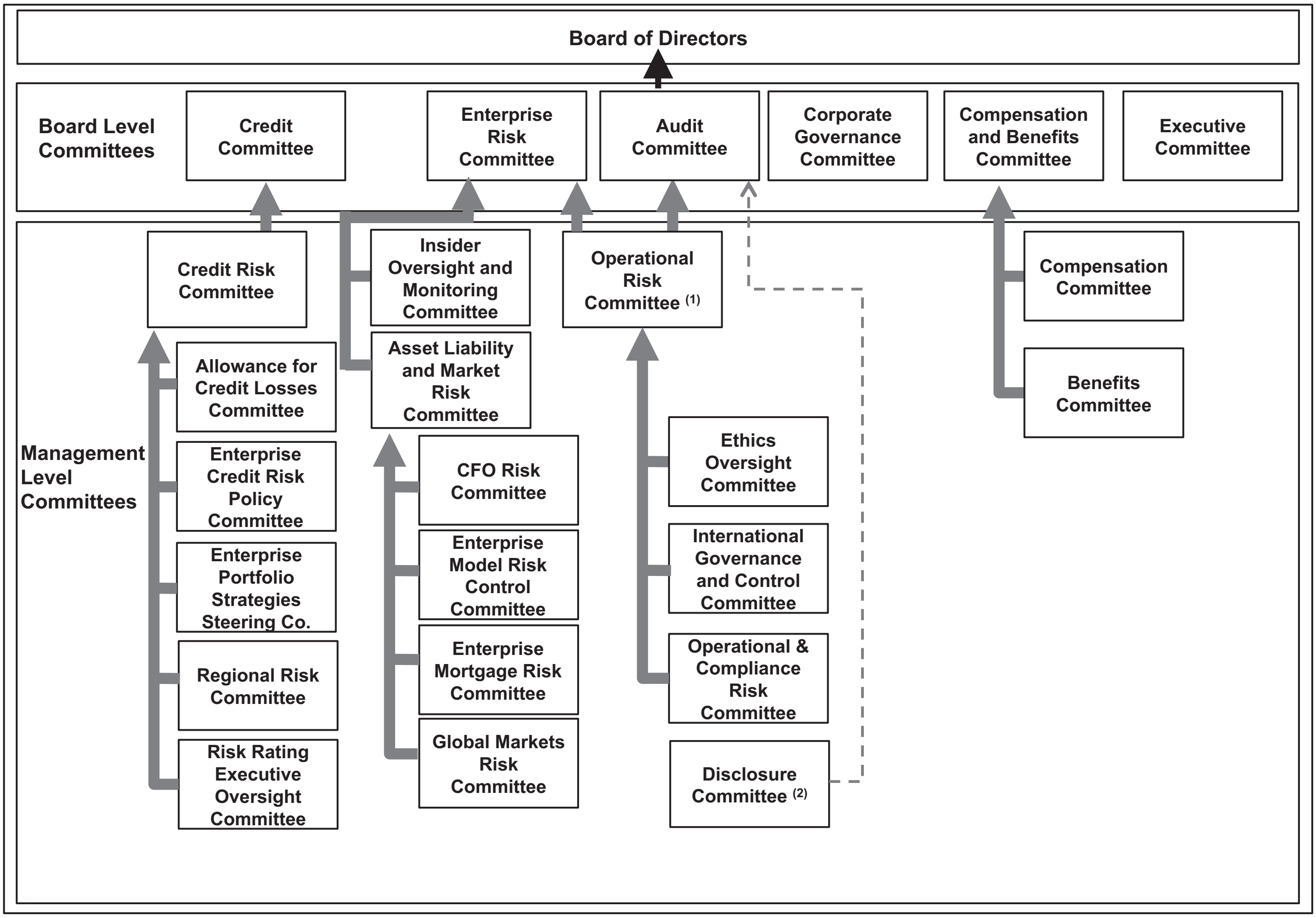
One of the key tools of the risk management process is the use of Risk and Control Self Assessments (RCSAs). RCSAs are the primary method for facilitating the management of Business Environment and Internal Control Factor data. The end-to-end RCSA process incorporates risk identification and assessment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

The formal processes used to manage risk represent a part of our overall risk management process. Corporate culture and the actions of our employees are also critical to effective risk management. Through our Code of Ethics, we set a high standard for our employees. The Code of Ethics provides a framework for all of our employees to conduct themselves with the highest integrity. We instill a strong and comprehensive risk management culture through communications, training, policies, procedures, and organizational roles and responsibilities. Additionally, we continue to strengthen the link between the employee performance management process and individual compensation to encourage employees to work toward enterprise-wide risk goals.

Board Oversight of Risk

The Board, comprised of a majority of independent directors, including an independent Chairman of the Board, oversees the management of the Corporation through a governance structure that includes Board committees and management committees. The Board's standing committees that oversee the management of the majority of the risks faced by the Corporation include the Audit and Enterprise Risk Committees, comprised of independent directors, and the Credit Committee, comprised of non-management directors. This governance structure is designed to align the interests of the Board and management with those of our stockholders and to foster integrity throughout the Corporation.

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



(1) Compliance Risk activities, including Ethics Oversight, are required to be reviewed by the Audit Committee and Operational Risk activities are required to be reviewed by the Enterprise Risk Committee.

(2) The Disclosure Committee assists the CEO and CFO in fulfilling their responsibility for the accuracy and timeliness of the Corporation's disclosures and reports the results of the process to the Audit Committee.

Our Board's Audit, Credit and Enterprise Risk Committees have the principal responsibility for assisting the Board with enterprise-wide oversight of the Corporation's management and handling of risk.

Our Audit Committee assists the Board in the oversight of, among other things, the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements, and the overall effectiveness of our system of internal controls. Our Audit Committee also, taking into consideration the Board's allocation of the review of risk among various committees of the Board, discusses with management guidelines and policies to govern the process by which risk assessment and risk management are undertaken, including the assessment of our major financial risk exposures and the steps management has taken to monitor and control such exposures.

Our Credit Committee oversees, among other things, the identification and management of our credit exposures on an enterprise-wide basis, our responses to trends affecting those exposures, the adequacy of the allowance for credit losses and our credit related policies.

Our Enterprise Risk Committee, among other things, oversees our identification of, management of and planning for, material risks on an enterprise-wide basis, including market risk, interest rate risk, liquidity risk, operational risk and reputational risk. Our Enterprise Risk Committee also oversees our capital management and liquidity planning.

Each of these committees regularly reports to our Board on risk-related matters within the committee's responsibilities, which collectively provides our Board with integrated, thorough insight about our management of our enterprise-wide risks. At meetings of our Audit, Credit and Enterprise Risk Committees and our Board, directors receive updates from management regarding enterprise risk management, including our performance against our risk appetite.

Executive management develops for Board approval the Corporation's Risk Framework, Risk Appetite Statement, and financial operating plans. Management monitors, and the Board oversees, through the Credit, Enterprise Risk and Audit Committees, financial performance, execution of the strategic and financial operating plans, compliance with the risk appetite, and the adequacy of internal controls.

Strategic Risk Management

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

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

We use proprietary models to measure the capital requirements for credit, country, market, operational and strategic risks. The economic capital assigned to each business is based on its unique risk exposures. With oversight by the Board, executive management assesses the risk-adjusted returns of each business in approving strategic and financial operating plans. The businesses use economic capital to define business strategies, price products and transactions, and evaluate client profitability. For additional information on how this measure is calculated, see Supplemental Financial Data on page 32.

Capital Management

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

To determine the appropriate level of capital, we assess the results of our Internal Capital Adequacy Assessment Process (ICAAP), the current economic and market environment, and feedback from investors, rating agencies and regulators. Based upon this analysis we set capital guidelines for Tier 1 common capital and Tier 1 capital to ensure we can maintain an adequate capital position in a severe adverse economic scenario. We also target to maintain capital in excess of the capital required per our economic capital measurement process. For additional information, see Economic Capital on page 69. Management and the Board annually approve a comprehensive Capital Plan which documents the ICAAP and related results, analysis and support for the capital guidelines, and planned capital actions and capital adequacy assessment.

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

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

Regulatory Capital

As a financial services holding company, we are subject to the risk-based capital guidelines (Basel I) issued by federal banking regulators. At December 31, 2011, we operated banking activities primarily under two charters: BANA and FIA Card Services, N.A. (FIA). Under these guidelines, the Corporation and its affiliated banking entities measure capital adequacy based on Tier 1 common capital, Tier 1 capital and Total capital (Tier 1 plus Tier 2 capital). Capital ratios are calculated by dividing each capital amount by risk-weighted assets. Additionally, Tier 1 capital is divided by adjusted quarterly average total assets to derive the Tier 1 leverage ratio.

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

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

The Corporation has issued notes to certain unconsolidated corporate-sponsored trust companies which issued Trust Securities and hybrid securities. In accordance with Federal Reserve guidance, Trust Securities continue to qualify as Tier 1 capital with revised quantitative limits. As a result, the Corporation includes qualifying Trust Securities in Tier 1 capital. The Financial Reform Act includes a provision under which the Corporation's outstanding Trust Securities in the aggregate amount of $16.1 billion (approximately 125 bps of Tier 1 capital) at December 31, 2011 will be excluded from Tier 1 capital, with the exclusion to be phased in incrementally over a three-year period beginning January 1, 2013. This amount excludes $633 million of hybrid Trust Securities that are expected to be converted to preferred stock prior to the date of implementation. The treatment of Trust Securities during the phase-in period is unknown and is subject to future rulemaking.

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

Capital Composition and Ratios

Tier 1 common capital increased $1.6 billion to $126.7 billion at December 31, 2011 compared to 2010. The increase was driven primarily by the sale of CCB shares, the exchanges of preferred shares, Trust Securities and hybrid securities for common stock and debt, and the warrants issued in connection with the investment made by Berkshire, partially offset by an increase in deferred tax assets disallowed for regulatory capital purposes. The sales related to CCB increased Tier 1 common capital $6.4

billion, or approximately 55 bps, while the exchanges increased Tier 1 common capital $3.9 billion, or approximately 29 bps. The warrants related to Berkshire, increased Tier 1 common capital approximately $2.1 billion, or 15 bps. The $8.1 billion increase in the deferred tax asset disallowance at December 31, 2011 compared to 2010 was primarily due to the expiration of the longer look-forward period granted by regulators at the time of the Merrill Lynch acquisition and an increase in net deferred tax assets. Tier 1 capital and Total capital decreased $4.4 billion and $14.5 billion at December 31, 2011 compared to 2010. For additional information regarding the sale of our investment in CCB, see *Note 5 – Securities* to the Consolidated Financial Statements. For additional information regarding the exchanges and the investment made by Berkshire, see *Note 13 – Long-term Debt* and *Note 15 – Shareholders' Equity* to the Consolidated Financial Statements.

Risk-weighted assets decreased $172 billion to $1,284 billion at December 31, 2011 compared to 2010. The decrease was driven in part by our sale of CCB shares and our Canadian card business and is consistent with our continued efforts to reduce non-core assets and legacy loan portfolios. The Tier 1 common capital ratio, the Tier 1 capital ratio and the Total capital ratio increased due to the decline in risk-weighted assets. The Tier 1 leverage ratio increased compared to 2010 reflecting the decrease in Tier 1 capital and a reduction in adjusted quarterly average total assets.

Table 13 presents Bank of America Corporation's capital ratios and related information at December 31, 2011 and 2010.

Table 13 Bank of America Corporation Regulatory Capital

	December 31	
(Dollars in billions)	2011	2010
Tier 1 common capital ratio	9.86%	8.60%
Tier 1 capital ratio	12.40	11.24
Total capital ratio	16.75	15.77
Tier 1 leverage ratio	7.53	7.21
Risk-weighted assets	$ 1,284	$ 1,456
Adjusted quarterly average total assets [1]	2,114	2,270

(1) Reflects adjusted average total assets for the three months ended December 31, 2011 and 2010.

Table 14 presents the capital composition at December 31, 2011 and 2010.

Table 14 Capital Composition

	December 31	
(Dollars in millions)	2011	2010
Total common shareholders' equity	$ 211,704	$ 211,686
Goodwill	(69,967)	(73,861)
Nonqualifying intangible assets (includes core deposit intangibles, affinity relationships, customer relationships and other intangibles)	(5,848)	(6,846)
Net unrealized gains or losses on AFS debt and marketable equity securities and net losses on derivatives recorded in accumulated OCI, net-of-tax	682	(4,137)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	4,391	3,947
Exclusion of fair value adjustment related to structured liabilities [1]	944	2,984
Disallowed deferred tax asset	(16,799)	(8,663)
Other	1,583	29
Total Tier 1 common capital	126,690	125,139
Qualifying preferred stock	15,479	16,562
Trust preferred securities	16,737	21,451
Noncontrolling interest	326	474
Total Tier 1 capital	159,232	163,626
Long-term debt qualifying as Tier 2 capital	38,165	41,270
Allowance for loan and lease losses	33,783	41,885
Reserve for unfunded lending commitments	714	1,188
Allowance for loan and lease losses exceeding 1.25 percent of risk-weighted assets	(18,159)	(24,690)
45 percent of the pre-tax net unrealized gains on AFS marketable equity securities	1	4,777
Other	1,365	1,538
Total capital	$ 215,101	$ 229,594

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

Regulatory Capital Changes

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

We currently measure and report our capital ratios and related information in accordance with Basel I. See Capital Management on page 65 for additional information. Basel I has been subject to revisions, which include final Basel II rules (Basel II) published in December 2007 by U.S banking regulators and proposed Basel III rules (Basel III) published by the Basel Committee in December 2010, and further amended in July 2011. We are currently in the Basel II parallel period.

On December 29, 2011, U.S. regulators issued a notice of proposed rulemaking (NPR) that would amend a December 2010 NPR on the Market Risk Rules. This amended NPR is expected to increase the capital requirements for our trading assets and liabilities. We continue to evaluate the capital impact of the proposed rules and currently anticipate that we will be in compliance with any final rules by the projected implementation date in late 2012.

If implemented by U.S. banking regulators as proposed, Basel III could significantly increase our capital requirements. Basel III and the Financial Reform Act propose the disqualification of Trust Securities from Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, MSRs, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of accumulated OCI in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. For additional information on deferred tax assets and MSRs, see *Note 21 – Income Taxes* and *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements. The phase-in period for the capital deductions is proposed to occur in 20 percent increments from 2014 through 2018 with full implementation by December 31, 2018. An increase in capital requirements for counterparty credit risk is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. banking regulators have not yet issued proposed regulations that will implement these requirements.

Preparing for the implementation of the new capital rules is a top strategic priority, and we expect to comply with the final rules when issued and effective. We intend to continue to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from capital. We expect non-core asset sales to play a less prominent role in our capital strategy in future periods.

On June 17, 2011, U.S. banking regulators proposed rules requiring all large bank holding companies (BHCs) to submit a comprehensive capital plan to the Federal Reserve as part of an annual Comprehensive Capital Analysis and Review (CCAR). The proposed regulations require BHCs to demonstrate adequate capital to support planned capital actions, such as dividends, share repurchases or other forms of distributing capital. CCAR submissions are subject to the review and approval of the Federal Reserve. The Federal Reserve may require BHCs to provide prior notice under certain circumstances before making a capital distribution. On January 5, 2012, we submitted a capital plan to the Federal Reserve consistent with the proposed rules. The capital plan includes the ICAAP and related results, analysis and support for the capital guidelines, and planned capital actions. The ICAAP incorporates capital forecasts, stress test results, economic capital, qualitative risk assessments and assessment of regulatory changes, all of which influence the capital adequacy assessment.

On July 19, 2011, the Basel Committee published the consultative document "Globally systemic important banks: Assessment methodology and the additional loss absorbency requirement" which sets out measures for global, systemically important financial institutions including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer), and the arrangements by which they will be phased in. As proposed, the SIFI buffer would be met with additional Tier 1 common equity ranging from one percent to 2.5 percent, and in certain circumstances, 3.5 percent. This will be phased in from 2016 through 2018. U.S. banking regulators have not yet provided similar rules for U.S. implementation of a SIFI buffer.

Given that the U.S. regulatory agencies have issued neither proposed rulemaking nor supervisory guidance on Basel III, significant uncertainty exists regarding the eventual impacts of Basel III on U.S. financial institutions, including us. These regulatory changes also require approval by the U.S. regulatory agencies of analytical models used as part of our capital measurement and assessment, especially in the case of more complex models. If these more complex models are not approved, it could require financial institutions to hold additional capital, which in some cases could be significant.

Based on the assumed approval of these models and our current assessment of Basel III, continued focus on capital management, expectations of future performance and continued efforts to build a fortress balance sheet, we currently anticipate that our Tier 1 common equity ratio will be between 7.25 percent and 7.50 percent by the end of 2012, assuming phase-in per the regulations at that time of all deductions scheduled to occur between 2013 and 2019.

On December 20, 2011, the Federal Reserve issued proposed rules to implement enhanced supervisory and prudential requirements and the early remediation requirements established under the Financial Reform Act. The enhanced standards include risk-based capital and leverage requirements, liquidity standards, requirements for overall risk management, single-counterparty credit limits, stress test requirements and a debt-to-equity limit for certain companies determined to pose a threat to financial stability. Comments on the proposed rules are due by March 31, 2012. The final rules are likely to influence our regulatory capital and liquidity planning process, and may impose additional operational and compliance costs on us.

For additional information regarding Basel II, Basel III, Market Risk Rules and other proposed regulatory capital changes, see *Note 18 – Regulatory Requirements and Restrictions* to the Consolidated Financial Statements.

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

Table 15 presents regulatory capital information for BANA and FIA at December 31, 2011 and 2010.

Table 15 Bank of America, N.A. and FIA Card Services, N.A. Regulatory Capital

	December 31			
	2011		2010	
(Dollars in millions)	Ratio	Amount	Ratio	Amount
Tier 1				
Bank of America, N.A.	**11.74%**	**$ 119,881**	10.78%	$ 114,345
FIA Card Services, N.A.	**17.63**	**24,660**	15.30	25,589
Total				
Bank of America, N.A.	**15.17**	**154,885**	14.26	151,255
FIA Card Services, N.A.	**19.01**	**26,594**	16.94	28,343
Tier 1 leverage				
Bank of America, N.A.	**8.65**	**119,881**	7.83	114,345
FIA Card Services, N.A.	**14.22**	**24,660**	13.21	25,589

BANA's Tier 1 capital ratio increased 96 bps to 11.74 percent and the Total capital ratio increased 91 bps to 15.17 percent at December 31, 2011 compared to 2010. The increase in the ratios was driven by $9.6 billion in earnings generated during 2011. The Tier 1 leverage ratio increased 82 bps to 8.65 percent, benefiting from the improvement in Tier 1 capital combined with a $73.4 billion decrease in adjusted quarterly average total assets resulting from our continued efforts to reduce non-core assets and legacy loan portfolios.

FIA's Tier 1 capital ratio increased 233 bps to 17.63 percent and the Total capital ratio increased 207 bps to 19.01 percent at December 31, 2011 compared to 2010. The Tier 1 leverage ratio increased 101 bps to 14.22 percent at December 31, 2011 compared to 2010. The increase in ratios was driven by $5.7 billion in earnings generated during 2011 and a reduction in risk-weighted assets.

During 2011, BANA paid dividends of $9.8 billion to Bank of America Corporation. FIA returned capital of $7.0 billion to Bank of America Corporation during 2011 and is anticipated to return an additional $3.0 billion in 2012.

Broker/Dealer Regulatory Capital

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

MLPF&S has elected to compute the minimum capital requirement in accordance with the Alternative Net Capital Requirement as permitted by SEC Rule 15c3-1. At December 31, 2011, MLPF&S's regulatory net capital as defined by Rule 15c3-1 was $10.8 billion and exceeded the minimum requirement of $803 million by $10.0 billion. MLPCC's net capital of $3.5 billion exceeded the minimum requirement of $168 million by approximately $3.3 billion.

In accordance with the Alternative Net Capital Requirements, MLPF&S is required to maintain tentative net capital in excess of $1 billion, net capital in excess of $500 million and notify the SEC in the event its tentative net capital is less than $5 billion. At December 31, 2011, MLPF&S had tentative net capital and net capital in excess of the minimum and notification requirements.

Economic Capital

Our economic capital measurement process provides a risk-based measurement of the capital required for unexpected credit, market and operational losses over a one-year time horizon at a 99.97 percent confidence level. Economic capital is allocated to each business unit based upon its risk positions and contribution to enterprise risk, and is used for capital adequacy, performance measurement and risk management purposes. The strategic planning process utilizes economic capital with the goal of allocating risk appropriately and measuring returns consistently across all businesses and activities. Economic capital allocation plans are incorporated into the Corporation's financial plan which is approved by the Board on an annual basis.

Credit Risk Capital

Economic capital for credit risk captures two types of risks: default risk, which represents the loss of principal due to outright default or the borrower's inability to repay an obligation in full, and migration risk, which represents potential loss in market value due to credit deterioration over the one-year capital time horizon. Credit risk is assessed and modeled for all on- and off-balance sheet credit exposures within sub-categories for commercial, retail, counterparty and investment securities. The economic capital methodology captures dimensions such as concentration and country risk and originated securitizations. The economic capital methodology is based on the probability of default, loss given default (LGD), exposure at default (EAD) and maturity for each credit exposure, and the portfolio correlations across exposures. See page 74 for more information on Credit Risk Management.

Market Risk Capital

Market risk reflects the potential loss in the value of financial instruments or portfolios due to movements in interest and currency exchange rates, equity and futures prices, the implied volatility of interest rates, credit spreads and other economic and business factors. Bank of America's primary market risk exposures are in its trading portfolio, equity investments, MSRs and the interest rate exposure of its core balance sheet. Economic capital is determined by utilizing the same models the Corporation used to manage these risks including, for example, Value-at-Risk (VaR), simulation, stress testing and scenario analysis. See page 106 for additional information on Market Risk Management.

Operational Risk Capital

We calculate operational risk capital at the business unit level using actuarial-based models and historical loss data. We supplement the calculations with scenario analysis and risk control assessments. See Operational Risk Management on page 113 for more information.

Common Stock Dividends

Table 16 is a summary of our declared quarterly cash dividends on common stock during 2011 and through February 23, 2012.

Table 16 Common Stock Cash Dividend Summary

Declaration Date	Record Date	Payment Date	Dividend Per Share
January 11, 2012	March 2, 2012	March 23, 2012	$0.01
November 18, 2011	December 2, 2011	December 23, 2011	0.01
August 22, 2011	September 2, 2011	September 23, 2011	0.01
May 11, 2011	June 3, 2011	June 24, 2011	0.01
January 26, 2011	March 4, 2011	March 25, 2011	0.01

Enterprise-wide Stress Testing

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

Liquidity Risk

Funding and Liquidity Risk Management

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

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

The Enterprise Risk Committee approves the Corporation's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALMRC, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. ALMRC is responsible for managing liquidity risks and ensuring exposures remain within the established tolerance levels. ALMRC delegates additional oversight responsibilities to the CFORC, which reports to the ALMRC. The CFORC reviews and monitors our liquidity position, cash flow forecasts, stress testing scenarios and results, and implements our liquidity limits and guidelines. For more information, see Board Oversight of Risk on page 64. Under this governance framework, we have developed certain funding and liquidity risk management practices which include: maintaining excess liquidity at the parent company and selected subsidiaries, including our bank and broker/dealer subsidiaries; determining what amounts of excess liquidity are appropriate for these entities based on analysis of debt maturities and other potential cash outflows, including those that we may experience during stressed market conditions; diversifying funding sources, considering our asset profile and legal entity structure; and performing contingency planning.

Global Excess Liquidity Sources and Other Unencumbered Assets

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

Our Global Excess Liquidity Sources increased $42 billion to $378 billion compared to December 31, 2010 and were maintained as presented in Table 17. This increase was due primarily to liquidity generated by our bank subsidiaries through deposit growth, reductions in LHFS and other factors. Partially offsetting the increase were the results of our ongoing reductions of our debt footprint announced in 2010.

Table 17 Global Excess Liquidity Sources

(Dollars in billions)	December 31 2011	December 31 2010	Average for Three Months Ended December 31, 2011
Parent company	$ 125	$ 121	$ 118
Bank subsidiaries	222	180	215
Broker/dealers	31	35	29
Total global excess liquidity sources	**$ 378**	$ 336	**$ 362**

As shown in Table 17, the Global Excess Liquidity Sources available to the parent company totaled $125 billion and $121 billion at December 31, 2011 and 2010. Typically, parent company cash is deposited overnight with BANA.

Table 18 presents the composition of Global Excess Liquidity Sources at December 31, 2011 and 2010.

Table 18 Global Excess Liquidity Sources Composition

(Dollars in billions)	December 31 2011	December 31 2010
Cash on deposit	$ 79	$ 80
U.S. treasuries	48	65
U.S. agency securities and mortgage-backed securities	228	174
Non-U.S. government and supranational securities	23	17
Total global excess liquidity sources	**$ 378**	$ 336

Global Excess Liquidity Sources available to our bank subsidiaries at December 31, 2011 and 2010 totaled $222 billion and $180 billion. These amounts are distinct from the cash deposited by the parent company presented in Table 17. In addition to their Global Excess Liquidity Sources, our bank subsidiaries hold significant amounts of other unencumbered securities that we believe could also be used to generate liquidity, primarily investment-grade MBS. Our bank subsidiaries can also generate incremental liquidity by pledging a range of other unencumbered loans and securities to certain Federal Home Loan Banks (FHLBs) and the Federal Reserve Discount Window. The cash we could have obtained by borrowing against this pool of specifically-identified eligible assets was approximately $189 billion and $170 billion at December 31, 2011 and 2010. We have established operational procedures to enable us to borrow against these assets, including regularly monitoring our total pool of eligible loans and securities collateral. Due to regulatory restrictions, liquidity generated by the bank subsidiaries can only be used to fund obligations within the bank subsidiaries and can only be transferred to the parent company or non-bank subsidiaries with prior regulatory approval.

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

Time to Required Funding and Stress Modeling

We use a variety of metrics to determine the appropriate amounts of excess liquidity to maintain at the parent company and our bank and broker/dealer subsidiaries. One metric we use to evaluate the appropriate level of excess liquidity at the parent company is "Time to Required Funding." This debt coverage measure indicates the number of months that the parent company can continue to meet its unsecured contractual obligations as they come due using only its Global Excess Liquidity Sources without issuing any new debt or accessing any additional liquidity sources. We define unsecured contractual obligations for purposes of this metric as maturities of senior or subordinated debt issued or guaranteed by Bank of America Corporation or Merrill Lynch. These include certain unsecured debt instruments, primarily structured liabilities, which we may be required to settle for cash prior to maturity and issuances under the FDIC's Temporary Liquidity Guarantee Program (TLGP), all of which will mature by June 30, 2012. The Corporation has established a target for Time to Required Funding of 21 months. Our Time to Required Funding at December 31, 2011 was 29 months. For purposes of calculating Time to Required Funding for December 31, 2011, we have also included in the amount of unsecured contractual obligations the $8.6 billion liability related to the BNY Mellon Settlement. This settlement is subject to final court approval and certain other conditions, and the timing of the payment is not certain.

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

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

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

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

Basel III Liquidity Standards

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

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

Diversified Funding Sources

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

We fund a substantial portion of our lending activities through our deposit base, which was $1,033 billion and $1,010 billion at December 31, 2011 and 2010. Deposits are primarily generated by our *Deposits*, *Global Commercial Banking*, *GWIM* and *GBAM* segments. These deposits are diversified by clients, product type and geography and the majority of our U.S. deposits are insured by the FDIC. We consider a substantial portion of our deposits to be a stable, low-cost and consistent source of funding. We believe this deposit funding is generally less sensitive to interest rate changes, market volatility or changes in our credit ratings than wholesale funding sources. Our lending activities may also be financed through secured borrowings, including securitizations and FHLB loans.

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

We reduced our use of unsecured short-term borrowings at the parent company and broker/dealer subsidiaries, including commercial paper and master notes, to relatively insignificant amounts in 2011. These short-term borrowings were used to support customer activities, short-term financing requirements and cash management objectives. For average and period-end balance discussions, see Balance Sheet Overview on page 28. For more information, see *Note 12 – Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings* to the Consolidated Financial Statements.

Our mortgage business accesses a liquid market for the sale of newly originated mortgages through contracts with the GSEs and FHA. Contracts with the GSEs are subject to the seller/servicer guides issued by the GSEs.

We issue the majority of our long-term unsecured debt at the parent company. During 2011, the parent company issued $21.0 billion of long-term unsecured debt. We may also issue long-term unsecured debt at BANA, although there were no new issuances during 2011.

We issue long-term unsecured debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. While the cost and availability of unsecured funding may be negatively impacted by general market conditions or by matters specific to the financial services industry or the Corporation, we seek to mitigate refinancing risk by actively managing the amount of our borrowings that we anticipate will mature within any month or quarter.

The primary benefits of our centralized funding strategy include greater control, reduced funding costs, wider name recognition by investors and greater flexibility to meet the variable funding requirements of subsidiaries. Where regulations, time zone differences or other business considerations make parent company funding impractical, certain other subsidiaries may issue their own debt.

At December 31, 2011 and 2010, our long-term debt was in the currencies presented in Table 19.

Table 19 Long-term Debt by Major Currency

	December 31	
(Dollars in millions)	2011	2010
U.S. Dollar	$ 255,262	$ 302,487
Euro	68,799	87,482
Japanese Yen	19,568	19,901
British Pound	12,554	16,505
Australian Dollar	4,900	6,924
Canadian Dollar	4,621	6,628
Swiss Franc	2,268	3,069
Other	4,293	5,435
Total long-term debt	$ 372,265	$ 448,431

Total long-term debt decreased $76.2 billion, or 17 percent in 2011. This decrease reflects our ongoing initiative to reduce our debt footprint over time, and we anticipate that we will continue to reduce our debt footprint as appropriate through 2013. We may, from time to time, purchase outstanding debt securities in various transactions, depending on prevailing market conditions, liquidity and other factors. In addition, we also may make markets in our debt instruments to provide liquidity for investors. For additional information on long-term debt funding, see *Note 13 – Long-term Debt* to the Consolidated Financial Statements.

We use derivative transactions to manage the duration, interest rate and currency risks of our borrowings, considering the characteristics of the assets they are funding. For further details on our ALM activities, see Interest Rate Risk Management for Nontrading Activities on page 110.

We also diversify our unsecured funding sources by issuing various types of debt instruments including structured liabilities, which are debt obligations that pay investors with returns linked to other debt or equity securities, indices, currencies or commodities. We typically hedge the returns we are obligated to pay on these liabilities with derivative positions and/or investments in the underlying instruments, so that from a funding perspective, the cost is similar to our other unsecured long-term debt. We could be required to settle certain structured liability obligations for cash or other securities immediately under certain circumstances, which we consider for liquidity planning purposes. We believe, however, that a portion of such borrowings will remain outstanding beyond the earliest put or redemption date. We had outstanding structured liabilities with a book value of $50.9 billion and $61.1 billion at December 31, 2011 and 2010.

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

Prior to 2010, we participated in the TLGP, which allowed us to issue senior unsecured debt that the FDIC guaranteed in return for a fee based on the amount and maturity of the debt. At December 31, 2011, we had $23.9 billion outstanding under the program. We no longer issue debt under this program and all of our debt issued under TLGP will mature by June 30, 2012. TLGP issuances are included in the unsecured contractual obligations for the Time to Required Funding metric. Under this program, our debt received the highest long-term ratings from the major credit rating agencies which resulted in a lower total cost of issuance than if we had issued non-FDIC guaranteed long-term debt.

Contingency Planning

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

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

Credit Ratings

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

Credit ratings and outlooks are opinions on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, preferred stock and other securities, including asset securitizations. Our credit ratings are subject to ongoing review by the rating agencies which consider a number of factors, including our own financial strength, performance, prospects and operations as well as factors not under our control. The rating agencies could make adjustments to our ratings at any time and provide no assurances that they will maintain our ratings at current levels.

Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types, the rating agencies' assessment of the general operating environment for financial services companies, our mortgage exposures, our relative positions in the markets in which we compete, reputation, liquidity position, diversity of funding sources, funding costs, the level and volatility of earnings, corporate governance and risk management policies, capital position, capital management practices and current or future regulatory and legislative initiatives.

Each of the three primary rating agencies, Moody's, S&P and Fitch, downgraded the Corporation and its subsidiaries in late 2011. They have each also indicated that, as a systemically important financial institution, our credit ratings currently reflect their expectation that, if necessary, we would receive significant support from the U.S. government. They have indicated that they will continue to assess this view of support as financial services regulations and legislation evolve. On December 15, 2011, Fitch downgraded the Corporation's and BANA's long-term and short-term debt ratings as a result of Fitch's decision to lower its "support floor" for systemically important U.S. financial institutions. This downgrade resolves the Rating Watch Negative Fitch placed on the Corporation's ratings on October 22, 2010. On November 29, 2011, S&P downgraded the Corporation's long-term and short-term debt ratings as well as BANA's long-term debt rating as a result of S&P's implementation of revised methodologies for determining Banking Industry Country Risk Assessments and bank ratings. On September 21, 2011, Moody's downgraded the Corporation's long-term and short-term debt ratings as well as BANA's long-term debt rating as a result of Moody's lowering the amount of uplift for potential U.S. government support it incorporates into ratings. On February 15, 2012, Moody's placed the Corporation's long-term debt ratings and BANA's long-term and short-term debt ratings on review for possible downgrade as part of its review of financial institutions with global capital markets operations. Any adjustment to our ratings will be determined based on Moody's review; however, the agency offered guidance that downgrades to our ratings, if any, would likely be limited to one notch. The rating agencies could make further adjustments to our ratings at any time and provide no assurances that they will maintain our ratings at current levels.

Currently, the Corporation's long-term/short-term senior debt ratings and outlooks expressed by the rating agencies are as follows: Baa1/P-2 (negative) by Moody's; A-/A-2 (negative) by S&P; and A/F1 (stable) by Fitch. BANA's long-term/short-term senior debt ratings and outlooks currently are as follows: A2/P-1 (negative) by Moody's; A/A-1 (negative) by S&P; and A/F1 (stable) by Fitch. MLPF&S's long-term/short-term senior debt ratings and outlooks are A/A-1 (negative) by S&P and A/F1 (stable) by Fitch. Merrill Lynch International's long-term/short-term senior debt ratings are A/A-1 (negative) by S&P. The credit ratings of Merrill Lynch from the three primary credit rating agencies are the same as those of Bank of America Corporation. The primary credit rating agencies have indicated that the major drivers of Merrill Lynch's credit ratings are Bank of America Corporation's credit ratings.

A further reduction in certain of our credit ratings or the ratings of certain asset-backed securitizations may have a material adverse effect on our liquidity, potential loss of access to credit markets, the related cost of funds, our businesses and on certain trading revenues, particularly in those businesses where counterparty creditworthiness is critical. In addition, under the terms of certain OTC derivative contracts and other trading agreements, the counterparties to those agreements may require us to provide additional collateral, or to terminate these contracts or agreements, which could cause us to sustain losses and/or adversely impact our liquidity. If the short-term credit ratings of our parent company, bank or broker/dealer subsidiaries were downgraded by one or more levels, the potential loss of access to short-term funding sources such as repo financing, and the effect on our incremental cost of funds could be material.

At December 31, 2011, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $1.6 billion comprised of $1.2 billion for BANA and approximately $375 million for Merrill Lynch and certain of its subsidiaries. If the agencies had downgraded their long-term senior debt ratings for these entities by a second incremental notch, approximately $1.1 billion in additional collateral comprised of $871 million for BANA and $269 million for Merrill Lynch and certain of its subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2011 was $2.9 billion, against which $2.7 billion of collateral had been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2011 was an incremental $5.6 billion, against which $5.4 billion of collateral had been posted.

While certain potential impacts are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade to a financial institution are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of a firm's long-term credit ratings precipitates downgrades to its short-term credit ratings, and assumptions about the potential behaviors of various customers, investors and counterparties.

For information regarding the additional collateral and termination payments that could be required in connection with certain OTC derivative contracts and other trading agreements as a result of such a credit ratings downgrade, see *Note 4 – Derivatives* to the Consolidated Financial Statements and Item 1A. Risk Factors of this Annual Report on Form 10-K.

During the third quarter of 2011, Moody's and S&P placed the sovereign rating of the United States on review for possible downgrade due to the possibility of a default on the government's debt obligations because of a failure to increase the debt limit. On August 2, 2011, Moody's affirmed its Aaa rating and revised its outlook to negative. On August 5, 2011, S&P downgraded the long-term sovereign credit rating of the United States to AA+, and affirmed the short-term sovereign credit rating; the outlook is negative. On November 28, 2011, Fitch affirmed its AAA long-term rating of the United States, but changed the outlook from stable to negative. On the same day, Fitch affirmed its F1+ short-term rating of the U.S. All three rating agencies have indicated that they will continue to assess fiscal projections and consolidation measures, as well as the medium-term economic outlook for the United States.

Credit Risk Management

Credit quality continued to improve during 2011. Continued economic stability and our proactive credit risk management initiatives positively impacted the credit portfolio as charge-offs and delinquencies continued to improve across most portfolios and risk ratings improved in the commercial portfolios. However, global and national economic uncertainty, home price declines and regulatory reform continued to weigh on the credit portfolios through December 31, 2011. For more information, see Executive Summary – 2011 Economic and Business Environment on page 21.

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

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

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

Since January 2008, and through 2011, Bank of America and Countrywide have completed over one million loan modifications with customers. During 2011, we completed over 225,000 customer loan modifications with a total unpaid principal balance of approximately $49.9 billion, including approximately 104,000 permanent modifications under the government's Making Home Affordable Program. Of the loan modifications completed in 2011, in terms of both the volume of modifications and the unpaid principal balance associated with the underlying loans, most were in the portfolio serviced for investors and were not on our balance sheet. The most common types of modifications include a combination of rate reduction and capitalization of past due amounts which represent 60 percent of the volume of modifications completed in 2011, while principal forbearance represented 19 percent, principal reductions and forgiveness represented six percent and capitalization of past due amounts represented eight percent. These modification types are generally considered troubled debt restructurings (TDRs). For more information on TDRs and portfolio impacts, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 86 and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, continue to experience varying degrees of financial stress. In early 2012, S&P,Fitch and Moody's downgraded the credit ratings of several European countries, and S&P downgraded the credit rating of the EFSF, adding to concerns about investor appetite for continued support in stabilizing the affected countries. Uncertainty in the progress of debt restructuring negotiations and the lack of a clear resolution to the crisis has led to continued volatility in the European financial markets, and if the situation worsens, may spread into the global financial markets. In December 2011, the ECB announced initiatives to address European bank liquidity and funding concerns by providing low-cost three-year loans to banks, and expanding collateral eligibility. While these initiatives may reduce systemic risk, there remains considerable uncertainty as to future developments regarding the European debt crisis. For additional information on our direct sovereign and non-sovereign exposures in non-U.S. countries, see Non-U.S. Portfolio on page 98 and Item 1A. Risk Factors of this Annual Report on Form 10-K.

Consumer Portfolio Credit Risk Management

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

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

Consumer Credit Portfolio

Improvement in the U.S. economy and labor markets during 2011 resulted in lower credit losses in most consumer portfolios during 2011 compared to 2010. However, continued stress in the housing market, including declines in home prices, continued to adversely impact the home loans portfolio.

Table 20 presents our outstanding consumer loans and the Countrywide PCI loan portfolio. Loans that were acquired from Countrywide and considered credit-impaired were recorded at fair value upon acquisition. In addition to being included in the "Outstandings" columns in Table 20, these loans are also shown separately, net of purchase accounting adjustments, in the "Countrywide Purchased Credit-impaired Loan Portfolio" column. For additional information, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements. The impact of the Countrywide PCI loan portfolio on certain credit statistics is reported where appropriate. See Countrywide Purchased Credit-impaired Loan Portfolio on page 83 for more information. Under certain circumstances, loans that were originally classified as discontinued real estate loans upon acquisition have been subsequently modified from pay option or subprime loans into loans with more conventional terms and are now included in the residential mortgage portfolio, but continue to be classified as PCI loans as shown in Table 20.

Table 20 Consumer Loans

	December 31			
	Outstandings		Countrywide Purchased Credit-impaired Loan Portfolio	
(Dollars in millions)	**2011**	2010	**2011**	2010
Residential mortgage [1]	**$ 262,290**	$ 257,973	**$ 9,966**	$ 10,592
Home equity	**124,699**	137,981	**11,978**	12,590
Discontinued real estate [2]	**11,095**	13,108	**9,857**	11,652
U.S. credit card	**102,291**	113,785	**n/a**	n/a
Non-U.S. credit card	**14,418**	27,465	**n/a**	n/a
Direct/Indirect consumer [3]	**89,713**	90,308	**n/a**	n/a
Other consumer [4]	**2,688**	2,830	**n/a**	n/a
Consumer loans excluding loans accounted for under the fair value option	**607,194**	643,450	**31,801**	34,834
Loans accounted for under the fair value option [5]	**2,190**	n/a	**n/a**	n/a
Total consumer loans	**$ 609,384**	$ 643,450	**$ 31,801**	$ 34,834

(1) Outstandings includes non-U.S. residential mortgages of $85 million and $90 million at December 31, 2011 and 2010.
(2) Outstandings includes $9.9 billion and $11.8 billion of pay option loans and $1.2 billion and $1.3 billion of subprime loans at December 31, 2011 and 2010. We no longer originate these products.
(3) Outstandings includes dealer financial services loans of $43.0 billion and $43.3 billion, consumer lending loans of $8.0 billion and $12.4 billion, U.S. securities-based lending margin loans of $23.6 billion and $16.6 billion, student loans of $6.0 billion and $6.8 billion, non-U.S. consumer loans of $7.6 billion and $8.0 billion, and other consumer loans of $1.5 billion and $3.2 billion at December 31, 2011 and 2010.
(4) Outstandings includes consumer finance loans of $1.7 billion and $1.9 billion, other non-U.S. consumer loans of $929 million and $803 million, and consumer overdrafts of $103 million and $88 million at December 31, 2011 and 2010.
(5) Consumer loans accounted for under the fair value option include residential mortgage loans of $906 million and discontinued real estate loans of $1.3 billion at December 31, 2011. There were no consumer loans accounted for under the fair value option at December 31, 2010. See Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 86 and *Note 23 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.
n/a = not applicable

Table 21 presents accruing consumer loans past due 90 days or more and consumer nonperforming loans. Nonperforming loans do not include past due consumer credit card loans, consumer non-real estate-secured loans or unsecured consumer loans as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. Real estate-secured past due consumer loans, which include loans insured by the FHA and individually insured long-term stand-by agreements with FNMA and FHLMC (fully-insured loan portfolio), are reported as accruing as opposed to nonperforming since the principal repayment is insured. Fully-insured loans included in accruing past due 90 days or more are primarily related to our purchases of delinquent FHA loans pursuant to our servicing agreements. Additionally, nonperforming loans and accruing balances past due 90 days or more do not include the Countrywide PCI loan portfolio or loans accounted for under the fair value option even though the customer may be contractually past due. For additional information on FHA loans, see Off-Balance Sheet Arrangements and Contractual Obligations – Unresolved Claims Status on page 51.

Table 21 Consumer Credit Quality

	December 31			
	Accruing Past Due 90 Days or More		Nonperforming	
(Dollars in millions)	**2011**	2010	**2011**	2010
Residential mortgage [1]	**$ 21,164**	$ 16,768	**$ 15,970**	$ 17,691
Home equity	**—**	—	**2,453**	2,694
Discontinued real estate	**—**	—	**290**	331
U.S. credit card	**2,070**	3,320	**n/a**	n/a
Non-U.S. credit card	**342**	599	**n/a**	n/a
Direct/Indirect consumer	**746**	1,058	**40**	90
Other consumer	**2**	2	**15**	48
Total [2]	**$ 24,324**	$ 21,747	**$ 18,768**	$ 20,854
Consumer loans as a percentage of outstanding consumer loans [2]	**4.01%**	3.38%	**3.09%**	3.24%
Consumer loans as a percentage of outstanding loans excluding Countrywide PCI and fully-insured loan portfolios [2]	**0.66**	0.92	**3.90**	3.85

(1) Balances accruing past due 90 days or more are fully-insured loans. These balances include $17.0 billion and $8.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured and $4.2 billion and $8.5 billion of loans on which interest was still accruing at December 31, 2011 and 2010.
(2) Balances exclude consumer loans accounted for under the fair value option. At December 31, 2011, approximately $713 million of loans accounted for under the fair value option were past due 90 days or more and not accruing interest. There were no consumer loans accounted for under the fair value option at December 31, 2010.
n/a = not applicable

Table 22 presents net charge-offs and related ratios for consumer loans and leases for 2011 and 2010.

Table 22 Consumer Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios (1)	
(Dollars in millions)	2011	2010	2011	2010
Residential mortgage	$ 3,832	$ 3,670	1.45%	1.49%
Home equity	4,473	6,781	3.42	4.65
Discontinued real estate	92	68	0.75	0.49
U.S. credit card	7,276	13,027	6.90	11.04
Non-U.S. credit card	1,169	2,207	4.86	7.88
Direct/Indirect consumer	1,476	3,336	1.64	3.45
Other consumer	202	261	7.32	8.89
Total	$ 18,520	$ 29,350	2.94	4.51

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

Net charge-off ratios excluding the Countrywide PCI and fully-insured loan portfolios were 2.27 percent and 1.86 percent for residential mortgage, 3.77 percent and 5.10 percent for home equity, 7.14 percent and 4.20 percent for discontinued real estate and 3.62 percent and 5.08 percent for the total consumer portfolio for 2011 and 2010. These are the only product classifications materially impacted by the Countrywide PCI and fully-insured loan portfolios for 2011 and 2010.

Legacy Asset Servicing within *CRES* manages our exposures to certain residential mortgage, home equity and discontinued real estate products. Legacy Asset Servicing manages both our owned loans, as well as loans serviced for others, that meet certain criteria. The criteria generally represent home lending standards which we do not consider as part of our continuing core business. The Legacy Asset Servicing portfolio includes the following:

- Discontinued real estate loans including subprime and pay option
- Residential mortgage loans and home equity loans for products we no longer originate including reduced document loans and interest-only loans not underwritten to fully amortizing payment
- Loans that would not have been originated under our underwriting standards at December 31, 2010 including conventional loans with an original loan-to-value (LTV) greater than 95 percent and government-insured loans for which the borrower has a FICO score less than 620
- Countrywide PCI loan portfolios
- Certain loans that met a pre-defined delinquency and probability of default threshold as of January 1, 2011

For more information on Legacy Asset Servicing within *CRES*, see page 37.

Table 23 presents outstandings, nonperforming balances and net charge-offs by the Core portfolio and the Legacy Asset Servicing portfolio for the home loans portfolio.

Table 23 Home Loans Portfolio

	December 31				Net Charge-offs
	Outstandings		Nonperforming		
(Dollars in millions)	2011	2010	2011	2010	2011
Core portfolio					
Residential mortgage	$ 178,337	$ 166,927	$ 2,414	$ 1,510	$ 348
Home equity	67,055	71,519	439	107	501
Legacy Asset Servicing portfolio					
Residential mortgage (1)	83,953	91,046	13,556	16,181	3,484
Home equity	57,644	66,462	2,014	2,587	3,972
Discontinued real estate (1)	11,095	13,108	290	331	92
Home loans portfolio					
Residential mortgage	262,290	257,973	15,970	17,691	3,832
Home equity	124,699	137,981	2,453	2,694	4,473
Discontinued real estate	11,095	13,108	290	331	92
Total home loans portfolio	$ 398,084	$ 409,062	$ 18,713	$ 20,716	$ 8,397

(1) Balances exclude consumer loans accounted for under the fair value option of $906 million for residential mortgage loans and $1.3 billion for discontinued real estate loans at December 31, 2011. There were no consumer loans accounted for under the fair value option at December 31, 2010. See *Note 23 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

We believe that the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option is more representative of the ongoing operations and credit quality of the business. As a result, in the following discussions of the residential mortgage, home equity and discontinued real estate portfolios, we provide information that excludes the impact of the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option in certain credit quality statistics. We separately disclose information on the Countrywide PCI loan portfolios on page 83.

Residential Mortgage

The residential mortgage portfolio, which for purposes of the consumer credit portfolio discussion and related tables, excludes the discontinued real estate portfolio acquired from Countrywide, makes up the largest percentage of our consumer loan portfolio at 43 percent of consumer loans at December 31, 2011. Approximately 14 percent of the residential mortgage portfolio is in *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our wealth management clients. The remaining portion of the portfolio is mostly in *All Other* and is comprised of both originated loans as well as purchased loans used in our overall ALM activities.

Outstanding balances in the residential mortgage portfolio, excluding $906 million of loans accounted for under the fair value option, increased $4.3 billion at December 31, 2011 compared to December 31, 2010 as new origination volume, the majority of which is fully-insured, was partially offset by paydowns, charge-offs and transfers to foreclosed properties. In addition, repurchases of FHA delinquent loans pursuant to our servicing agreements with GNMA also increased the residential mortgage portfolio during 2011. At December 31, 2011 and 2010, the residential mortgage portfolio included $93.9 billion and $67.2 billion of outstanding fully-insured loans. On this portion of the residential mortgage portfolio, we are protected against principal loss as a result of FHA insurance and long-term stand-by agreements with FNMA and FHLMC. At December 31, 2011 and 2010, $24.0 billion and $20.1 billion were related to repurchases of FHA delinquent loans pursuant to our servicing agreements with GNMA and the remainder of the fully-insured portfolio represents originations that were retained on-balance sheet.

At December 31, 2011 and 2010, principal balances of $23.8 billion and $12.9 billion were protected by long-term stand-by agreements. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses.

In addition to the abovementioned long-term stand-by agreements with FNMA and FHLMC, we have mitigated a portion of our credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles as described in *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

At December 31, 2011 and 2010, the synthetic securitization vehicles referenced principal balances of $23.9 billion and $53.9 billion of residential mortgage loans and provided loss protection up to $783 million and $1.1 billion. At December 31, 2011 and 2010, the Corporation had a receivable of $359 million and $722 million from these vehicles for reimbursement of losses. The Corporation records an allowance for credit losses on loans referenced by the synthetic securitization vehicles. The reported net charge-offs for the residential mortgage portfolio do not include the benefit of amounts reimbursable from these vehicles. Adjusting for the benefit of the credit protection from the synthetic securitizations, the residential mortgage net charge-off ratio, excluding the Countrywide PCI and fully-insured loan portfolios, for 2011 would have been reduced by 13 bps and eight bps for 2010.

Synthetic securitizations and the long-term stand-by agreements with FNMA and FHLMC together reduce our regulatory risk-weighted assets due to the transfer of a portion of our credit risk to unaffiliated parties. At December 31, 2011 and 2010, these programs had the cumulative effect of reducing our risk-weighted assets by $7.9 billion and $8.2 billion, increased our Tier 1 capital ratio by eight bps and six bps, and our Tier 1 common capital ratio by six bps and five bps.

Table 24 presents certain residential mortgage key credit statistics on both a reported basis and excluding the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. We believe the presentation of information adjusted to exclude these loan portfolios is more representative of the credit risk in the residential mortgage loan portfolio. As such, the following discussion presents the residential mortgage portfolio excluding the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option. For more information on the Countrywide PCI loan portfolio, see page 83.

Table 24 Residential Mortgage – Key Credit Statistics

	December 31			
	Reported Basis [1]		Excluding Countrywide Purchased Credit-impaired and Fully-insured Loans	
(Dollars in millions)	**2011**	2010	**2011**	2010
Outstandings	**$ 262,290**	$ 257,973	**$ 158,470**	$ 180,136
Accruing past due 30 days or more	**28,688**	24,267	**3,950**	5,117
Accruing past due 90 days or more	**21,164**	16,768	**n/a**	n/a
Nonperforming loans	**15,970**	17,691	**15,970**	17,691
Percent of portfolio				
Refreshed LTV greater than 90 but less than 100	**15%**	15%	**11%**	11%
Refreshed LTV greater than 100	**33**	32	**26**	24
Refreshed FICO below 620	**21**	20	**15**	15
2006 and 2007 vintages [2]	**27**	32	**37**	40
Net charge-off ratio [3]	**1.45**	1.49	**2.27**	1.86

(1) Outstandings, accruing past due, nonperforming loans and percentages of portfolio exclude loans accounted for under the fair value option. There were no residential mortgage loans accounted for under the fair value option at December 31, 2010. See *Note 23 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

(2) These vintages of loans account for 63 percent and 67 percent of nonperforming residential mortgage loans at December 31, 2011 and 2010. These vintages of loans accounted for 73 percent and 77 percent of residential mortgage net charge-offs in 2011 and 2010.

(3) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans, excluding loans accounted for under the fair value option.

n/a = not applicable

Nonperforming residential mortgage loans decreased $1.7 billion compared to December 31, 2010 as outflows outpaced new inflows, which continued to slow in 2011 due to favorable delinquency trends. Accruing loans past due 30 days or more decreased $1.2 billion to $4.0 billion at December 31, 2011. At December 31, 2011, $11.4 billion, or 71 percent, of the nonperforming residential mortgage loans were 180 days or more past due and had been written down to the estimated fair value of the collateral less estimated costs to sell. Net charge-offs increased $162 million to $3.8 billion in 2011, or 2.27 percent of total average residential mortgage loans, compared to 1.86 percent for 2010. This increase in net charge-offs for 2011 was primarily driven by further deterioration in home prices on loans greater than 180 days past due which were written down to the estimated fair value of the collateral less estimated costs to sell, partially offset by favorable delinquency trends. Net charge-off ratios were further impacted by lower loan balances primarily due to paydowns and charge-offs outpacing new originations.

Loans in the residential mortgage portfolio with certain characteristics have greater risk of loss than others. These characteristics include loans with a high refreshed LTV, loans originated at the peak of home prices in 2006 and 2007, interest-only loans and loans to borrowers located in California and Florida where we have concentrations and where significant declines in home prices have been experienced. Although the following disclosures address each of these risk characteristics separately, there is significant overlap in loans with these characteristics, which contributed to a disproportionate share of the losses in the portfolio. The residential mortgage loans with all of these higher risk characteristics comprised six percent of the residential mortgage portfolio at both December 31, 2011 and 2010, but accounted for 23 percent of the residential mortgage net charge-offs in 2011 and 26 percent in 2010.

Residential mortgage loans with a greater than 90 percent but less than 100 percent refreshed LTV represented 11 percent of the residential mortgage portfolio at both December 31, 2011 and 2010. Loans with a refreshed LTV greater than 100 percent represented 26 percent and 24 percent of the residential mortgage loan portfolio at December 31, 2011 and 2010. Of the loans with a refreshed LTV greater than 100 percent, 92 percent and 88 percent were performing at December 31, 2011 and 2010. Loans with a refreshed LTV greater than 100 percent reflect loans where the outstanding carrying value of the loan is greater than the most recent valuation of the property securing the loan. The majority of these loans have a refreshed LTV greater than 100 percent due primarily to home price deterioration over the past several years. Loans to borrowers with refreshed FICO scores below 620 represented 15 percent of the residential mortgage portfolio at both December 31, 2011 and 2010.

Of the $158.5 billion and $180.1 billion in total residential mortgage loans outstanding at December 31, 2011 and 2010, as shown in Table 24, 40 percent and 38 percent were originated as interest-only loans. The outstanding balance of interest-only residential mortgage loans that have entered the amortization period was $13.3 billion, or 21 percent, at December 31, 2011. Residential mortgage loans that have entered the amortization period have experienced a higher rate of early stage delinquencies and nonperforming status compared to the residential mortgage portfolio as a whole. As of December 31, 2011, $484 million, or four percent, of outstanding residential mortgages that had entered the amortization period were accruing past due 30 days or more compared to $4.0 billion, or two percent, of accruing past due 30 days or more for the entire residential mortgage portfolio. In addition, at December 31, 2011, $2.0 billion, or 15 percent, of outstanding residential mortgages that had entered the amortization period were nonperforming compared to $16.0 billion, or 10 percent, of nonperforming loans for the entire residential mortgage portfolio. Loans in our interest-only residential mortgage portfolio have an interest-only period of three to 10 years and more than 80 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Table 25 presents outstandings, nonperforming loans and net charge-offs by certain state concentrations for the residential mortgage portfolio. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent and 13 percent of outstandings at December 31, 2011 and 2010, but comprised only seven percent of net charge-offs for both 2011 and 2010.

Table 25 Residential Mortgage State Concentrations

	December 31					
	Outstandings (1)		Nonperforming (1)		Net Charge-offs	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
California	**$ 54,203**	$ 63,677	**$ 5,606**	$ 6,389	**$ 1,326**	$ 1,392
Florida	**12,338**	13,298	**1,900**	2,054	**595**	604
New York	**11,539**	12,198	**838**	772	**106**	44
Texas	**7,525**	8,466	**425**	492	**55**	52
Virginia	**5,709**	6,441	**399**	450	**64**	72
Other U.S./Non-U.S.	**67,156**	76,056	**6,802**	7,534	**1,686**	1,506
Residential mortgage loans (2)	**$ 158,470**	$ 180,136	**$ 15,970**	$ 17,691	**$ 3,832**	$ 3,670
Fully-insured loan portfolio	**93,854**	67,245				
Countrywide purchased credit-impaired residential mortgage loan portfolio	**9,966**	10,592				
Total residential mortgage loan portfolio	**$ 262,290**	$ 257,973				

(1) Outstandings and nonperforming amounts exclude loans accounted for under the fair value option at December 31, 2011. There were no residential mortgage loans accounted for under the fair value option at December 31, 2010. See *Note 23 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

(2) Amount excludes the Countrywide PCI residential mortgage and fully-insured loan portfolios.

The Community Reinvestment Act (CRA) encourages banks to meet the credit needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes. At December 31, 2011 and 2010, our CRA portfolio was $12.5 billion and $13.8 billion, or eight percent of the residential mortgage loan balances for both periods. The CRA portfolio included $2.5 billion and $3.0 billion of nonperforming loans at December 31, 2011 and 2010 representing 15 percent and 17 percent of total nonperforming residential mortgage loans. Net charge-offs related to the CRA portfolio were $732 million and $857 million for 2011 and 2010, or 19 percent and 23 percent of total net charge-offs for the residential mortgage portfolio.

For information on representations and warranties related to our residential mortgage portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50 and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Home Equity

The home equity portfolio makes up 20 percent of the consumer portfolio and is comprised of HELOCs, home equity loans and reverse mortgages. As of December 31, 2011, our HELOC portfolio had an outstanding balance of $103.4 billion or 83 percent of the home equity portfolio. HELOCs generally have an initial draw period of 10 years with approximately 11 percent of the portfolio having a draw period of five years with a five-year renewal option. During the initial draw period, the borrowers are only required to pay the interest due on the loans on a monthly basis. After the initial draw period ends, the loans generally convert to 15-year amortizing loans.

As of December 31, 2011, our home equity loan portfolio had an outstanding balance of $20.2 billion, or 16 percent of the home equity portfolio. Home equity loans are almost all fixed-rate loans with amortizing payment terms of 10 to 30 years and approximately 52 percent of these loans have 25 to 30-year terms.

As of December 31, 2011, our reverse mortgage portfolio had an outstanding balance of $1.1 billion, or one percent of the total home equity portfolio. In 2011, we exited the reverse mortgage origination business.

At December 31, 2011, approximately 88 percent of the home equity portfolio was included in *CRES* while the remainder of the portfolio was primarily in *GWIM*. Outstanding balances in the home equity portfolio decreased $13.3 billion in 2011 primarily due to paydowns and charge-offs outpacing new originations and draws on existing lines. Of the total home equity portfolio at December 31, 2011 and 2010, $24.5 billion, or 20 percent, and $24.8 billion, or 18 percent, were in first-lien positions (22 percent and 20 percent excluding the Countrywide PCI home equity portfolio). As of December 31, 2011, outstanding balances in the home equity portfolio that were in a second-lien or more junior-lien position and where we also held the first-lien loan totaled $37.2 billion, or 33 percent, of our home equity portfolio excluding the Countrywide PCI loan portfolio.

Unused HELOCs totaled $67.5 billion at December 31, 2011 compared to $80.1 billion at December 31, 2010. This decrease was due primarily to customers choosing to close accounts as well as line management initiatives on deteriorating accounts, which more than offset new production. The HELOC utilization rate was 61 percent at December 31, 2011 compared to 59 percent at December 31, 2010.

Table 26 presents certain home equity portfolio key credit statistics on both a reported basis as well as excluding the Countrywide PCI loan portfolio. We believe the presentation of information adjusted to exclude the impact of the Countrywide PCI loan portfolio is more representative of the credit risk in this portfolio.

Table 26 Home Equity – Key Credit Statistics

	December 31			
	Reported Basis		Excluding Countrywide Purchased Credit-impaired Loans	
(Dollars in millions)	**2011**	2010	**2011**	2010
Outstandings	**$ 124,699**	$ 137,981	**$ 112,721**	$ 125,391
Accruing past due 30 days or more [(1)]	**1,658**	1,929	**1,658**	1,929
Nonperforming loans [(1)]	**2,453**	2,694	**2,453**	2,694
Percent of portfolio				
Refreshed combined LTV greater than 90 but less than 100	**10%**	11%	**11%**	11%
Refreshed combined LTV greater than 100	**36**	34	**32**	30
Refreshed FICO below 620	**13**	14	**12**	12
2006 and 2007 vintages [(2)]	**50**	50	**46**	47
Net charge-off ratio [(3)]	**3.42**	4.65	**3.77**	5.10

(1) Accruing past due 30 days or more includes $609 million and $662 million and nonperforming loans includes $703 million and $480 million of loans where we serviced the underlying first-lien at December 31, 2011 and 2010.
(2) These vintages of loans have higher refreshed combined LTV ratios and accounted for 54 percent and 57 percent of nonperforming home equity loans at December 31, 2011 and 2010. These vintages of loans accounted for 65 percent and 66 percent of net charge-offs in 2011 and 2010.
(3) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans.

The following discussion presents the home equity portfolio excluding the Countrywide PCI loan portfolio.

Nonperforming outstanding balances in the home equity portfolio decreased $241 million compared to December 31, 2010 driven primarily by charge-offs and nonperforming loans returning to performing status which together outpaced delinquency inflows, which continued to slow during 2011 due to favorable early stage delinquency trends. Accruing outstanding balances past due 30 days or more decreased $271 million in 2011. At December 31, 2011, $1.1 billion, or 43 percent, of the nonperforming home equity portfolio was 180 days or more past due and had been written down to their fair values.

In some cases, the junior-lien home equity outstanding balance that we hold is current, but the underlying first-lien is not. For outstanding balances in the home equity portfolio in which we service the first-lien loan, we are able to track whether the first-lien loan is in default. For loans in which the first-lien is serviced by a third party, we utilize credit bureau data to estimate the delinquency status of the first-lien. Given that the credit bureau database we use does not include a property address for the mortgages, we are unable to identify with certainty whether a reported delinquent first mortgage pertains to the same property for which we hold a second- or more junior-lien loan. As of December 31, 2011, we estimate that $4.7 billion of current second- or more junior-lien loans were behind a delinquent first-lien loan. We service the first-lien loans on $1.3 billion of that amount, with the remaining $3.4 billion serviced by third parties. Of the $4.7 billion current second-lien loans, we estimate based on available credit bureau data as discussed above that approximately $2.5 billion had first-lien loans that were 120 days or more past due, of which approximately $2.1 billion had first-lien loans serviced by third parties.

Net charge-offs decreased $2.3 billion to $4.5 billion, or 3.77 percent of the total average home equity portfolio, for 2011 compared to $6.8 billion, or 5.10 percent, for 2010 primarily driven by favorable portfolio trends due in part to improvement in the U.S. economy. In addition, the net charge-off amounts during 2010 were impacted by the implementation of regulatory guidance on collateral-dependent modified loans which resulted in $822 million in net charge-offs. Net charge-off ratios were further impacted by lower outstanding balances primarily as a result of paydowns and charge-offs outpacing new originations and draws on existing lines.

There are certain characteristics of the outstanding loan balances in the home equity portfolio that have contributed to higher losses including those loans with a high refreshed combined loan-to-value (CLTV), loans that were originated at the peak of home prices in 2006 and 2007 and loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity outstandings are secured by second-lien positions have significantly reduced and, in some cases, eliminated all collateral value after consideration of the first-lien position. Although the disclosures below address each of these risk characteristics separately, there is significant overlap in outstanding balances with these characteristics, which has contributed to a disproportionate share of losses in the portfolio. Outstanding balances in the home equity portfolio with all of these higher risk characteristics comprised 10 percent of the total home equity portfolio at both December 31, 2011 and 2010, but have accounted for 28 percent of the home equity net charge-offs in 2011 and 29 percent in 2010.

Outstanding balances in the home equity portfolio with greater than 90 percent but less than 100 percent refreshed CLTVs comprised 11 percent of the home equity portfolio at both December 31, 2011 and 2010. Outstanding balances with refreshed CLTVs greater than 100 percent comprised 32 percent and 30 percent of the home equity portfolio at December 31, 2011 and 2010. Outstanding balances in the home equity portfolio with a refreshed CLTV greater than 100 percent reflect loans where the carrying value and available line of credit of the combined loans are equal to or greater than the most recent valuation of the property securing the loan. Depending on the value of the property, there may be collateral in excess of the first-lien that is available to reduce the severity of loss on the second-lien. Home price deterioration over the past several years has contributed to an increase in CLTV ratios. Of those outstanding balances with a refreshed CLTV greater than 100 percent, 95 percent of the customers were current at December 31, 2011. For second-lien loans with a refreshed CLTV greater than 100 percent that are current, 89 percent were also current on the underlying first-lien loans at December 31, 2011. Outstanding balances in the home equity portfolio to borrowers with a refreshed FICO score below 620 represented 12 percent of the home equity portfolio at both December 31, 2011 and 2010.

Of the $112.7 billion in total home equity portfolio outstandings, 78 percent and 75 percent at December 31, 2011 and 2010 were originated as interest-only loans, almost all of which were HELOCs. The outstanding balance of HELOCs that have entered the amortization period was $1.6 billion, or two percent of total HELOCs, at December 31, 2011. The HELOCs that have entered the amortization period have experienced a higher percentage of early stage delinquencies and nonperforming status when compared to the HELOC portfolio as a whole. As of December 31, 2011, $49 million, or three percent, of outstanding HELOCs that had entered the amortization period were accruing past due 30 days or more compared to $1.4 billion, or one percent, of outstanding accruing past due 30 days or more for the entire HELOC portfolio. In addition, at December 31, 2011, $57 million, or four percent, of outstanding HELOCs that had entered the amortization period were nonperforming compared to $2.0 billion, or two percent, of outstandings that were nonperforming for the entire HELOC portfolio. Loans in our HELOC portfolio generally have an initial draw period of 10 years and more than 85 percent of these loans will not be required to make a fully-amortizing payment until 2015 or later.

Although we do not actively track how many of our home equity customers pay only the minimum amount due on their home equity loans and lines, we can infer some of this information through a review of our HELOC portfolio that we service and that is still in its revolving period (i.e., customers may draw on and repay their line of credit, but are generally only required to pay interest on a monthly basis). During 2011, approximately 51 percent of these customers did not pay down any principal on their HELOCs.

Table 27 presents outstandings, nonperforming balances and net charge-offs by certain state concentrations for the home equity portfolio. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 11 percent of the outstanding home equity portfolio at both December 31, 2011 and 2010. This MSA comprised seven percent and six percent of net charge-offs for 2011 and 2010. The Los Angeles-Long Beach-Santa Ana MSA within California made up 12 percent and 11 percent of the outstanding home equity portfolio at December 31, 2011 and 2010. This MSA comprised 12 percent and 11 percent of net charge-offs for 2011 and 2010.

For information on representations and warranties related to our home equity portfolio, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50 and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

Table 27 Home Equity State Concentrations

	December 31					
	Outstandings		Nonperforming		Net Charge-offs	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
California	**$ 32,398**	$ 35,426	**$ 627**	$ 708	**$ 1,481**	$ 2,341
Florida	**13,450**	15,028	**411**	482	**853**	1,420
New Jersey	**7,483**	8,153	**175**	169	**164**	219
New York	**7,423**	8,061	**242**	246	**196**	273
Massachusetts	**4,919**	5,657	**67**	71	**71**	102
Other U.S./Non-U.S.	**47,048**	53,066	**931**	1,018	**1,708**	2,426
Home equity loans (1)	**$ 112,721**	$ 125,391	**$ 2,453**	$ 2,694	**$ 4,473**	$ 6,781
Countrywide purchased credit-impaired home equity portfolio	**11,978**	12,590				
Total home equity loan portfolio	**$ 124,699**	$ 137,981				

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

Discontinued Real Estate

The discontinued real estate portfolio, excluding $1.3 billion of loans accounted for under the fair value option, totaled $11.1 billion at December 31, 2011 and consists of pay option and subprime loans acquired in the Countrywide acquisition. Upon acquisition, the majority of the discontinued real estate portfolio was considered credit-impaired and written down to fair value. At December 31, 2011, the Countrywide PCI loan portfolio was $9.9 billion, or 89 percent of the total discontinued real estate portfolio. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See Countrywide Purchased Credit-impaired Loan Portfolio on page 83 for more information on the discontinued real estate portfolio.

At December 31, 2011, the purchased discontinued real estate portfolio that was not credit-impaired was $1.2 billion. Loans with greater than 90 percent refreshed LTVs and CLTVs comprised 28 percent of the portfolio and those with refreshed FICO scores below 620 represented 44 percent of the portfolio. The Los Angeles-Long Beach-Santa Ana MSA within California made up 16 percent of outstanding discontinued real estate loans at December 31, 2011.

Pay option adjustable-rate mortgages (ARMs), which are included in the discontinued real estate portfolio, have interest rates that adjust monthly and minimum required payments that adjust annually, subject to resetting of the loan if minimum payments are made and deferred interest limits are reached. Annual payment adjustments are subject to a 7.5 percent maximum change. To ensure that contractual loan payments are adequate to repay a loan, the fully-amortizing loan payment amount is re-established after the initial five- or 10-year period and again every five years thereafter. These payment adjustments are not subject to the 7.5 percent limit and may be substantial due to changes in interest rates and the addition of unpaid interest to the loan balance. Payment advantage ARMs have interest rates that are fixed for an initial period of five years. Payments are subject to reset if the minimum payments are made and deferred interest limits are reached. If interest deferrals cause a loan's principal balance to reach a certain level within the first 10 years of the life of the loan, the payment is reset to the interest-only payment; then at the 10-year point, the fully-amortizing payment is required.

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

At December 31, 2011, the unpaid principal balance of pay option loans was $11.7 billion, with a carrying amount of $9.9 billion, including $9.0 billion of loans that were credit-impaired upon acquisition, and accordingly, are reserved for based on a life-of-loan loss estimate. The total unpaid principal balance of pay option loans with accumulated negative amortization was $9.5 billion including $672 million of negative amortization. For those borrowers who are making payments in accordance with their contractual terms, the percentage electing to make only the minimum payment on option ARMs was 72 percent at December 31, 2011 and 69 percent at December 31, 2010. We continue to evaluate our exposure to payment resets on the acquired negative-amortizing loans including the Countrywide PCI pay option loan portfolio and have taken into consideration several assumptions regarding this evaluation including prepayment and default rates. Of the loans in the pay option portfolio at December 31, 2011 that have not already experienced a payment reset, seven percent are expected to reset in 2012 and approximately 17 percent are expected to reset thereafter. In addition, approximately seven percent are expected to prepay and approximately 69 percent are expected to default prior to being reset, most of which were severely delinquent as of December 31, 2011.

Countrywide Purchased Credit-impaired Loan Portfolio

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

Table 28 presents the unpaid principal balance, carrying value, related valuation allowance and the net carrying value as a percentage of the unpaid principal balance for the Countrywide PCI loan portfolio at December 31, 2011 and 2010.

Table 28 Countrywide Purchased Credit-impaired Loan Portfolio

(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Valuation Allowance	Carrying Value Net of Valuation Allowance	% of Unpaid Principal Balance
	December 31, 2011				
Residential mortgage	**$ 10,426**	**$ 9,966**	**$ 1,331**	**$ 8,635**	**82.82%**
Home equity	**12,516**	**11,978**	**5,129**	**6,849**	**54.72**
Discontinued real estate	**11,891**	**9,857**	**1,999**	**7,858**	**66.08**
Total Countrywide purchased credit-impaired loan portfolio	**$ 34,833**	**$ 31,801**	**$ 8,459**	**$ 23,342**	**67.01**
	December 31, 2010				
Residential mortgage	$ 11,481	$ 10,592	$ 663	$ 9,929	86.48%
Home equity	15,072	12,590	4,467	8,123	53.89
Discontinued real estate	14,893	11,652	1,204	10,448	70.15
Total Countrywide purchased credit-impaired loan portfolio	$ 41,446	$ 34,834	$ 6,334	$ 28,500	68.76

Of the unpaid principal balance at December 31, 2011, $12.7 billion was 180 days or more past due, including $9.0 billion of first-lien and $3.7 billion of home equity. Of the $22.1 billion that is less than 180 days past due, $19.1 billion, or 86 percent of the total unpaid principal balance was current based on the contractual terms while $1.6 billion, or seven percent, was in early stage delinquency. During 2011, we recorded $2.1 billion of provision for credit losses for the Countrywide PCI loan portfolio including $1.1 billion for discontinued real estate, $667 million for home equity loans and $355 million for residential mortgage. This compared to a total provision of $2.3 billion in 2010. Provision expense in 2011 was driven primarily by a more negative home price outlook versus previous expectations. For further information on the Countrywide PCI loan portfolio, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

Additional information is provided in the following sections on the Countrywide PCI residential mortgage, home equity and discontinued real estate loan portfolios.

Purchased Credit-impaired Residential Mortgage Loan Portfolio

The Countrywide PCI residential mortgage loan portfolio comprised 31 percent of the total Countrywide PCI loan portfolio. Those loans to borrowers with a refreshed FICO score below 620 represented 38 percent of the Countrywide PCI residential mortgage loan portfolio at December 31, 2011. Loans with a refreshed LTV greater than 90 percent represented 62 percent of the Countrywide PCI residential mortgage loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 84 percent based on the unpaid principal balance at December 31, 2011. Those loans that were originally classified as Countrywide PCI discontinued real estate loans upon acquisition and have been subsequently modified are now included in the Countrywide PCI residential mortgage outstandings. Table 29 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 29 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Residential Mortgage State Concentrations

	December 31	
(Dollars in millions)	**2011**	2010
California	**$ 5,535**	$ 5,882
Florida	**757**	779
Virginia	**532**	579
Maryland	**258**	271
Texas	**130**	164
Other U.S./Non-U.S.	**2,754**	2,917
Total Countrywide purchased credit-impaired residential mortgage loan portfolio	**$ 9,966**	$ 10,592

Purchased Credit-impaired Home Equity Loan Portfolio

The Countrywide PCI home equity portfolio comprised 38 percent of the total Countrywide PCI loan portfolio. Those loans with a refreshed FICO score below 620 represented 27 percent of the Countrywide PCI home equity portfolio at December 31, 2011. Loans with a refreshed CLTV greater than 90 percent represented 81 percent of the Countrywide PCI home equity portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 83 percent based on the unpaid principal balance at December 31, 2011. Table 30 presents outstandings net of purchase accounting adjustments and before the related valuation allowance, by certain state concentrations.

Table 30 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Home Equity State Concentrations

	December 31	
(Dollars in millions)	2011	2010
California	$ 3,999	$ 4,178
Florida	734	750
Arizona	501	520
Virginia	496	532
Colorado	337	375
Other U.S./Non-U.S.	5,911	6,235
Total Countrywide purchased credit-impaired home equity portfolio	$ 11,978	$ 12,590

Purchased Credit-impaired Discontinued Real Estate Loan Portfolio

The Countrywide PCI discontinued real estate loan portfolio comprised 31 percent of the total Countrywide PCI loan portfolio. Those loans to borrowers with a refreshed FICO score below 620 represented 61 percent of the Countrywide PCI discontinued real estate loan portfolio at December 31, 2011. Loans with a refreshed LTV, or CLTV in the case of second-liens, greater than 90 percent represented 40 percent of the Countrywide PCI discontinued real estate loan portfolio after consideration of purchase accounting adjustments and the related valuation allowance, and 84 percent based on the unpaid principal balance at December 31, 2011. Those loans that were originally classified as discontinued real estate loans upon acquisition and have been subsequently modified are now excluded from this portfolio and included in the Countrywide PCI residential mortgage loan portfolio, but remain in the PCI loan pool. Table 31 presents outstandings net of purchase accounting adjustments and before the related valuation adjustment, by certain state concentrations.

Table 31 Outstanding Countrywide Purchased Credit-impaired Loan Portfolio – Discontinued Real Estate State Concentrations

	December 31	
(Dollars in millions)	2011	2010
California	$ 5,262	$ 6,322
Florida	958	1,121
Washington	331	368
Virginia	277	344
Arizona	251	339
Other U.S./Non-U.S.	2,778	3,158
Total Countrywide purchased credit-impaired discontinued real estate loan portfolio	$ 9,857	$ 11,652

U.S. Credit Card

The consumer U.S. credit card portfolio is managed in *Card Services*. Outstandings in the U.S. credit card loan portfolio decreased $11.5 billion compared to December 31, 2010 due to higher payment rates, charge-offs and portfolio divestitures. For 2011, net charge-offs decreased $5.8 billion to $7.3 billion compared to 2010 due to improvements in delinquencies, collections and bankruptcies as a result of an improved economic environment and the impact of higher credit quality originations. U.S. credit card loans 30 days or more past due and still accruing interest decreased $2.1 billion while loans 90 days or more past due and still accruing interest decreased $1.3 billion compared to December 31, 2010 due to improvement in the U.S. economy. Table 32 presents certain key credit statistics for the consumer U.S. credit card portfolio.

Table 32 U.S. Credit Card – Key Credit Statistics

	December 31	
(Dollars in millions)	2011	2010
Outstandings	$ 102,291	$ 113,785
Accruing past due 30 days or more	3,823	5,913
Accruing past due 90 days or more	2,070	3,320
	2011	**2010**
Net charge-offs	$ 7,276	$ 13,027
Net charge-off ratios [(1)]	6.90%	11.04%

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

Unused lines of credit for U.S. credit card totaled $368.1 billion and $399.7 billion at December 31, 2011 and 2010. The $31.6 billion decrease was driven by portfolio divestitures, closure of inactive accounts and account management initiatives on higher risk accounts.

Table 33 presents certain state concentrations for the U.S. credit card portfolio.

Table 33 U.S. Credit Card State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
California	**$ 15,246**	$ 17,028	**$ 352**	$ 612	**$ 1,402**	$ 2,752
Florida	**7,999**	9,121	**221**	376	**838**	1,611
Texas	**6,885**	7,581	**131**	207	**429**	784
New York	**6,156**	6,862	**126**	192	**403**	694
New Jersey	**4,183**	4,579	**86**	132	**275**	452
Other U.S.	**61,822**	68,614	**1,154**	1,801	**3,929**	6,734
Total U.S. credit card portfolio	**$ 102,291**	$ 113,785	**$ 2,070**	$ 3,320	**$ 7,276**	$ 13,027

Non-U.S. Credit Card

During 2011, we sold our Canadian consumer card business and we are evaluating our remaining international consumer card portfolios. In light of these actions, the international consumer card portfolios were moved from *Card Services* to *All Other*.

Outstandings in the non-U.S. credit card portfolio decreased $13.0 billion in 2011 primarily due to the sale of the Canadian consumer credit card portfolio, lower origination volume and charge-offs. Net charge-offs decreased $1.0 billion in 2011 to $1.2 billion due to the sale of previously charged-off loans, portfolio sales, and improvements in delinquencies, collections and insolvencies.

Unused lines of credit for non-U.S. credit card totaled $36.8 billion and $60.3 billion at December 31, 2011 and 2010. The $23.5 billion decrease was driven primarily by the sale of the Canadian consumer credit card portfolio.

Table 34 presents certain key credit statistics for the non-U.S. credit card portfolio.

Table 34 Non-U.S. Credit Card – Key Credit Statistics

	December 31	
(Dollars in millions)	**2011**	2010
Outstandings	**$ 14,418**	$ 27,465
Accruing past due 30 days or more	**610**	1,354
Accruing past due 90 days or more	**342**	599
	2011	2010
Net charge-offs	**$ 1,169**	$ 2,207
Net charge-off ratios [1]	**4.86%**	7.88%

[1] Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans and leases.

Direct/Indirect Consumer

At December 31, 2011, approximately 48 percent of the direct/indirect portfolio was included in *Global Commercial Banking* (dealer financial services - automotive, marine, aircraft and recreational vehicle loans), 36 percent was included in *GWIM* (principally other non-real estate-secured, unsecured personal loans and securities-based lending margin loans), nine percent was included in *Card Services* (consumer personal loans) and the remainder was in *All Other* (student loans).

Outstanding loans and leases decreased $595 million to $89.7 billion in 2011 due to lower outstandings in the *Card Services* unsecured consumer lending portfolio partially offset by growth in securities-based lending and product transfers from U.S. commercial. For 2011, net charge-offs decreased $1.9 billion to $1.5 billion, or 1.64 percent of total average direct/indirect loans compared to 3.45 percent for 2010. This decrease was primarily driven by improvements in delinquencies, collections and bankruptcies in the unsecured consumer lending portfolio as a result of an improved economic environment as well as reduced outstandings. An additional driver was lower net charge-offs in the dealer financial services portfolio due to the impact of higher credit quality originations and higher resale values.

Net charge-offs in the unsecured consumer lending portfolio decreased $1.6 billion to $1.1 billion in 2011, or 10.93 percent of total average unsecured consumer lending loans compared to 17.24 percent for 2010. Net charge-offs in the dealer financial services portfolio decreased $199 million to $293 million in 2011, or 0.69 percent of total average dealer financial services loans compared to 1.08 percent for 2010. Direct/indirect loans that were past due 30 days or more and still accruing interest declined $745 million to $1.9 billion at December 31, 2011 compared to $2.6 billion at December 31, 2010 due to improvements in both the unsecured consumer lending and dealer financial services portfolios.

Table 35 presents certain state concentrations for the direct/indirect consumer loan portfolio.

Table 35 Direct/Indirect State Concentrations

	December 31					
	Outstandings		Accruing Past Due 90 Days or More		Net Charge-offs	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
California	**$ 11,152**	$ 10,558	**$ 81**	$ 132	**$ 222**	$ 591
Texas	**7,882**	7,885	**54**	78	**117**	262
Florida	**7,456**	6,725	**55**	80	**148**	343
New York	**5,160**	4,770	**40**	56	**79**	183
Georgia	**2,828**	2,814	**38**	44	**61**	126
Other U.S./Non-U.S.	**55,235**	57,556	**478**	668	**849**	1,831
Total direct/indirect loan portfolio	**$ 89,713**	$ 90,308	**$ 746**	$ 1,058	**$ 1,476**	$ 3,336

Other Consumer

At December 31, 2011, approximately 96 percent of the $2.7 billion other consumer portfolio was associated with certain consumer finance businesses that we previously exited and non-U.S. consumer loan portfolios that are included in *All Other*. The remainder is primarily deposit overdrafts in *Deposits*.

Consumer Loans Accounted for Under the Fair Value Option

Outstanding consumer loans accounted for under the fair value option were $2.2 billion at December 31, 2011 and include $1.3 billion of discontinued real estate loans and $906 million of residential mortgage loans as a result of the consolidation of VIEs. During 2011, we recorded losses of $837 million resulting from changes in the fair value of the loan portfolio. These losses were offset by gains recorded on the related long-term debt.

Nonperforming Consumer Loans and Foreclosed Properties Activity

Table 36 presents nonperforming consumer loans and foreclosed properties activity during 2011 and 2010. Nonperforming LHFS are excluded from nonperforming loans as they are recorded at either fair value or the lower of cost or fair value. Nonperforming loans do not include past due consumer credit card loans and in general, past due consumer loans not secured by real estate as these loans are generally charged off no later than the end of the month in which the loan becomes 180 days past due. The fully-insured loan portfolio is not reported as nonperforming as principal repayment is insured. Additionally, nonperforming loans do not include the Countrywide PCI loan portfolio or loans that we account for under the fair value option. For further information on nonperforming loans, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements. Nonperforming loans declined to $18.8 billion at December 31, 2011 compared to $20.9 billion at December 31, 2010. Delinquency inflows to nonperforming loans slowed compared to the prior year due to favorable portfolio trends and were more than offset by charge-offs, nonperforming loans returning to performing status, and paydowns and payoffs.

The outstanding balance of a real estate-secured loan that is in excess of the estimated property value, after reducing the estimated property value for estimated costs to sell, is charged off no later than the end of the month in which the loan becomes 180 days past due unless repayment of the loan is fully insured. At December 31, 2011, $14.6 billion, or 71 percent, of nonperforming consumer real estate loans and foreclosed properties had been written down to their estimated property value less estimated costs to sell, including $12.6 billion of nonperforming loans 180 days or more past due and $2.0 billion of foreclosed properties.

Foreclosed properties increased $742 million in 2011 as additions outpaced liquidations. PCI loans are excluded from nonperforming loans as these loans were written down to fair value at the acquisition date. However, once the underlying real estate is acquired by the Corporation upon foreclosure of the delinquent PCI loan, it is included in foreclosed properties. Net changes to foreclosed properties related to PCI loans increased $411 million in 2011. Not included in foreclosed properties at December 31, 2011 was $1.4 billion of real estate that was acquired upon foreclosure of delinquent FHA-insured loans. We hold this real estate on our balance sheet until we convey these properties to the FHA. We exclude these amounts from our nonperforming loans and foreclosed properties activity as we will be reimbursed once the property is conveyed to the FHA for principal and, up to certain limits, costs incurred during the foreclosure process and interest incurred during the holding period. For additional information on the review of our foreclosure processes, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 57.

Restructured Loans

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers experiencing financial difficulties. These concessions typically result from the Corporation's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance under revised payment terms for a reasonable period, generally six months. Nonperforming TDRs, excluding those modified loans in the Countrywide PCI loan portfolio, are included in Table 36.

As a result of accounting guidance on PCI loans, beginning January 1, 2010, modifications of loans in the PCI loan portfolio do not result in removal of the loan from the PCI loan pool. TDRs in the consumer real estate portfolio that were removed from the

PCI loan portfolio prior to the adoption of this accounting guidance were $1.9 billion and $2.1 billion at December 31, 2011 and 2010, of which $477 million and $426 million were nonperforming. These nonperforming loans are excluded from Table 36.

Nonperforming consumer real estate TDRs as a percentage of total nonperforming consumer loans and foreclosed properties increased to 26 percent at December 31, 2011 from 16 percent at December 31, 2010.

Table 36 Nonperforming Consumer Loans and Foreclosed Properties Activity [1]

(Dollars in millions)	2011	2010
Nonperforming loans, January 1	**$ 20,854**	$ 20,839
Additions to nonperforming loans:		
New nonperforming loans [2]	**15,723**	21,584
Reductions to nonperforming loans:		
Paydowns and payoffs	**(3,318)**	(2,809)
Returns to performing status [3]	**(4,741)**	(7,647)
Charge-offs [4]	**(8,095)**	(9,772)
Transfers to foreclosed properties	**(1,655)**	(1,341)
Total net additions (reductions) to nonperforming loans	**(2,086)**	15
Total nonperforming loans, December 31 [5]	**18,768**	20,854
Foreclosed properties, January 1	**1,249**	1,428
Additions to foreclosed properties:		
New foreclosed properties	**2,996**	2,337
Reductions to foreclosed properties:		
Sales	**(1,993)**	(2,327)
Write-downs	**(261)**	(189)
Total net additions (reductions) to foreclosed properties	**742**	(179)
Total foreclosed properties, December 31	**1,991**	1,249
Nonperforming consumer loans and foreclosed properties, December 31	**$ 20,759**	$ 22,103
Nonperforming consumer loans as a percentage of outstanding consumer loans [6]	**3.09%**	3.24%
Nonperforming consumer loans and foreclosed properties as a percentage of outstanding consumer loans and foreclosed properties [6]	**3.41**	3.43

(1) Balances do not include nonperforming LHFS of $659 million and $1.0 billion at December 31, 2011 and 2010 as well as loans accruing past due 90 days or more as presented in Table 21 and *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.
(2) 2010 includes $448 million of nonperforming loans as a result of the consolidation of variable interest entities.
(3) Consumer loans may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection. Certain TDRs are classified as nonperforming at the time of restructuring and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.
(4) Our policy is to not classify consumer credit card and consumer loans not secured by real estate as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly, are excluded from this table.
(5) At December 31, 2011, 67 percent of nonperforming loans 180 days or more past due were written down through charge-offs to 64 percent of the unpaid principal balance.
(6) Outstanding consumer loans exclude loans accounted for under the fair value option.

Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for loan and lease losses during the first 90 days after transfer of a loan to foreclosed properties. Thereafter, all gains and losses in value are recorded in noninterest expense. New foreclosed properties in Table 36 are net of $352 million and $575 million of charge-offs for 2011 and 2010, recorded during the first 90 days after transfer.

We also work with customers that are experiencing financial difficulty by modifying credit card and other consumer loans, while complying with Federal Financial Institutions Examination Council (FFIEC) guidelines. Substantially all of our credit card and other consumer loan modifications involve a reduction in the cardholder's interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered to be TDRs (the renegotiated TDR portfolio). We make modifications primarily through internal renegotiation programs utilizing direct customer contact, but may also utilize external renegotiation programs. The renegotiated TDR portfolio is excluded from Table 36, as substantially all of these loans remain on accrual status until either charged-off or paid in full. At December 31, 2011, our renegotiated TDR portfolio was $7.1 billion, of which $5.5 billion was current or less than 30 days past due under the modified terms compared to $11.4 billion at December 31, 2010, of which $8.7 billion was current or less than 30 days past due under the modified terms. The decline in the renegotiated TDR portfolio was primarily driven by attrition throughout 2011 as well as lower new program enrollments. For more information on the renegotiated TDR portfolio, see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

As a result of new accounting guidance on TDRs, loans that are participating in or that have been offered a binding trial modification are classified as TDRs. At December 31, 2011, we classified an additional $2.6 billion of home loans as TDRs that were participating in or had been offered a trial modification. These home loans had an aggregate allowance for credit losses of $154 million at December 31, 2011. For additional information, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Table 37 presents TDRs for the home loans portfolio. Performing TDR balances are excluded from nonperforming loans in Table 36.

Table 37 Home Loans Troubled Debt Restructurings

	December 31					
	2011			2010		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
Residential mortgage [1, 2]	$ 19,287	$ 5,034	$ 14,253	$ 11,788	$ 3,297	$ 8,491
Home equity [3]	1,776	543	1,233	1,721	541	1,180
Discontinued real estate [4]	399	214	185	395	206	189
Total home loans troubled debt restructurings	$ 21,462	$ 5,791	$ 15,671	$ 13,904	$ 4,044	$ 9,860

(1) Residential mortgage TDRs deemed collateral dependent totaled $5.3 billion and $3.2 billion, and included $2.2 billion and $921 million of loans classified as nonperforming and $3.1 billion and $2.3 billion of loans classified as performing at December 31, 2011 and 2010.
(2) Residential mortgage performing TDRs included $7.0 billion and $2.5 billion of loans that were fully-insured at December 31, 2011 and 2010.
(3) Home equity TDRs deemed collateral dependent totaled $824 million and $796 million, and included $282 million and $245 million of loans classified as nonperforming and $542 million and $551 million of loans classified as performing at December 31, 2011 and 2010.
(4) Discontinued real estate TDRs deemed collateral dependent totaled $230 million and $213 million, and included $118 million and $97 million of loans classified as nonperforming and $112 million and $116 million as performing at December 31, 2011 and 2010.

Commercial Portfolio Credit Risk Management

Credit risk management for the commercial portfolio begins with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of its financial position. As part of the overall credit risk assessment, our commercial credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are monitored on an ongoing basis, and if necessary, adjusted to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship. Our business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations. We use risk rating aggregations to measure and evaluate concentrations within portfolios. In addition, risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses.

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

Management of Commercial Credit Risk Concentrations

Commercial credit risk is evaluated and managed with the goal that concentrations of credit exposure do not result in undesirable levels of risk. We review, measure and manage concentrations of credit exposure by industry, product, geography, customer relationship and loan size. We also review, measure and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate exposures by region and by country. Tables 42, 47, 53 and 54 summarize our concentrations. We also utilize syndications of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the commercial credit portfolio.

As part of our ongoing risk mitigation initiatives, we attempt to work with clients experiencing financial difficulty to modify their loans to terms that better align with their current ability to pay. In situations where an economic concession has been granted to a borrower experiencing financial difficulty, we identify these loans as TDRs.

We account for certain large corporate loans and loan commitments, including issued but unfunded letters of credit which are considered utilized for credit risk management purposes, that exceed our single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored, and as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's credit view and market perspectives determining the size and timing of the hedging activity. In addition, we purchase credit protection to cover the funded portion as well as the unfunded portion of certain other credit exposures. To lessen the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection. These credit derivatives do not meet the requirements for treatment as accounting hedges. They are carried at fair value with changes in fair value recorded in other income (loss).

Commercial Credit Portfolio

During 2011, credit quality in the commercial loans portfolio showed improvement relative to 2010. Commercial loans increased in 2011 primarily due to growth in commercial and industrial lending. Non-U.S. commercial loan growth, centered in corporate loans and trade finance, was driven by higher client demand, enterprise-wide initiatives, regional economic conditions and disruption in debt and equity markets leading to higher utilization. Growth in U.S. commercial loans was driven by domestic economic momentum. This was partially offset by declines in commercial real estate loans as net paydowns and sales outpaced new originations and renewals.

Reservable criticized balances, net charge-offs and nonperforming loans, leases and foreclosed property balances in the commercial credit portfolio declined in 2011. The reductions in reservable criticized and nonperforming loans, leases and foreclosed property were primarily in the commercial real estate and U.S. commercial portfolios. Commercial real estate continued to show improvement during 2011 compared to 2010 in both the homebuilder and non-homebuilder portfolios. However, levels of stressed commercial real estate loans remain elevated. The reduction in reservable criticized U.S. commercial loans was driven by broad-based improvements in terms of clients, industries and businesses. Most other credit indicators across the remaining commercial portfolios also improved.

Table 38 presents our commercial loans and leases, and related credit quality information at December 31, 2011 and 2010.

Table 38 Commercial Loans and Leases

	December 31					
	Outstandings		Nonperforming		Accruing Past Due 90 Days or More	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
U.S. commercial	**$ 179,948**	$ 175,586	**$ 2,174**	$ 3,453	**$ 75**	$ 236
Commercial real estate [(1)]	**39,596**	49,393	**3,880**	5,829	**7**	47
Commercial lease financing	**21,989**	21,942	**26**	117	**14**	18
Non-U.S. commercial	**55,418**	32,029	**143**	233	**—**	6
	296,951	278,950	**6,223**	9,632	**96**	307
U.S. small business commercial [(2)]	**13,251**	14,719	**114**	204	**216**	325
Commercial loans excluding loans accounted for under the fair value option	**310,202**	293,669	**6,337**	9,836	**312**	632
Loans accounted for under the fair value option [(3)]	**6,614**	3,321	**73**	30	**—**	—
Total commercial loans and leases	**$ 316,816**	$ 296,990	**$ 6,410**	$ 9,866	**$ 312**	$ 632

(1) Includes U.S. commercial real estate loans of $37.8 billion and $46.9 billion and non-U.S. commercial real estate loans of $1.8 billion and $2.5 billion at December 31, 2011 and 2010.

(2) Includes card-related products.

(3) Commercial loans accounted for under the fair value option include U.S. commercial loans of $2.2 billion and $1.6 billion, non-U.S. commercial loans of $4.4 billion and $1.7 billion, and commercial real estate loans of $0 and $79 million at December 31, 2011 and 2010. See *Note 23 – Fair Value Option* to the Consolidated Financial Statements for additional information on the fair value option.

Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases were 2.02 percent and 3.32 percent (2.04 percent and 3.35 percent excluding loans accounted for under the fair value option) at December 31, 2011 and 2010. Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases were 0.10 percent and 0.21 percent (0.10 percent and 0.22 percent excluding loans accounted for under the fair value option) at December 31, 2011 and 2010.

Table 39 presents net charge-offs and related ratios for our commercial loans and leases for 2011 and 2010. Improving portfolio trends drove lower charge-offs and higher recoveries across most of the portfolio. Commercial real estate net charge-offs during 2011 declined in both the homebuilder and non-homebuilder portfolios. U.S. small business commercial net charge-offs declined primarily due to improvements in delinquencies, collections and bankruptcies. U.S. commercial charge-offs decreased during 2011 due to broad-based declines from improvements in client profiles, industries and businesses.

Table 39 Commercial Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [(1)]	
(Dollars in millions)	**2011**	2010	**2011**	2010
U.S. commercial	**$ 195**	$ 881	**0.11%**	0.50%
Commercial real estate	**947**	2,017	**2.13**	3.37
Commercial lease financing	**24**	57	**0.11**	0.27
Non-U.S. commercial	**152**	111	**0.36**	0.39
	1,318	3,066	**0.46**	1.07
U.S. small business commercial	**995**	1,918	**7.12**	12.00
Total commercial	**$ 2,313**	$ 4,984	**0.77**	1.64

(1) Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans and leases excluding loans accounted for under the fair value option.

Table 40 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. Commercial utilized credit exposure includes SBLCs, financial guarantees, bankers' acceptances and commercial letters of credit for which the Corporation is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not yet been advanced, these exposure types are considered utilized for credit risk management purposes. Total commercial committed credit exposure increased $10.4 billion at December 31, 2011 compared to December 31, 2010 driven primarily by increases in loans and leases, partially offset by decreases in SBLCs, LHFS and bankers' acceptances.

Total commercial utilized credit exposure increased $6.1 billion in 2011 driven primarily by increases in loans and leases, partially offset by decreases in SBLCs, LHFS and bankers' acceptances. Utilized loans and leases increased primarily due to growth and higher revolver utilization in our international franchise, and were partially offset by run-off in the commercial real estate portfolio and the transfer of securities-based lending exposures from our U.S. commercial portfolio to the consumer portfolio during 2011. The utilization rate for loans and leases, SBLCs and financial guarantees, and bankers' acceptances was 57 percent at both December 31, 2011 and 2010.

Table 40 Commercial Credit Exposure by Type

	December 31					
	Commercial Utilized [1]		Commercial Unfunded [2, 3]		Total Commercial Committed	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
Loans and leases	**$ 316,816**	$ 296,990	**$ 276,195**	$ 272,172	**$ 593,011**	$ 569,162
Derivative assets [4]	**73,023**	73,000	**—**	—	**73,023**	73,000
Standby letters of credit and financial guarantees	**55,384**	62,745	**1,592**	1,511	**56,976**	64,256
Debt securities and other investments [5]	**11,108**	10,216	**5,147**	4,546	**16,255**	14,762
Loans held-for-sale	**5,006**	10,380	**229**	242	**5,235**	10,622
Commercial letters of credit	**2,411**	2,654	**832**	1,179	**3,243**	3,833
Bankers' acceptances	**797**	3,706	**28**	23	**825**	3,729
Foreclosed properties and other [6]	**1,964**	731	**—**	—	**1,964**	731
Total	**$ 466,509**	$ 460,422	**$ 284,023**	$ 279,673	**$ 750,532**	$ 740,095

(1) Total commercial utilized exposure at December 31, 2011 and 2010 includes loans outstanding of $6.6 billion and $3.3 billion and letters of credit with a notional value of $1.3 billion and $1.4 billion accounted for under the fair value option.
(2) Total commercial unfunded exposure at December 31, 2011 and 2010 includes loan commitments accounted for under the fair value option with a notional value of $24.4 billion and $25.9 billion.
(3) Excludes unused business card lines which are not legally binding.
(4) Derivative assets are carried at fair value, reflect the effects of legally enforceable master netting agreements and have been reduced by cash collateral of $58.9 billion and $58.3 billion at December 31, 2011 and 2010. Not reflected in utilized and committed exposure is additional derivative collateral held of $16.1 billion and $17.7 billion which consists primarily of other marketable securities.
(5) Total commercial committed exposure consists of $16.3 billion and $14.2 billion of debt securities and $0 and $590 million of other investments at December 31, 2011 and 2010.
(6) Includes $1.3 billion of net monoline exposure at December 31, 2011, as discussed in Monoline and Related Exposure on page 95.

Table 41 presents commercial utilized reservable criticized exposure by product type. Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories as defined by regulatory authorities. Total commercial utilized reservable criticized exposure decreased $15.4 billion, or 36 percent, in 2011 due to broad-based decreases across most portfolios, primarily in commercial real estate and U.S. commercial driven largely by continued paydowns, sales and ratings upgrades outpacing downgrades. Despite the improvements, utilized reservable criticized levels remain elevated, particularly in commercial real estate and U.S. small business commercial. At December 31, 2011, approximately 85 percent of commercial utilized reservable criticized exposure was secured compared to 88 percent at December 31, 2010.

Table 41 Commercial Utilized Reservable Criticized Exposure

	December 31			
	2011		2010	
(Dollars in millions)	**Amount [1]**	**Percent [2]**	Amount [1]	Percent [2]
U.S. commercial	**$ 11,731**	**5.16%**	$ 17,195	7.44%
Commercial real estate	**11,525**	**27.13**	20,518	38.88
Commercial lease financing	**1,140**	**5.18**	1,188	5.41
Non-U.S. commercial	**1,524**	**2.44**	2,043	5.01
	25,920	**7.32**	40,944	11.81
U.S. small business commercial	**1,327**	**10.01**	1,677	11.37
Total commercial utilized reservable criticized exposure	**$ 27,247**	**7.41**	$ 42,621	11.80

(1) Total commercial utilized reservable criticized exposure at December 31, 2011 and 2010 includes loans and leases of $25.3 billion and $39.8 billion and commercial letters of credit of $1.9 billion and $2.8 billion.
(2) Percentages are calculated as commercial utilized reservable criticized exposure divided by total commercial utilized reservable exposure for each exposure category.

U.S. Commercial

At December 31, 2011, 58 percent of the U.S. commercial loan portfolio, excluding small business, was managed in *Global Commercial Banking* and 30 percent in *GBAM*. The remaining 12 percent was mostly in *GWIM* (business-purpose loans for wealthy clients). U.S. commercial loans, excluding loans accounted for under the fair value option, increased $4.4 billion in 2011 due to continued growth and higher revolver utilization across the portfolio. This increase was net of a product reclassification for certain trade loans to non-U.S. commercial in 2011, as well as the transfer of securities-based lending loans to the consumer portfolio earlier in 2011, which together totaled $5.3 billion. Reservable criticized balances and nonperforming loans and leases declined $5.5 billion and $1.3 billion in 2011. The declines were broad-based in terms of clients and industries and were driven by improved client credit profiles and liquidity. Net charge-offs decreased $686 million in 2011 due to broad-based declines from credit quality improvements mentioned above, driving lower charge-offs and higher recoveries.

Commercial Real Estate

The commercial real estate portfolio is predominantly managed in *Global Commercial Banking* and consists of loans made primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans decreased $9.8 billion in 2011 due to paydowns and sales, which outpaced new originations and renewals. Over 90 percent of this decrease occurred within reservable criticized.

The portfolio remains diversified across property types and geographic regions. California represented the largest state concentration of commercial real estate loans and leases at 20 percent and 18 percent at December 31, 2011 and 2010. For more information on geographic and property concentrations, see Table 42.

Credit quality for commercial real estate continued to show signs of improvement; however, we expect that elevated unemployment and ongoing pressure on vacancy and rental rates will continue to affect primarily the non-homebuilder portfolio. Nonperforming commercial real estate loans and foreclosed properties decreased 31 percent in 2011, split evenly across the homebuilder and non-homebuilder portfolios. The decline in nonperforming loans and foreclosed properties in the non-homebuilder portfolio was driven by decreases in the shopping centers/retail, land and land development, and office property types. Reservable criticized balances decreased $9.0 billion primarily due to declines in the office, shopping centers/retail and multi-family rental property types in the non-homebuilder portfolio and improvement in the homebuilder portfolio. Net charge-offs declined $1.1 billion in 2011 due to improvement in both the homebuilder and non-homebuilder portfolio.

Table 42 presents outstanding commercial real estate loans by geographic region which is based on the geographic location of the collateral and property type. Commercial real estate primarily includes commercial loans and leases secured by non-owner-occupied real estate which is dependent on the sale or lease of the real estate as the primary source of repayment.

Table 42 Outstanding Commercial Real Estate Loans

	December 31	
(Dollars in millions)	2011	2010
By Geographic Region		
California	$ 7,957	$ 9,012
Northeast	6,554	7,639
Southwest	5,243	6,169
Southeast	4,844	5,806
Midwest	4,051	5,301
Florida	2,502	3,649
Illinois	1,871	2,811
Midsouth	1,751	2,627
Northwest	1,574	2,243
Non-U.S.	1,824	2,515
Other (1)	1,425	1,701
Total outstanding commercial real estate loans (2)	$ 39,596	$ 49,473
By Property Type		
Non-homebuilder		
Office	$ 7,571	$ 9,688
Multi-family rental	6,105	7,721
Shopping centers/retail	5,985	7,484
Industrial/warehouse	3,988	5,039
Multi-use	3,218	4,266
Hotels/motels	2,653	2,650
Land and land development	1,599	2,376
Other	6,050	5,950
Total non-homebuilder	37,169	45,174
Homebuilder	2,427	4,299
Total outstanding commercial real estate loans (2)	$ 39,596	$ 49,473

(1) Other states primarily represents properties in the states of Colorado, Utah, Hawaii, Wyoming and Montana.
(2) Includes commercial real estate loans accounted for under the fair value option of $79 million at December 31, 2010, none at December 31, 2011.

During 2011, we continued to see improvement in the homebuilder portfolio. Certain portions of the non-homebuilder portfolio remain at risk as occupancy rates, rental rates and commercial property prices remain under pressure. We use a number of proactive risk mitigation initiatives to reduce utilized and potential exposure in the commercial real estate portfolios including refinement of our credit standards, additional transfers of deteriorating exposures to management by independent special asset officers and the pursuit of alternative resolution methods to achieve the best results for our customers and the Corporation.

Tables 43 and 44 present commercial real estate credit quality data by non-homebuilder and homebuilder property types. The homebuilder portfolio presented in Tables 42, 43 and 44 includes condominiums and other residential real estate. Other property types in Tables 42, 43 and 44 primarily include special purpose, nursing/retirement homes, medical facilities and restaurants, as well as unsecured loans to borrowers whose primary business is commercial real estate.

Table 43 Commercial Real Estate Credit Quality Data

	December 31			
	Nonperforming Loans and Foreclosed Properties [1]		Utilized Reservable Criticized Exposure [2]	
(Dollars in millions)	**2011**	2010	**2011**	2010
Non-homebuilder				
Office	**$ 807**	$ 1,061	**$ 2,375**	$ 3,956
Multi-family rental	**339**	500	**1,604**	2,940
Shopping centers/retail	**561**	1,000	**1,378**	2,837
Industrial/warehouse	**521**	420	**1,317**	1,878
Multi-use	**345**	483	**971**	1,316
Hotels/motels	**173**	139	**716**	1,191
Land and land development	**530**	820	**749**	1,420
Other	**223**	168	**997**	1,604
Total non-homebuilder	**3,499**	4,591	**10,107**	17,142
Homebuilder	**993**	1,963	**1,418**	3,376
Total commercial real estate	**$ 4,492**	$ 6,554	**$ 11,525**	$ 20,518

[1] Includes commercial foreclosed properties of $612 million and $725 million at December 31, 2011 and 2010.
[2] Includes loans, excluding those accounted for under the fair value option, SBLCs and bankers' acceptances.

Table 44 Commercial Real Estate Net Charge-offs and Related Ratios

	Net Charge-offs		Net Charge-off Ratios [1]	
(Dollars in millions)	**2011**	2010	**2011**	2010
Non-homebuilder				
Office	**$ 126**	$ 273	**1.51%**	2.49%
Multi-family rental	**36**	116	**0.52**	1.21
Shopping centers/retail	**184**	318	**2.69**	3.56
Industrial/warehouse	**88**	59	**1.94**	1.07
Multi-use	**61**	143	**1.63**	2.92
Hotels/motels	**23**	45	**0.86**	1.02
Land and land development	**152**	377	**7.58**	13.04
Other	**19**	220	**0.33**	3.14
Total non-homebuilder	**689**	1,551	**1.67**	2.86
Homebuilder	**258**	466	**8.00**	8.26
Total commercial real estate	**$ 947**	$ 2,017	**2.13**	3.37

[1] Net charge-off ratios are calculated as net charge-offs divided by average outstanding loans excluding loans accounted for under the fair value option.

At December 31, 2011, total committed non-homebuilder exposure was $53.1 billion compared to $64.2 billion at December 31, 2010, with the decrease due to exposure reductions in all non-homebuilder property types. Non-homebuilder nonperforming loans and foreclosed properties were $3.5 billion and $4.6 billion at December 31, 2011 and 2010, which represented 9.29 percent and 10.08 percent of total non-homebuilder loans and foreclosed properties. Non-homebuilder utilized reservable criticized exposure decreased to $10.1 billion, or 25.34 percent of non-homebuilder utilized reservable exposure, at December 31, 2011 compared to $17.1 billion, or 35.55 percent, at December 31, 2010. The decrease in reservable criticized exposure was driven primarily by office, shopping centers/retail and multi-family rental property types. For the non-homebuilder portfolio, net charge-offs decreased $862 million in 2011 due in part to resolution of criticized assets through payoffs and sales.

At December 31, 2011, we had committed homebuilder exposure of $3.9 billion compared to $6.0 billion at December 31, 2010, of which $2.4 billion and $4.3 billion were funded secured loans. The decline in homebuilder committed exposure was due to repayments, net charge-offs, reductions in new home construction and continued risk mitigation initiatives with market conditions providing fewer origination opportunities to offset the reductions. Homebuilder nonperforming loans and foreclosed properties decreased $970 million due to repayments, a decline in the volume of loans being downgraded to nonaccrual status and net charge-offs. Homebuilder utilized reservable criticized exposure decreased $2.0 billion to $1.4 billion due to repayments and net charge-offs. The nonperforming loans, leases and foreclosed properties and the utilized reservable criticized ratios for the homebuilder portfolio were 38.89 percent and 54.65 percent at December 31, 2011 compared to 42.80 percent and 74.27 percent at December 31, 2010. Net charge-offs for the homebuilder portfolio decreased $208 million in 2011.

At December 31, 2011 and 2010, the commercial real estate loan portfolio included $10.9 billion and $19.1 billion of construction and land development loans that were originated to fund the construction and/or rehabilitation of commercial properties. The decline in construction and land development loans was driven by repayments, net charge-offs and continued risk mitigation initiatives which outpaced new originations. This portfolio is mostly secured and diversified across property types and geographic regions but faces continuing challenges in the housing and rental markets. Weak rental demand and cash flows along with depressed property valuations of land have contributed to elevated levels of reservable criticized exposure, nonperforming loans and foreclosed properties, and net charge-offs. Reservable criticized construction and land development loans totaled $4.9 billion and $10.5 billion, and nonperforming construction and land development loans and foreclosed properties totaled $2.1 billion and $4.0 billion at December 31, 2011 and 2010. During a property's construction phase, interest income is typically paid from interest reserves that are established at the inception of the loan. As construction is completed and the property is put into service, these interest reserves are depleted and interest payments from operating cash flows begin. Loans continue to be classified as construction loans until they are refinanced. We do not recognize interest income on nonperforming loans regardless of the existence of an interest reserve.

Non-U.S. Commercial

The non-U.S. commercial loan portfolio is managed primarily in *GBAM*. Outstanding loans, excluding loans accounted for under the fair value option, increased $23.4 billion in 2011 from continued growth in corporate loans and trade finance due to client demand, enterprise-wide initiatives, regional economic conditions and disruption in debt and equity markets, along with the product reclassification from U.S. commercial in 2011. For additional information on the non-U.S. commercial portfolio, see Non-U.S. Portfolio on page 98.

U.S. Small Business Commercial

The U.S. small business commercial loan portfolio is comprised of business card and small business loans managed in *Card Services* and *Global Commercial Banking*. U.S. small business commercial net charge-offs declined $923 million in 2011 driven by improvements in delinquencies, collections and bankruptcies resulting from an improved economic environment as well as the reduction of higher risk vintages and the impact of higher credit quality originations. Of the U.S. small business commercial net charge-offs, 74 percent were credit card-related products for 2011 compared to 79 percent for 2010.

Commercial Loans Carried at Fair Value

The portfolio of commercial loans accounted for under the fair value option is managed primarily in *GBAM*. Outstanding commercial loans accounted for under the fair value option increased $3.3 billion to an aggregate fair value of $6.6 billion at December 31, 2011 due primarily to increased corporate borrowings under bank credit facilities. We recorded net losses of $174 million resulting from changes in the fair value of the loan portfolio during 2011 compared to net gains of $82 million in 2010. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income (loss) and do not reflect the results of hedging activities.

In addition, unfunded lending commitments and letters of credit accounted for under the fair value option had an aggregate fair value of $1.2 billion and $866 million at December 31, 2011 and 2010 which was recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit accounted for under the fair value option was $25.7 billion and $27.3 billion at December 31, 2011 and 2010. During 2011 we recorded net losses of $429 million from changes in the fair value of commitments and letters of credit compared to net gains of $23 million in 2010. These amounts were primarily attributable to changes in instrument-specific credit risk, were recorded in other income (loss) and do not reflect the results of hedging activities.

Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity

Table 45 presents the nonperforming commercial loans, leases and foreclosed properties activity during 2011 and 2010. Nonperforming commercial loans and leases decreased $3.5 billion during 2011 to $6.3 billion at December 31, 2011 driven by paydowns, charge-offs, returns to performing status and sales, partially offset by new nonaccrual loans in the commercial real estate and U.S. commercial portfolios. Approximately 96 percent of commercial nonperforming loans, leases and foreclosed properties are secured and approximately 51 percent are contractually current. In addition, commercial nonperforming loans are carried at approximately 68 percent of their unpaid principal balance before consideration of the allowance for loan and lease losses as the carrying value of these loans has been reduced to the estimated property value less estimated costs to sell.

Table 45 Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity [1, 2]

(Dollars in millions)	2011	2010
Nonperforming loans and leases, January 1	**$ 9,836**	$ 12,703
Additions to nonperforming loans and leases:		
New nonperforming loans and leases	**4,656**	7,809
Advances	**157**	330
Reductions in nonperforming loans and leases:		
Paydowns and payoffs	**(3,457)**	(3,938)
Sales	**(1,153)**	(841)
Returns to performing status [3]	**(1,183)**	(1,607)
Charge-offs [4]	**(1,576)**	(3,221)
Transfers to foreclosed properties	**(774)**	(1,045)
Transfers to loans held-for-sale	**(169)**	(354)
Total net reductions to nonperforming loans and leases	**(3,499)**	(2,867)
Total nonperforming loans and leases, December 31	**6,337**	9,836
Foreclosed properties, January 1	**725**	777
Additions to foreclosed properties:		
New foreclosed properties	**507**	818
Reductions in foreclosed properties:		
Sales	**(539)**	(780)
Write-downs	**(81)**	(90)
Total net reductions to foreclosed properties	**(113)**	(52)
Total foreclosed properties, December 31	**612**	725
Nonperforming commercial loans, leases and foreclosed properties, December 31	**$ 6,949**	$ 10,561
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases [5]	**2.04%**	3.35%
Nonperforming commercial loans, leases and foreclosed properties as a percentage of outstanding commercial loans, leases and foreclosed properties [5]	**2.24**	3.59

(1) Balances do not include nonperforming LHFS of $1.1 billion and $1.5 billion at December 31, 2011 and 2010.
(2) Includes U.S. small business commercial activity.
(3) Commercial loans and leases may be returned to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected or when the loan otherwise becomes well-secured and is in the process of collection. TDRs are generally classified as performing after a sustained period of demonstrated payment performance.
(4) Business card loans are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity and accordingly are excluded from this table.
(5) Excludes loans accounted for under the fair value option.

As a result of the retrospective application of new accounting guidance on TDRs effective September 30, 2011, the Corporation classified $1.1 billion of commercial loan modifications as TDRs that in previous periods had not been classified as TDRs. These loans were newly identified as TDRs typically because the Corporation was not able to demonstrate that the modified rate of interest, although significantly higher than the rate prior to modification, was a market rate of interest. These newly identified TDRs did not have a significant impact on the allowance for credit losses or the provision for credit losses. Included in this amount was $402 million of performing commercial loans at December 31, 2011 that were not previously considered to be impaired loans. For additional information, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

Table 46 presents our commercial TDRs by product type and status. U.S. small business commercial TDRs are comprised of renegotiated business card loans and are not classified as nonperforming as they are charged off no later than the end of the month in which the loan becomes 180 days past due.

Table 46 Commercial Troubled Debt Restructurings

	December 31					
	2011			2010		
(Dollars in millions)	Total	Nonperforming	Performing	Total	Nonperforming	Performing
U.S. commercial	$ 1,329	$ 531	$ 798	$ 356	$ 175	$ 181
Commercial real estate	1,675	1,076	599	815	770	45
Non-U.S. commercial	54	38	16	19	7	12
U.S. small business commercial	389	—	389	688	—	688
Total commercial troubled debt restructurings	$ 3,447	$ 1,645	$ 1,802	$ 1,878	$ 952	$ 926

Industry Concentrations

Table 47 presents commercial committed and utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and unfunded portions of certain credit exposures. Our commercial credit exposure is diversified across a broad range of industries. The increase in commercial committed exposure of $10.4 billion in 2011 was concentrated in banks, diversified financials and energy, partially offset by lower real estate, insurance (including monolines) and other committed exposure.

Industry limits are used internally to manage industry concentrations and are based on committed exposures and capital usage that are allocated on an industry-by-industry basis. A risk management framework is in place to set and approve industry limits as well as to provide ongoing monitoring. Management's Credit Risk Committee (CRC) oversees industry limit governance.

Diversified financials, our largest industry concentration, experienced an increase in committed exposure of $8.2 billion, or nine percent, in 2011 driven primarily by increases in consumer finance lending and traded products exposure.

Real estate, our second largest industry concentration, experienced a decrease in committed exposure of $9.4 billion, or 13 percent, in 2011 due primarily to paydowns and sales which outpaced new originations and renewals. Real estate construction and land development exposure represented 20 percent and 27 percent of the total real estate industry committed exposure at December 31, 2011 and 2010. For more information on the commercial real estate and related portfolios, see Commercial Real Estate on page 91.

Committed exposure in the banking industry increased $9.1 billion, or 31 percent, in 2011 primarily due to increases in trade finance as a result of momentum from regional economies and growth initiatives in foreign markets.

Energy committed exposure increased $5.7 billion, or 22 percent, in 2011 due to increases in working capital lines for state-related enterprises and increases in large investment-grade energy companies.

Insurance, including monolines committed exposure, decreased $8.3 billion, or 34 percent, in 2011 due primarily to the settlement/termination of monoline positions. For more information on our monoline exposure, see Monoline and Related Exposure below.

Other committed exposure decreased $6.0 billion, or 44 percent, in 2011 due to reductions primarily in traded products exposure.

The Corporation's committed state and municipal exposure of $46.1 billion at December 31, 2011 consisted of $34.4 billion of commercial utilized exposure (including $18.6 billion of funded loans, $11.3 billion of SBLCs and $4.1 billion of derivative assets) and unutilized commercial exposure of $11.7 billion (primarily unfunded loan commitments and letters of credit) and is reported in the Government and public education industry in Table 47. Economic conditions continue to impact debt issued by state and local municipalities and certain exposures to these municipalities. While historical default rates have been low, as part of our overall and ongoing risk management processes, we continually monitor these exposures through a rigorous review process. Additionally, internal communications surrounding certain at-risk counterparties and/or sectors are regularly circulated ensuring exposure levels are in compliance with established concentration guidelines.

Monoline and Related Exposure

Monoline exposure is reported in the insurance industry and managed under insurance portfolio industry limits.

We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations and credit-enhanced securities as part of our public finance business and other selected products. Such indirect exposure exists when we purchase credit protection from monolines to hedge all or a portion of the credit risk on certain credit exposures including loans and CDOs. We underwrite our public finance exposure by evaluating the underlying securities.

We also have indirect exposure to monolines in the form of guarantees supporting our mortgage and other loan sales. Indirect exposure may exist when credit protection was purchased from monolines to hedge all or a portion of the credit risk on certain mortgage and other loan exposures. A loss may occur when we are required to repurchase a loan and the market value of the loan has declined, or we are required to indemnify or provide recourse for a guarantor's loss. For additional information regarding our exposure to representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50 and *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements.

During 2011, we terminated all of our monoline contracts referencing super senior ABS CDOs and reclassified net monoline exposure with a carrying value of $1.3 billion ($4.7 billion gross receivable less impairment) at December 31, 2011 from derivative assets to other assets because of the inherent default risk. Because these contracts no longer provide a hedge benefit, they are no longer considered derivative trading instruments. This exposure relates to a single counterparty and is recorded at fair value based on current net recovery projections. The net recovery projections take into account the present value of projected payments expected to be received from the counterparty.

Monoline derivative credit exposure had a notional value of $21.1 billion and $38.4 billion at December 31, 2011 and 2010. Mark-to-market monoline derivative credit exposure was $1.8 billion and $9.2 billion at December 31, 2011 and 2010 with the decrease driven by positive valuation adjustments on legacy assets, terminated monoline contracts and the reclassification of net monoline exposure to other assets mentioned above. The counterparty credit valuation adjustment related to monoline derivative exposure was $417 million and $5.3 billion at December 31, 2011 and 2010. This adjustment reduced our net mark-to-market exposure to $1.3 billion at December 31, 2011 compared to $3.9 billion at December 31, 2010 and covered 24 percent of the mark-to-market exposure at December 31, 2011, down from 57 percent at December 31, 2010. We do not hold collateral against these derivative exposures. For more information on our monoline exposure, termination of certain monoline contracts and the transfer of monoline exposure to other assets, see *GBAM* on page 43.

We also have indirect exposure to monolines as we invest in securities where the issuers have purchased wraps. For example, municipalities and corporations purchase insurance in order to reduce their cost of borrowing. If the rating agencies downgrade the monolines, the credit rating of the bond may fall and may have an adverse impact on the market value of the security. In the case of default, we first look to the underlying securities and then to the purchased insurance for recovery. Investments in securities with purchased wraps issued by municipalities and corporations had a notional amount of $150 million and $2.4 billion at December 31, 2011 and 2010. Mark-to-market investment exposure was $89 million at December 31, 2011 compared to $2.2 billion at December 31, 2010.

Table 47 Commercial Credit Exposure by Industry [1]

	December 31			
	Commercial Utilized		Total Commercial Committed	
(Dollars in millions)	**2011**	2010	**2011**	2010
Diversified financials	**$ 64,957**	$ 58,698	**$ 94,969**	$ 86,750
Real estate [2]	**48,138**	58,531	**62,566**	72,004
Government and public education	**43,090**	44,131	**57,021**	59,594
Healthcare equipment and services	**31,298**	30,420	**48,141**	47,569
Capital goods	**24,025**	21,940	**48,013**	46,087
Retailing	**25,478**	24,660	**46,290**	43,950
Banks	**35,231**	26,831	**38,735**	29,667
Consumer services	**24,445**	24,759	**38,498**	39,694
Materials	**19,384**	15,873	**38,070**	33,046
Energy	**15,151**	9,765	**32,074**	26,328
Commercial services and supplies	**20,089**	20,056	**30,831**	30,517
Food, beverage and tobacco	**15,904**	14,777	**30,501**	28,126
Utilities	**8,102**	6,990	**24,552**	24,207
Media	**11,447**	11,611	**21,158**	20,619
Transportation	**12,683**	12,070	**19,036**	18,436
Individuals and trusts	**14,993**	18,316	**19,001**	22,937
Insurance, including monolines	**10,090**	17,263	**16,157**	24,417
Technology hardware and equipment	**5,247**	4,373	**12,173**	10,932
Pharmaceuticals and biotechnology	**4,141**	3,859	**11,328**	11,009
Religious and social organizations	**8,536**	8,409	**11,160**	10,823
Telecommunication services	**4,297**	3,823	**10,424**	9,321
Software and services	**4,304**	3,837	**9,579**	9,531
Consumer durables and apparel	**4,505**	4,297	**8,965**	8,836
Automobiles and components	**2,813**	2,090	**7,178**	5,941
Food and staples retailing	**3,273**	3,222	**6,476**	6,161
Other	**4,888**	9,821	**7,636**	13,593
Total commercial credit exposure by industry	**$ 466,509**	$ 460,422	**$ 750,532**	$ 740,095
Net credit default protection purchased on total commitments [3]			**$ (19,356)**	$ (20,118)

(1) Includes U.S. small business commercial exposure.
(2) Industries are viewed from a variety of perspectives to best isolate the perceived risks. For purposes of this table, the real estate industry is defined based on the borrowers' or counterparties' primary business activity using operating cash flows and primary source of repayment as key factors.
(3) Represents net notional credit protection purchased. See Risk Mitigation below for additional information.

Risk Mitigation

We purchase credit protection to cover the funded portion as well as the unfunded portion of certain credit exposures. To lower the cost of obtaining our desired credit protection levels, credit exposure may be added within an industry, borrower or counterparty group by selling protection.

At December 31, 2011 and 2010, net notional credit default protection purchased in our credit derivatives portfolio to hedge our funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, was $19.4 billion and $20.1 billion. The mark-to-market effects, including the cost of net credit default protection hedging our credit exposure, resulted in net gains of $121 million in 2011 compared to net losses of $546 million in 2010.

The average VaR for these credit derivative hedges was $60 million in 2011 compared to $53 million in 2010. The average VaR for the related credit exposure was $74 million in 2011 compared to $65 million in 2010. There is a diversification effect between the net credit default protection hedging our credit exposure and the related credit exposure such that the combined average VaR was $38 million in 2011 compared to $41 million in 2010. See Trading Risk Management on page 107 for a description of our VaR calculation for the market-based trading portfolio.

Tables 48 and 49 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at December 31, 2011 and 2010. The distribution of debt ratings for net notional credit default protection purchased is shown as a negative amount.

Table 48 Net Credit Default Protection by Maturity Profile

	December 31	
	2011	2010
Less than or equal to one year	**16%**	14%
Greater than one year and less than or equal to five years	**77**	80
Greater than five years	**7**	6
Total net credit default protection	**100%**	100%

Table 49 Net Credit Default Protection by Credit Exposure Debt Rating

	December 31			
	2011		2010	
(Dollars in millions)	**Net Notional**	**Percent of Total**	Net Notional	Percent of Total
Ratings (1, 2)				
AAA	**$ (32)**	**0.2%**	$ —	—%
AA	**(779)**	**4.0**	(188)	0.9
A	**(7,184)**	**37.1**	(6,485)	32.2
BBB	**(7,436)**	**38.4**	(7,731)	38.4
BB	**(1,527)**	**7.9**	(2,106)	10.5
B	**(1,534)**	**7.9**	(1,260)	6.3
CCC and below	**(661)**	**3.4**	(762)	3.8
NR (3)	**(203)**	**1.1**	(1,586)	7.9
Total net credit default protection	**$ (19,356)**	**100.0%**	$ (20,118)	100.0%

(1) Ratings are refreshed on a quarterly basis.

(2) The Corporation considers ratings of BBB- or higher to meet the definition of investment grade.

(3) In addition to names which have not been rated, "NR" includes $(15) million and $(1.5) billion in net credit default swap index positions at December 31, 2011 and 2010. While index positions are principally investment grade, credit default swap indices include names in and across each of the ratings categories.

In addition to our net notional credit default protection purchased to cover the funded and unfunded portion of certain credit exposures, credit derivatives are used for market-making activities for clients and establishing positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative trades in the OTC market with large, multinational financial institutions, including broker/dealers and, to a lesser degree, with a variety of other investors. Because these transactions are executed in the OTC market, we are subject to settlement risk. We are also subject to credit risk in the event that these counterparties fail to perform under the terms of these contracts. In most cases, credit derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade, depending on the ultimate rating level, or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow us to take additional protective measures such as early termination of all trades.

Table 50 presents the total contract/notional amount of credit derivatives outstanding and includes both purchased and written credit derivatives. The credit risk amounts are measured as the net replacement cost in the event the counterparties with contracts in a gain position to us fail to perform under the terms of those contracts. For information on our written credit derivatives, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

The credit risk amounts discussed above and presented in Table 50 take into consideration the effects of legally enforceable master netting agreements, while amounts disclosed in *Note 4 – Derivatives* to the Consolidated Financial Statements are shown on a gross basis. Credit risk reflects the potential benefit from offsetting exposure to non-credit derivative products with the same counterparties that may be netted upon the occurrence of certain events, thereby reducing our overall exposure.

Table 50 Credit Derivatives

	December 31			
	2011		2010	
(Dollars in millions)	Contract/ Notional	Credit Risk	Contract/ Notional	Credit Risk
Purchased credit derivatives:				
Credit default swaps	**$ 1,944,764**	**$ 14,163**	$ 2,184,703	$ 18,150
Total return swaps/other	**17,519**	**776**	26,038	1,013
Total purchased credit derivatives	**1,962,283**	**14,939**	2,210,741	19,163
Written credit derivatives:				
Credit default swaps	**1,885,944**	**n/a**	2,133,488	n/a
Total return swaps/other	**17,838**	**n/a**	22,474	n/a
Total written credit derivatives	**1,903,782**	**n/a**	2,155,962	n/a
Total credit derivatives	**$ 3,866,065**	**$ 14,939**	$ 4,366,703	$ 19,163

n/a = not applicable

Counterparty Credit Risk Valuation Adjustments

We record a counterparty credit risk valuation adjustment on certain derivative assets, including our credit default protection purchased, in order to properly reflect the credit quality of the counterparty. These adjustments are necessary as the market quotes on derivatives do not fully reflect the credit risk of the counterparties to the derivative assets. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment. All or a portion of these counterparty credit risk valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparty.

During 2011 and 2010, credit valuation gains (losses) of $(1.9) billion and $731 million ($(606) million and $(8) million, net of hedges) for counterparty credit risk were recognized in trading account profits for counterparty credit risk related to derivative assets. For information on our monoline counterparty credit risk, see *GBAM* – Collateralized Debt Obligation and Monoline Exposure on page 45 and Monoline and Related Exposure on page 95.

Non-U.S. Portfolio

Our non-U.S. credit and trading portfolios are subject to country risk. We define country risk as the risk of loss from unfavorable economic and political conditions, currency fluctuations, social instability and changes in government policies. A risk management framework is in place to measure, monitor and manage non-U.S. risk and exposures. Management oversight of country risk, including cross-border risk, is provided by the Regional Risk Committee, a subcommittee of the CRC.

Table 51 sets forth total non-U.S. exposure broken out by region at December 31, 2011 and 2010. Non-U.S. exposure includes credit exposure net of local liabilities, securities and other investments issued by or domiciled in countries other than the U.S. Total non-U.S. exposure can be adjusted for externally guaranteed loans outstanding and certain collateral types. Exposures which are subject to external guarantees are reported under the country of the guarantor. Exposures with tangible collateral are reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are generally presented based on the domicile of the counterparty consistent with FFIEC reporting requirements.

Table 51 Regional Non-U.S. Exposure (1, 2, 3)

	December 31	
(Dollars in millions)	2011	2010
Europe	**$ 115,914**	$ 148,078
Asia Pacific	**74,577**	73,255
Latin America	**17,415**	14,848
Middle East and Africa	**4,614**	3,688
Other	**20,101**	22,188
Total	**$ 232,621**	$ 262,057

(1) Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements.
(2) Derivative assets included in the exposure amounts have been reduced by the amount of cash collateral applied of $45.6 billion and $44.2 billion at December 31, 2011 and 2010.
(3) Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

Our total non-U.S. exposure was $232.6 billion at December 31, 2011, a decrease of $29.4 billion from December 31, 2010. Our non-U.S. exposure remained concentrated in Europe which accounted for $115.9 billion, or 50 percent, of total non-U.S. exposure. The European exposure was mostly in Western Europe and was distributed across a variety of industries. The decrease of $32.2 billion in Europe was primarily driven by our efforts to reduce risk in countries affected by the ongoing debt crisis in the Eurozone. Select European countries are further detailed in Table 54. Asia Pacific was our second largest non-U.S. exposure at $74.6 billion, or 32 percent. The $1.3 billion increase in Asia Pacific was driven by increases in securities and local exposure in Japan and increases in the emerging markets, predominately in local exposure, loans and securities offset by the sale of CCB shares. For more information on our CCB investment, see *Note 5 – Securities* to the Consolidated Financial Statements. Latin America accounted for $17.4 billion, or seven percent, of total non-U.S. exposure. The $2.6 billion increase in Latin America was primarily driven by an increase in Brazil in securities and local country exposure. Middle East and Africa increased $926 million to $4.6 billion, representing two percent of total non-U.S. exposure. Other non-U.S. exposure was $20.1 billion at December 31, 2011, a decrease of $2.1 billion in 2011 resulting primarily from a decrease in local exposure as a result of the sale of our Canadian consumer card business. For more information on our Asia Pacific and Latin America exposure, see non-U.S. exposure to selected countries defined as emerging markets on page 100.

Table 52 presents countries where total cross-border exposure exceeded one percent of our total assets. At December 31, 2011, the United Kingdom and Japan were the only countries where total cross-border exposure exceeded one percent of our total assets. At December 31, 2011, Canada and France had total cross-border exposure of $16.9 billion and $16.1 billion representing 0.79 percent and 0.75 percent of total assets. Canada and France were the only other countries that had total cross-border exposure that exceeded 0.75 percent of our total assets at December 31, 2011.

Exposure includes cross-border claims by our non-U.S. offices including loans, acceptances, time deposits placed, trading account assets, securities, derivative assets, other interest-earning investments and other monetary assets. Amounts also include unused commitments, SBLCs, commercial letters of credit and formal guarantees. Sector definitions are consistent with FFIEC reporting requirements for preparing the Country Exposure Report.

Table 52 Total Cross-border Exposure Exceeding One Percent of Total Assets (1)

(Dollars in millions)	December 31	Public Sector	Banks	Private Sector	Cross-border Exposure	Exposure as a Percentage of Total Assets
United Kingdom	**2011**	**$ 6,401**	**$ 4,424**	**$ 18,056**	**$ 28,881**	**1.36%**
	2010	101	5,544	32,354	37,999	1.68
Japan (2)	**2011**	**4,603**	**10,383**	**8,060**	**23,046**	**1.08**

(1) Total cross-border exposure for the United Kingdom and Japan included derivatives exposure of $5.9 billion and $3.5 billion at December 31, 2011 and $2.3 billion and $2.8 billion at December 31, 2010 which has been reduced by the amount of cash collateral applied of $9.3 billion and $1.2 billion at December 31, 2011 and $13.0 billion and $1.6 billion at December 31, 2010. Derivative assets were collateralized by other marketable securities of $242 million and $1.7 billion at December 31, 2011 and $96 million and $743 million at December 31, 2010.

(2) At December 31, 2010, total cross-border exposure for Japan was $17.0 billion, representing 0.75 percent of total assets.

As presented in Table 53, non-U.S. exposure to borrowers or counterparties in emerging markets decreased $3.4 billion to $61.6 billion at December 31, 2011. The decrease was due to the sale of CCB shares, partially offset by growth in the rest of Asia Pacific and other regions. Non-U.S. exposure to borrowers or counterparties in emerging markets represented 26 percent and 25 percent of total non-U.S. exposure at December 31, 2011 and 2010.

Table 53 Selected Emerging Markets [1]

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing [2]	Derivative Assets [3]	Securities/ Other Investments [4]	Total Cross-border Exposure [5]	Local Country Exposure Net of Local Liabilities [6]	**Total Selected Emerging Market Exposure at December 31, 2011**	Increase (Decrease) From December 31, 2010
Region/Country								
Asia Pacific								
India	$ 4,737	$ 1,686	$ 1,078	$ 2,272	$ 9,773	$ 712	**$ 10,485**	$ 2,217
South Korea	1,642	1,228	690	2,207	5,767	1,795	**7,562**	2,283
China	3,907	315	1,276	1,751	7,249	83	**7,332**	(16,596)
Hong Kong	417	276	179	1,074	1,946	1,259	**3,205**	1,163
Singapore	514	130	479	1,932	3,055	—	**3,055**	509
Taiwan	573	35	80	672	1,360	1,191	**2,551**	696
Thailand	29	8	44	613	694	—	**694**	25
Other Asia Pacific [7]	663	356	174	682	1,875	35	**1,910**	1,196
Total Asia Pacific	$ 12,482	$ 4,034	$ 4,000	$ 11,203	$ 31,719	$ 5,075	**$ 36,794**	$ (8,507)
Latin America								
Brazil	$ 1,965	$ 374	$ 436	$ 3,346	$ 6,121	$ 3,010	**$ 9,131**	$ 3,325
Mexico	2,381	305	309	996	3,991	—	**3,991**	(394)
Chile	1,100	180	314	22	1,616	29	**1,645**	119
Colombia	360	114	15	29	518	—	**518**	(159)
Other Latin America [7]	255	218	32	334	839	154	**993**	(385)
Total Latin America	$ 6,061	$ 1,191	$ 1,106	$ 4,727	$ 13,085	$ 3,193	**$ 16,278**	$ 2,506
Middle East and Africa								
United Arab Emirates	$ 1,134	$ 87	$ 461	$ 12	$ 1,694	$ —	**$ 1,694**	$ 518
Bahrain	79	1	2	907	989	3	**992**	(168)
South Africa	498	53	48	54	653	—	**653**	82
Other Middle East and Africa [7]	759	71	116	303	1,249	26	**1,275**	494
Total Middle East and Africa	$ 2,470	$ 212	$ 627	$ 1,276	$ 4,585	$ 29	**$ 4,614**	$ 926
Central and Eastern Europe								
Russian Federation	$ 1,596	$ 145	$ 22	$ 96	$ 1,859	$ 17	**$ 1,876**	$ 1,340
Turkey	553	81	10	344	988	217	**1,205**	705
Other Central and Eastern Europe [7]	109	143	290	328	870	—	**870**	(383)
Total Central and Eastern Europe	$ 2,258	$ 369	$ 322	$ 768	$ 3,717	$ 234	**$ 3,951**	$ 1,662
Total emerging market exposure	$ 23,271	$ 5,806	$ 6,055	$ 17,974	$ 53,106	$ 8,531	**$ 61,637**	$ (3,413)

(1) There is no generally accepted definition of emerging markets. The definition that we use includes all countries in Asia Pacific excluding Japan, Australia and New Zealand; all countries in Latin America excluding Cayman Islands and Bermuda; all countries in Middle East and Africa; and all countries in Central and Eastern Europe. At December 31, 2011 and 2010, there was $1.7 billion and $460 million in emerging market exposure accounted for under the fair value option.

(2) Includes acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees.

(3) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $1.2 billion at both December 31, 2011 and 2010. At December 31, 2011 and 2010, there were $353 million and $408 million of other marketable securities collateralizing derivative assets.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying securities are U.S. Treasury securities, in which case the domicile is the U.S., are excluded from this presentation.

(5) Cross-border exposure includes amounts payable to the Corporation by borrowers or counterparties with a country of residence other than the one in which the credit is booked, regardless of the currency in which the claim is denominated, consistent with FFIEC reporting requirements.

(6) Local country exposure includes amounts payable to the Corporation by borrowers with a country of residence in which the credit is booked regardless of the currency in which the claim is denominated. Local funding or liabilities are subtracted from local exposures consistent with FFIEC reporting requirements. Total amount of available local liabilities funding local country exposure was $18.7 billion and $15.7 billion at December 31, 2011 and 2010. Local liabilities at December 31, 2011 in Asia Pacific, Latin America, and Middle East and Africa were $17.3 billion, $1.0 billion and $278 million, respectively, of which $9.2 billion was in Singapore, $2.3 billion in China, $2.2 billion in Hong Kong, $1.3 billion in India, $973 million in Mexico and $804 million in Korea. There were no other countries with available local liabilities funding local country exposure greater than $500 million.

(7) No country included in Other Asia Pacific, Other Latin America, Other Middle East and Africa, and Other Central and Eastern Europe had total non-U.S. exposure of more than $500 million.

At December 31, 2011 and 2010, 60 percent and 70 percent of our emerging markets exposure was in Asia Pacific. Emerging markets exposure in Asia Pacific decreased by $8.5 billion driven by a $19.0 billion decrease related to the sale of CCB shares, partially offset by increases in loans and securities predominately in India, China (excluding CCB) and South Korea.

At December 31, 2011 and 2010, 26 percent and 21 percent of our emerging markets exposure was in Latin America. Latin America emerging markets exposure increased $2.5 billion driven by increases in securities and local exposure in Brazil.

At December 31, 2011 and 2010, eight percent and six percent of our emerging markets exposure was in Middle East and Africa, with an increase of $926 million primarily driven by increases in loans and derivatives in United Arab Emirates, and by increases in loans in Other Middle East and Africa. At December 31, 2011 and 2010, six percent and three percent of the emerging markets exposure was in Central and Eastern Europe, with the increase driven by an increase in loans in the Russian Federation.

Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, have experienced varying degrees of financial stress. Risks from the continued debt crisis in Europe could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and sovereign and non-sovereign debt in these countries. Uncertainty in the progress of debt restructuring negotiations and the lack of a clear resolution to the crisis have led to continued volatility in European financial markets, as well as global financial markets. In December 2011, the ECB announced initiatives to address European bank liquidity and funding concerns by providing low-cost, three-year loans to banks, and expanding collateral eligibility. In early 2012, S&P, Fitch and Moody's downgraded the credit ratings of several European countries, and S&P downgraded the credit rating of the EFSF, adding to concerns about investor appetite for continued support in stabilizing the affected countries.

Table 54 shows our direct sovereign and non-sovereign exposures, excluding consumer credit card exposure, in these countries at December 31, 2011. Our total sovereign and non-sovereign exposure to these countries was $15.3 billion at December 31, 2011 compared to $16.6 billion at December 31, 2010. The total exposure to these countries, net of hedges, was $10.5 billion at December 31, 2011 compared to $12.4 billion at December 31, 2010, of which $252 million and $91 million was total sovereign exposure. At December 31, 2011 and 2010, the fair value of net credit default protection purchased was $4.9 billion and $4.2 billion.

We hedge certain of our selected European country exposure with credit default protection in the form of CDS. The majority of our CDS contracts are with highly-rated financial institutions primarily outside of the Eurozone and we work to limit or eliminate correlated CDS. Due to our engagement in market-making activities, our CDS portfolio contains contracts with various maturities to a diverse set of counterparties.

In addition to our direct sovereign and non-sovereign exposures, a significant deterioration of the European debt crisis could result in material reductions in the value of sovereign debt and other asset classes, disruptions in capital markets, widening of credit spreads, loss of investor confidence in the financial services industry, a slowdown in global economic activity and other adverse developments. For additional information on the debt crisis in Europe, see Item 1A. Risk Factors of this Annual Report on Form 10-K.

Losses could still result even if there is credit default protection purchased because the purchased credit protection contracts only pay out under certain scenarios and thus not all losses may be covered by the credit protection contracts. The effectiveness of our CDS protection as a hedge of these risks is influenced by a number of factors, including the contractual terms of the CDS. Generally, only the occurrence of a credit event as defined by the CDS terms (which may include, among other events, the failure to pay by, or restructuring of, the reference entity) results in a payment under the purchased credit protection contracts. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association, Inc. (ISDA) Determination Committee (comprised of various ISDA member firms) based on the terms of the CDS and facts and circumstances for the event. Accordingly, uncertainties exist as to whether any particular strategy or policy action for addressing European debt crisis would constitute a credit event under the CDS. A voluntary restructuring may not trigger a credit event under CDS terms and consequently may not trigger a payment under the CDS contract.

Table 54 Selected European Countries

(Dollars in millions)	Funded Loans and Loan Equivalents [(1)]	Unfunded Loan Commitments	Derivative Assets [(2)]	Securities/ Other Investments [(3)]	Country Exposure at December 31, 2011	Hedges and Credit Default Protection [(4)]	**Net Country Exposure at December 31, 2011 [(5)]**	Increase (Decrease) from December 31, 2010
Greece								
Sovereign	$ 1	$ —	$ —	$ 34	$ 35	$ (6)	**$ 29**	$ (69)
Financial Institutions	—	—	3	10	13	(19)	**(6)**	(31)
Corporates	322	97	33	7	459	(25)	**434**	62
Total Greece	$ 323	$ 97	$ 36	$ 51	$ 507	$ (50)	**$ 457**	$ (38)
Ireland								
Sovereign	$ 18	$ —	$ 12	$ 24	$ 54	$ (1)	**$ 53**	$ (357)
Financial Institutions	120	20	173	470	783	(33)	**750**	(36)
Corporates	1,235	154	100	57	1,546	(35)	**1,511**	(474)
Total Ireland	$ 1,373	$ 174	$ 285	$ 551	$ 2,383	$ (69)	**$ 2,314**	$ (867)
Italy								
Sovereign	$ —	$ —	$ 1,542	$ 29	$ 1,571	$ (1,399)	**$ 172**	$ 206
Financial Institutions	2,077	76	139	83	2,375	(705)	**1,670**	(567)
Corporates	1,560	1,813	541	259	4,173	(1,181)	**2,992**	790
Total Italy	$ 3,637	$ 1,889	$ 2,222	$ 371	$ 8,119	$ (3,285)	**$ 4,834**	$ 429
Portugal								
Sovereign	$ —	$ —	$ 41	$ —	$ 41	$ (50)	**$ (9)**	$ 49
Financial Institutions	34	—	2	35	71	(80)	**(9)**	(354)
Corporates	159	73	21	15	268	(207)	**61**	19
Total Portugal	$ 193	$ 73	$ 64	$ 50	$ 380	$ (337)	**$ 43**	$ (286)
Spain								
Sovereign	$ 74	$ 6	$ 71	$ 2	$ 153	$ (146)	**$ 7**	$ 332
Financial Institutions	459	7	143	487	1,096	(138)	**958**	(958)
Corporates	1,586	871	112	121	2,690	(835)	**1,855**	(588)
Total Spain	$ 2,119	$ 884	$ 326	$ 610	$ 3,939	$ (1,119)	**$ 2,820**	$ (1,214)
Total								
Sovereign	$ 93	$ 6	$ 1,666	$ 89	$ 1,854	$ (1,602)	**$ 252**	$ 161
Financial Institutions	2,690	103	460	1,085	4,338	(975)	**3,363**	(1,946)
Corporates	4,862	3,008	807	459	9,136	(2,283)	**6,853**	(191)
Total selected European exposure	$ 7,645	$ 3,117	$ 2,933	$ 1,633	$ 15,328	$ (4,860)	**$ 10,468**	$ (1,976)

(1) Includes loans, leases, overdrafts, acceptances, due froms, SBLCs, commercial letters of credit and formal guarantees, which have not been reduced by collateral, hedges or credit default protection. Previously classified local exposures are no longer offset by local liabilities, which totaled $939 million at December 31, 2011. Of the $939 million previously applied for exposure reduction, $562 million was in Ireland, $217 million in Italy, $126 million in Spain and $34 million in Greece.

(2) Derivative assets are carried at fair value and have been reduced by the amount of cash collateral applied of $3.5 billion at December 31, 2011. At December 31, 2011, there was $83 million of other marketable securities collateralizing derivative assets. Derivative assets have not been reduced by hedges or credit default protection.

(3) Includes $369 million in notional value of reverse repurchase agreements, which are presented based on the domicile of the counterparty consistent with FFIEC reporting requirements. Cross-border resale agreements where the underlying collateral is U.S. Treasury securities are excluded from this presentation. Securities exposures are reduced by hedges and short positions on a single-name basis to, but not less than zero.

(4) Represents the fair value of credit default protection purchased, including $(3.4) billion in net credit default protection purchased to hedge loans and securities, $(1.4) billion in additional credit default protection to hedge derivative assets and $(74) million in other short positions.

(5) Represents country exposure less the fair value of hedges and credit default protection.

Provision for Credit Losses

The provision for credit losses decreased $15.0 billion to $13.4 billion for 2011 compared to 2010. The provision for credit losses was $7.4 billion lower than net charge-offs for 2011, resulting in a reduction in the allowance for credit losses driven primarily by lower delinquencies, improved collection rates and fewer bankruptcy filings across the *Card Services* portfolio, and improvement in overall credit quality in the commercial real estate portfolio partially offset by additions to consumer PCI loan portfolio reserves. This compared to a $5.9 billion reduction in the allowance for credit losses in 2010.

The provision for credit losses for the consumer portfolio decreased $11.1 billion to $14.3 billion for 2011 compared to 2010 reflecting improving economic conditions and improvement in the current and projected levels of delinquencies, collections and bankruptcies in the U.S. consumer credit card and unsecured consumer lending portfolios. Also contributing to the decrease were lower credit costs in the non-PCI home equity loan portfolio due to improving portfolio trends, partially offset by higher credit costs in the residential mortgage portfolio primarily reflecting further deterioration in home prices. For the consumer PCI loan portfolios, updates to our expected cash flows resulted in an increase in reserves of $2.2 billion in 2011 due primarily to our updated home price outlook. Reserve increases related to the consumer PCI loan portfolios in 2010 were also $2.2 billion.

The provision for credit losses for the commercial portfolio, including the provision for unfunded lending commitments, decreased $3.9 billion to a benefit of $915 million in 2011 compared to 2010 due to continued economic improvement and the resulting impact on property values in the commercial real estate portfolio, lower current and projected levels of delinquencies and bankruptcies in the U.S. small business commercial portfolio and improvement in borrower credit profiles across the remainder of the commercial portfolio.

Allowance for Credit Losses

Allowance for Loan and Lease Losses

The allowance for loan and lease losses is comprised of two components, as described below. We evaluate the adequacy of the allowance for loan and lease losses based on the total of these two components. The allowance for loan and lease losses excludes LHFS and loans accounted for under the fair value option as the fair value reflects a credit risk component.

The first component of the allowance for loan and lease losses covers nonperforming commercial loans and performing commercial loans that have been modified in a TDR, consumer real estate loans that have been modified in a TDR, renegotiated credit card, and renegotiated unsecured consumer and small business loans. These loans are subject to impairment measurement based on the present value of expected future cash flows discounted at the loan's original effective interest rate, or in certain circumstances, impairment may also be based upon the collateral value or the loan's observable market price if available. Impairment measurement for the renegotiated credit card, unsecured consumer and small business TDR portfolios is based on the present value of projected cash flows discounted using the average portfolio contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring and prior to any risk-based or penalty-based increase in rate on the restructured loans. For purposes of computing this specific loss component of the allowance, larger impaired loans are evaluated individually and smaller impaired loans are evaluated as a pool using historical loss experience for the respective product types and risk ratings of the loans.

The second component of the allowance for loan and lease losses covers the remaining consumer and commercial loans and leases that have incurred losses but are not yet individually identifiable. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio evaluations, generally by product type. Loss forecast models are utilized that consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic trends and credit scores. Our consumer real estate loss forecast model estimates the portion of loans that will default based on individual loan attributes, the most significant of which are refreshed LTV or CLTV, and borrower credit score as well as vintage and geography, all of which are further broken down into current delinquency status. Incorporating refreshed LTV and CLTV into our probability of default allows us to factor the impact of changes in home prices into our allowance for loan and lease losses. These loss forecast models are updated on a quarterly basis to incorporate information reflecting the current economic environment. As of December 31, 2011, the loss forecast process resulted in reductions in the allowance for most consumer portfolios, particularly the credit card and direct/indirect portfolios.

The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic and obligor concentrations within each portfolio and any other pertinent information. The statistical models for commercial loans are generally updated annually and utilize our historical database of actual defaults and other data. The loan risk ratings and composition of the commercial portfolios are updated at least quarterly to incorporate the most recent data reflecting the current economic environment. For risk-rated commercial loans, we estimate the probability of default and the LGD based on our historical experience of defaults and credit losses. Factors considered when assessing the internal risk rating include the value of the underlying collateral, if applicable, the industry in which the obligor operates, the obligor's liquidity and other financial indicators, and other quantitative and qualitative factors relevant to the obligor's credit risk. When estimating the allowance for loan and lease losses, management relies not only on models derived from historical experience but also on its judgment in considering the effect on probable losses inherent in the portfolios due to the current macroeconomic environment and trends, inherent uncertainty in models and other qualitative factors. As of December 31, 2011, updates to the loan risk ratings and portfolio composition resulted in reductions in the allowance for all commercial portfolios.

Also included within this second component of the allowance for loan and lease losses and determined separately from the procedures outlined above are reserves that are maintained to cover uncertainties that affect our estimate of probable losses including domestic and global economic uncertainty, large single name defaults, significant events which could disrupt financial markets and model imprecision.

We monitor differences between estimated and actual incurred loan and lease losses. This monitoring process includes periodic assessments by senior management of loan and lease portfolios and the models used to estimate incurred losses in those portfolios.

Additions to, or reductions of, the allowance for loan and lease losses generally are recorded through charges or credits to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged off amounts are credited to the allowance for loan and lease losses.

The allowance for loan and lease losses for the consumer portfolio as presented in Table 56 was $29.6 billion at December 31, 2011, a decrease of $5.1 billion from December 31, 2010. This decrease was primarily due to improving economic conditions and improvement in the current and projected levels of delinquencies, collections and bankruptcies in the U.S. consumer credit card and unsecured consumer lending portfolios. With respect to the consumer PCI loan portfolios, updates to our expected cash flows resulted in an increase in reserves through provision of $2.2 billion in 2011, within the discontinued real estate, home equity and residential mortgage portfolios, primarily due to our updated home price outlook. Reserve increases related to the consumer PCI loan portfolios in 2010 were also $2.2 billion.

The allowance for loan and lease losses for the commercial portfolio was $4.1 billion at December 31, 2011, a $3.0 billion decrease from December 31, 2010. The decrease was driven by improvement in the economy and the resulting impact on property values in the commercial real estate portfolio, improvement in projected delinquencies in the U.S. small business commercial portfolio, mostly within *Card Services*, and stronger borrower credit profiles in the U.S. commercial portfolios, primarily in *Global Commercial Banking* and *GBAM*.

The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 3.68 percent at December 31, 2011 compared to 4.47 percent at December 31, 2010. The decrease in the ratio was largely due to improved credit quality and economic conditions which led to the reduction in the allowance for credit losses discussed above. The December 31, 2011 and 2010 ratios above include the PCI loan portfolio. Excluding the PCI loan portfolio, the allowance for loan and lease losses as a percentage of total loans and leases outstanding was 2.86 percent at December 31, 2011 compared to 3.94 percent at December 31, 2010.

Absent unexpected deterioration in the economy, we expect reductions in the allowance for loan and lease losses to continue in 2012. However, in both consumer and commercial portfolios, we expect these reductions to be less than those in 2011 and 2010.

Table 55 presents a rollforward of the allowance for credit losses for 2011 and 2010.

Table 55 Allowance for Credit Losses

(Dollars in millions)	2011	2010
Allowance for loan and lease losses, January 1 [1]	$ 41,885	$ 47,988
Loans and leases charged off		
Residential mortgage	(4,195)	(3,779)
Home equity	(4,990)	(7,059)
Discontinued real estate	(106)	(77)
U.S. credit card	(8,114)	(13,818)
Non-U.S. credit card	(1,691)	(2,424)
Direct/Indirect consumer	(2,190)	(4,303)
Other consumer	(252)	(320)
Total consumer charge-offs	(21,538)	(31,780)
U.S. commercial [2]	(1,690)	(3,190)
Commercial real estate	(1,298)	(2,185)
Commercial lease financing	(61)	(96)
Non-U.S. commercial	(155)	(139)
Total commercial charge-offs	(3,204)	(5,610)
Total loans and leases charged off	(24,742)	(37,390)
Recoveries of loans and leases previously charged off		
Residential mortgage	363	109
Home equity	517	278
Discontinued real estate	14	9
U.S. credit card	838	791
Non-U.S. credit card	522	217
Direct/Indirect consumer	714	967
Other consumer	50	59
Total consumer recoveries	3,018	2,430
U.S. commercial [3]	500	391
Commercial real estate	351	168
Commercial lease financing	37	39
Non-U.S. commercial	3	28
Total commercial recoveries	891	626
Total recoveries of loans and leases previously charged off	3,909	3,056
Net charge-offs	(20,833)	(34,334)
Provision for loan and lease losses	13,629	28,195
Other [4]	(898)	36
Allowance for loan and lease losses, December 31	33,783	41,885
Reserve for unfunded lending commitments, January 1	1,188	1,487
Provision for unfunded lending commitments	(219)	240
Other [5]	(255)	(539)
Reserve for unfunded lending commitments, December 31	714	1,188
Allowance for credit losses, December 31	$ 34,497	$ 43,073

(1) The 2010 balance includes $10.8 billion of allowance for loan and lease losses related to the adoption of new consolidation guidance.
(2) Includes U.S. small business commercial charge-offs of $1.1 billion and $2.0 billion in 2011 and 2010.
(3) Includes U.S. small business commercial recoveries of $106 million and $107 million in 2011 and 2010.
(4) The 2011 amount includes a $449 million reduction in the allowance for loan and lease losses related to Canadian consumer card loans that were transferred to LHFS.
(5) The 2011 and 2010 amounts primarily represent accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions.

Table 55 Allowance for Credit Losses (continued)

(Dollars in millions)	2011	2010
Loan and allowance ratios:		
Loans and leases outstanding at December 31 (5)	$ 917,396	$ 937,119
Allowance for loan and lease losses as a percentage of total loans and leases and outstanding at December 31 (5)	3.68%	4.47%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at December 31 (6)	4.88	5.40
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (7)	1.33	2.44
Average loans and leases outstanding (5)	$ 929,661	$ 954,278
Net charge-offs as a percentage of average loans and leases outstanding (5)	2.24%	3.60%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 8)	135	136
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.62	1.22
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (9)	$ 17,490	$ 22,908
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (9)	65%	62%
Loan and allowance ratios excluding purchased credit-impaired loans:		
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (5)	2.86%	3.94%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at December 31 (6)	3.68	4.66
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (7)	1.33	2.44
Net charge-offs as a percentage of average loans and leases outstanding (5)	2.32	3.73
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 8)	101	116
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	1.22	1.04

(5) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans accounted for under the fair value option were $8.8 billion and $3.3 billion at December 31, 2011 and 2010. Average loans accounted for under the fair value option were $8.4 billion and $4.1 billion in 2011 and 2010.
(6) Excludes consumer loans accounted for under the fair value option of $2.2 billion at December 31, 2011. There were no consumer loans accounted for under the fair value option at December 31, 2010.
(7) Excludes commercial loans accounted for under the fair value option of $6.6 billion and $3.3 billion at December 31, 2011 and 2010.
(8) For more information on our definition of nonperforming loans, see pages 86 and 94.
(9) Primarily includes amounts allocated to *Card Services* portfolios, PCI loans and the non-U.S. credit portfolio in *All Other*.

For reporting purposes, we allocate the allowance for credit losses across products. However, the allowance is available to absorb any credit losses without restriction. Table 56 presents our allocation by product type.

Table 56 Allocation of the Allowance for Credit Losses by Product Type

	December 31, 2011			December 31, 2010		
(Dollars in millions)	Amount	Percent of Total	Percent of Loans and Leases Outstanding (1)	Amount	Percent of Total	Percent of Loans and Leases Outstanding (1)
Allowance for loan and lease losses						
Residential mortgage	$ 5,935	17.57%	2.26%	$ 5,082	12.14%	1.97%
Home equity	13,094	38.76	10.50	12,887	30.77	9.34
Discontinued real estate	2,050	6.07	18.48	1,283	3.06	9.79
U.S. credit card	6,322	18.71	6.18	10,876	25.97	9.56
Non-U.S. credit card	946	2.80	6.56	2,045	4.88	7.45
Direct/Indirect consumer	1,153	3.41	1.29	2,381	5.68	2.64
Other consumer	148	0.44	5.50	161	0.38	5.67
Total consumer	29,648	87.76	4.88	34,715	82.88	5.40
U.S. commercial (2)	2,441	7.23	1.26	3,576	8.54	1.88
Commercial real estate	1,349	3.99	3.41	3,137	7.49	6.35
Commercial lease financing	92	0.27	0.42	126	0.30	0.57
Non-U.S. commercial	253	0.75	0.46	331	0.79	1.03
Total commercial (3)	4,135	12.24	1.33	7,170	17.12	2.44
Allowance for loan and lease losses	33,783	100.00%	3.68	41,885	100.00%	4.47
Reserve for unfunded lending commitments	714			1,188		
Allowance for credit losses (4)	$ 34,497			$ 43,073		

(1) Ratios are calculated as allowance for loan and lease losses as a percentage of loans and leases outstanding excluding loans accounted for under the fair value option. Consumer loans accounted for under the fair value option included residential mortgage loans of $906 million and discontinued real estate of $1.3 billion at December 31, 2011. There were no consumer loans accounted for under the fair value option at December 31, 2010. Commercial loans accounted for under the fair value option included U.S. commercial loans of $2.2 billion and $1.6 billion, non-U.S. commercial loans of $4.4 billion and $1.7 billion and commercial real estate loans of $0 and $79 million at December 31, 2011 and 2010.
(2) Includes allowance for U.S. small business commercial loans of $893 million and $1.5 billion at December 31, 2011 and 2010.
(3) Includes allowance for loan and lease losses for impaired commercial loans of $545 million and $1.1 billion at December 31, 2011 and 2010.
(4) Includes $8.5 billion and $6.4 billion of valuation reserves presented with the allowance for credit losses related to PCI loans at December 31, 2011 and 2010.

Reserve for Unfunded Lending Commitments

In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments such as letters of credit, financial guarantees, unfunded bankers' acceptances and binding loan commitments, excluding commitments accounted for under the fair value option. Unfunded lending commitments are subject to the same assessment as funded loans, including estimates of probability of default and LGD. Due to the nature of unfunded commitments, the estimate of probable losses must also consider utilization. To estimate the portion of these undrawn commitments that is likely to be drawn by a borrower at the time of estimated default, analyses of the Corporation's historical experience are applied to the unfunded commitments to estimate the funded EAD. The expected loss for unfunded lending commitments is the product of the probability of default, the LGD and the EAD, adjusted for any qualitative factors including economic uncertainty and inherent imprecision in models.

The reserve for unfunded lending commitments at December 31, 2011 was $714 million, $474 million lower than December 31, 2010 driven by accretion of purchase accounting adjustments on acquired Merrill Lynch unfunded positions and improved credit quality in the unfunded portfolio.

Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and other trading operations, the ALM process, credit risk mitigation activities and mortgage banking activities. In the event of market volatility, factors such as underlying market movements and liquidity have an impact on the results of the Corporation.

Our traditional banking loan and deposit products are nontrading positions and are generally reported at amortized cost for assets or the amount owed for liabilities (historical cost). However, these positions are still subject to changes in economic value based on varying market conditions, primarily changes in the levels of interest rates. The risk of adverse changes in the economic value of our nontrading positions is managed through our ALM activities. We have elected to account for certain assets and liabilities under the fair value option. For further information on the fair value of certain financial assets and liabilities, see *Note 22 – Fair Value Measurements* to the Consolidated Financial Statements.

Our trading positions are reported at fair value with changes currently reflected in income. Trading positions are subject to various risk factors, which include exposures to interest rates and foreign exchange rates, as well as mortgage, equity, commodity, issuer, credit and market liquidity risk factors. We seek to mitigate these risk exposures by using techniques that encompass a variety of financial instruments in both the cash and derivatives markets. The following discusses the key risk components along with respective risk mitigation techniques.

Interest Rate Risk

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivatives. Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in currencies other than the U.S. dollar. The types of instruments exposed to this risk include investments in non-U.S. subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivatives whose values fluctuate with changes in the level or volatility of currency exchange rates or non-U.S. interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, foreign currency-denominated debt and deposits.

Mortgage Risk

Mortgage risk represents exposures to changes in the value of mortgage-related instruments. The values of these instruments are sensitive to prepayment rates, mortgage rates, agency debt ratings, default, market liquidity, government participation and interest rate volatility. Our exposure to these instruments takes several forms. First, we trade and engage in market-making activities in a variety of mortgage securities including whole loans, pass-through certificates, commercial mortgages and collateralized mortgage obligations including CDOs using mortgages as underlying collateral. Second, we originate a variety of MBS which involves the accumulation of mortgage-related loans in anticipation of eventual securitization. Third, we may hold positions in mortgage securities and residential mortgage loans as part of the ALM portfolio. Fourth, we create MSRs as part of our mortgage origination activities. See *Note 1 – Summary of Significant Accounting Principles* and *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements for additional information on MSRs. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards and foreign currency-denominated debt.

Equity Market Risk

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to, the following: common stock, exchange-traded funds, American Depositary Receipts, convertible bonds, listed equity options (puts and calls), OTC equity options, equity total return swaps, equity index futures and other equity derivative products. Hedging instruments used to mitigate this risk include options, futures, swaps, convertible bonds and cash positions.

Commodity Risk

Commodity risk represents exposures to instruments traded in the petroleum, natural gas, power and metals markets. These instruments consist primarily of futures, forwards, swaps and options. Hedging instruments used to mitigate this risk include options, futures and swaps in the same or similar commodity product, as well as cash positions.

Issuer Credit Risk

Issuer credit risk represents exposures to changes in the creditworthiness of individual issuers or groups of issuers. Our portfolio is exposed to issuer credit risk where the value of an asset may be adversely impacted by changes in the levels of credit spreads, by credit migration or by defaults. Hedging instruments used to mitigate this risk include bonds, CDS and other credit fixed-income instruments.

Market Liquidity Risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease. This exposes us to the risk that we will not be able to transact business and execute trades in an orderly manner which may impact our results. This impact could further be exacerbated if expected hedging or pricing correlations are compromised by disproportionate demand or lack of demand for certain instruments. We utilize various risk mitigating techniques as discussed in more detail in Trading Risk Management.

Trading Risk Management

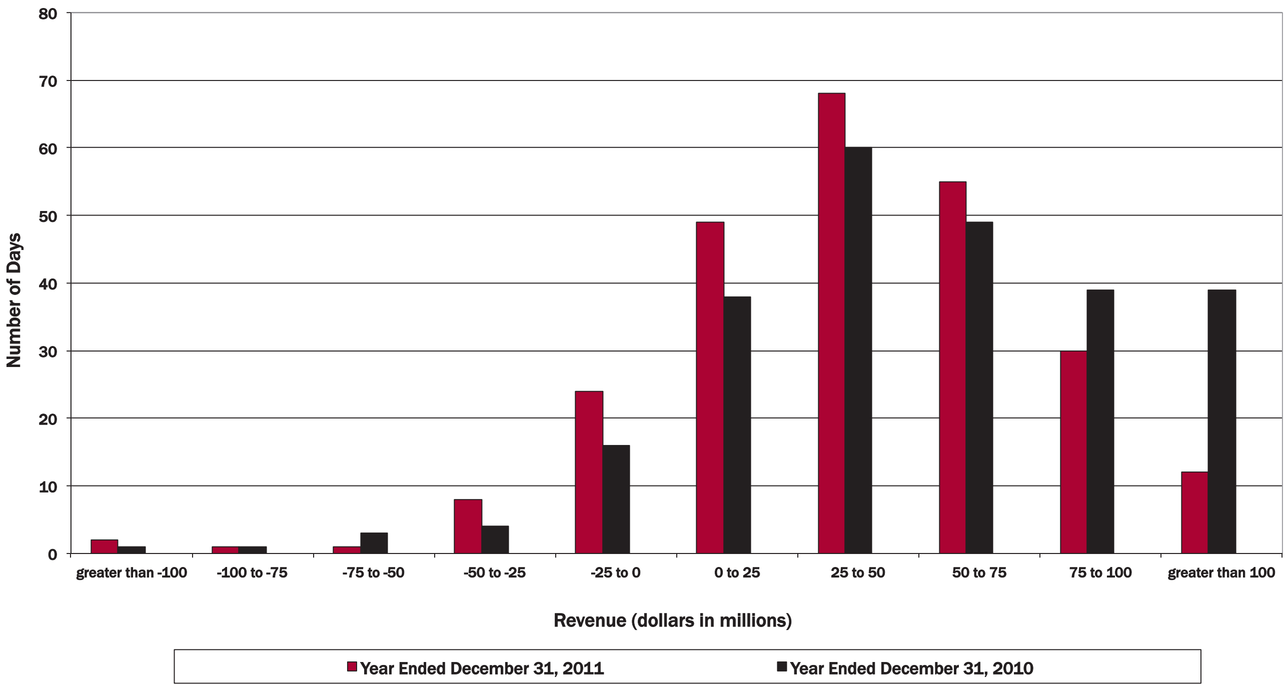
Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 22 – Fair Value Measurements* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Also, trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

The Global Markets Risk Committee (GRC), chaired by the Global Markets Risk Executive, has been designated by ALMRC as the primary governance authority for global markets risk management including trading risk management. The GRC's focus is to take a forward-looking view of the primary credit and market risks impacting *GBAM* and prioritize those that need a proactive risk mitigation strategy. Market risks that impact businesses outside of *GBAM* are monitored and governed by their respective governance authorities.

The GRC monitors significant daily revenues and losses by business and the primary drivers of the revenues or losses. Thresholds are in place for each of our businesses in order to determine if the revenue or loss is considered to be significant for that business. If any of the thresholds are exceeded, an explanation of the variance is provided to the GRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses that exceed what is considered to be normal daily income statement volatility.

The histogram below is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for 2011 and 2010. During 2011, positive trading-related revenue was recorded for 86 percent (214 days) of the trading days of which 66 percent (165 days) were daily trading gains of over $25 million, five percent (12 days) of the trading days had losses greater than $25 million and the largest loss was $119 million. This is compared to 2010, where positive trading-related revenue was recorded for 90 percent (225 days) of the trading days of which 75 percent (187 days) were daily trading gains of over $25 million, four percent (nine days) of the trading days had losses greater than $25 million and the largest loss was $102 million.

Histogram of Daily Trading-related Revenue



To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. VaR is a key statistic used to measure market risk. In order to manage day-to-day risks, VaR is subject to trading limits both for our overall trading portfolio and within individual businesses. All limit excesses are communicated to management for review.

A VaR model simulates the value of a portfolio under a range of hypothetical scenarios in order to generate a distribution of potential gains and losses. VaR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. Within any VaR model, there are significant and numerous assumptions that will differ from company to company. In addition, the accuracy of a VaR model depends on the availability and quality of historical data for each of the positions in the portfolio. A VaR model may require additional modeling assumptions for new products that do not have extensive historical price data or for illiquid positions for which accurate daily prices are not consistently available.

A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios. There are, however, many limitations inherent in a VaR model as it utilizes historical results over a defined time period to estimate future performance. Historical results may not always be indicative of future results and changes in market conditions or in the composition of the underlying portfolio could have a material impact on the accuracy of the VaR model. In order for the VaR model to reflect current market conditions, we update the historical data underlying our VaR model on a bi-weekly basis and regularly review the assumptions underlying the model. Our VaR model utilizes three years of historical data. This time period was chosen to ensure that the VaR reflects both a broad range of market movements as well as being sensitive to recent changes in market volatility.

We continually review, evaluate and enhance our VaR model so that it reflects the material risks in our trading portfolio. Nevertheless, due to the limitations previously discussed, we have historically used the VaR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to varying degrees.

The accuracy of the VaR methodology is reviewed by backtesting, which involves comparing actual results against expectations derived from historical data, the VaR results against the daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GRC. Backtesting excesses occur when trading losses exceed VaR. Senior management reviews and evaluates the results of these tests. In periods of market stress, the GRC members communicate daily to discuss losses and VaR limit excesses. As a result of this process, the businesses may selectively reduce risk. Where economically feasible, positions are sold or macroeconomic hedges are executed to reduce the exposure.

Our VaR model uses a historical simulation approach based on three years of historical data and an expected shortfall methodology equivalent to a 99 percent confidence level. Statistically, this means that losses will exceed VaR, on average, one out of 100 trading days, or two to three times each year. The number of actual backtesting excesses observed is dependent on current market performance relative to historic market volatility. For most of 2011, the three years of historical market data utilized for VaR included the volatile fourth quarter of 2008. Subsequent market volatility has generally been lower, and as a result, the size of the largest trading losses experienced since then has been lower than would be expected based on the VaR measure. Actual losses did not exceed daily trading VaR in 2011 or 2010. The graph below shows daily trading-related revenue and VaR for 2011.

Trading Risk and Return
Daily Trading-related Revenue and VaR

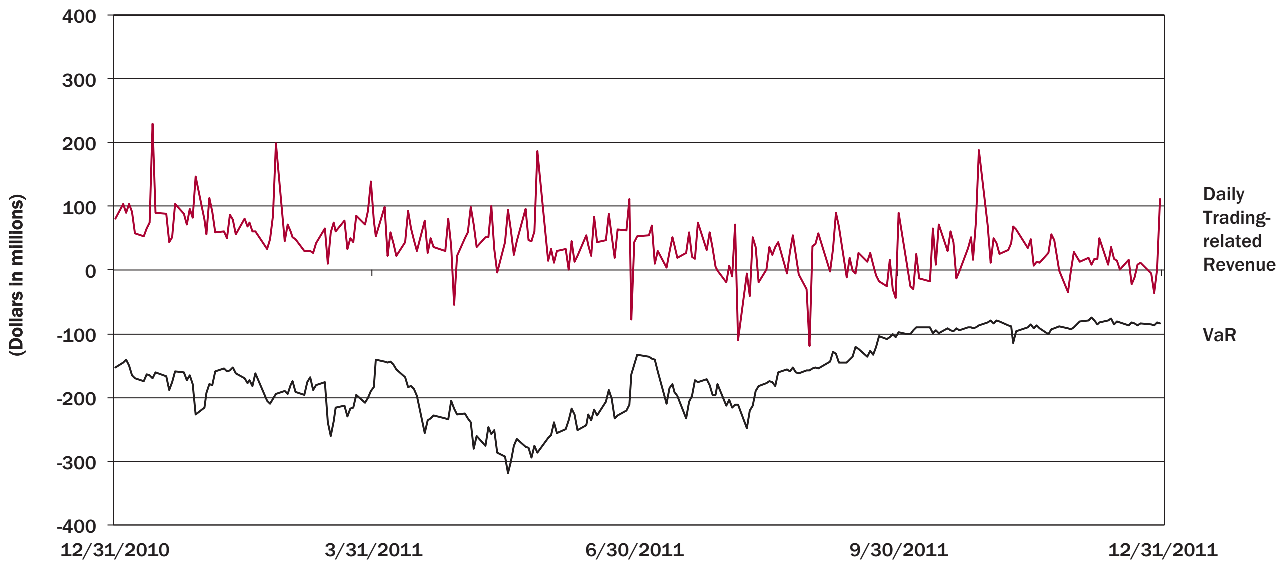


Table 57 presents average, high and low daily trading VaR for 2011 and 2010.

Table 57 Market Risk VaR for Trading Activities

	2011			2010		
(Dollars in millions)	Average	High [1]	Low [1]	Average	High [1]	Low [1]
Foreign exchange	$ 20.0	$ 48.6	$ 5.6	$ 23.8	$ 73.1	$ 4.9
Interest rate	50.6	82.7	29.2	64.1	128.3	33.2
Credit	109.9	155.3	54.8	171.5	287.2	122.9
Real estate/mortgage	80.0	139.5	31.5	83.1	138.5	42.9
Equities	50.5	88.9	25.1	39.4	90.9	20.8
Commodities	18.9	33.8	8.4	19.9	31.7	12.8
Portfolio diversification	(163.1)	—	—	(200.5)	—	—
Total market-based trading portfolio	$ 166.8	$ 318.6	$ 75.0	$ 201.3	$ 375.2	$ 123.0

(1) The high and low for the total portfolio may not equal the sum of the individual components as the highs or lows of the individual portfolios may have occurred on different trading days.

The $35 million decrease in average VaR during 2011 was primarily due to a reduction in risk during the year. This was driven primarily by a decrease in credit exposures where average VaR decreased $62 million compared to 2010. In addition, for 2010 and 2011, data from the more volatile periods of 2007 and 2008 were no longer included in our three-year historical dataset. These impacts were partially offset by a reduction in portfolio diversification VaR of $37 million.

Counterparty credit risk is an adjustment to the mark-to-market value of our derivative exposures to reflect the impact of the credit quality of counterparties on our derivative assets. Since counterparty credit exposure is not included in the VaR component of the regulatory capital allocation, we do not include it in our trading VaR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram or used for backtesting.

Trading Portfolio Stress Testing

Because the very nature of a VaR model suggests results can exceed our estimates, and is dependent on a limited lookback window, we also "stress test" our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various scenarios, categorized as either historical or hypothetical, are regularly run and reported for the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes that occurred during a set of extended historical market events. Generally, a 10-business-day window or longer, representing the most severe point during a crisis, is selected for each historical scenario. Hypothetical scenarios provide simulations of anticipated shocks from pre-defined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate VaR. As with the historical scenarios, the hypothetical scenarios are designed to represent a short-term market disruption. Scenarios are reviewed and updated as necessary in light of changing positions and new economic or political information. In addition to the value afforded by the results themselves, this information provides senior management with a clear picture of the trend of risk being taken given the relatively static nature of the shocks applied. Stress testing for the trading portfolio is also integrated with enterprise-wide stress testing and incorporated into the limits framework. A process is in place to promote consistency between the scenarios used for the trading portfolio and those used for enterprise-wide stress testing. The scenarios used for enterprise-wide stress testing purposes differ from the typical trading portfolio scenarios in that they have a longer time horizon and the results are forecasted over multiple periods for use in consolidated capital and liquidity planning. For additional information on enterprise-wide stress testing, see page 70.

Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading balance sheet. Interest rate risk is measured as the potential volatility in our core net interest income caused by changes in market interest rates. Client-facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet.

We prepare forward-looking forecasts of core net interest income. The baseline forecast takes into consideration expected future business growth, ALM positioning and the direction of interest rate movements as implied by the market-based forward curve. We then measure and evaluate the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The core net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in order to maintain an acceptable level of exposure to interest rate changes.

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing and maturity characteristics, but do not include the impact of hedge ineffectiveness. The prepayment impact on amortization is reflected in the period in which a prepayment is forecasted to occur. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income and capital.

Periodically, we evaluate the scenarios presented to ensure that they provide a comprehensive view of the Corporation's interest rate risk exposure and are meaningful in the context of the current rate environment. Given the low level of short-end rates, we have determined that gradual downward shifts of 50 bps applied to the short-end of the market-based forward curve provide a more realistic view of potential exposure resulting from changes in interest rates. This replaced the 100 bps downward shift scenarios applied to the short-end of the market-based forward curve previously presented. In addition, a long-end flattener of (50) bps was added for comparability purposes.

The spot and 12-month forward monthly rates used in our baseline forecast at December 31, 2011 and 2010 are presented in Table 58.

Table 58 Forward Rates

	December 31, 2011		
	Federal Funds	**Three-Month LIBOR**	**10-Year Swap**
Spot rates	**0.25%**	**0.58%**	**2.03%**
12-month forward rates	**0.25**	**0.75**	**2.29**
	December 31, 2010		
Spot rates	0.25%	0.30%	3.39%
12-month forward rates	0.25	0.72	3.86

Table 59 shows the pre-tax dollar impact to forecasted core net interest income over the next twelve months from December 31, 2011 and 2010, resulting from a gradual parallel increase and non-parallel shocks to the market-based forward curve. For further discussion of core net interest income, see page 33.

Table 59 Estimated Core Net Interest Income

(Dollars in millions) Curve Change	Short Rate (bps)	Long Rate (bps)	December 31 **2011**	 2010
+100 bps Parallel shift	+100	+100	**$ 1,505**	$ 601
-50 bps Parallel shift	-50	-50	**(1,061)**	(499)
Flatteners				
Short end	+100	—	**588**	136
Long end	—	-50	**(581)**	(280)
Long end	—	-100	**(1,199)**	(637)
Steepeners				
Short end	–50	—	**(478)**	(209)
Long end	—	+100	**929**	493

The sensitivity analysis in Table 59 assumes that we take no action in response to these rate shifts over the indicated periods. Our core net interest income was asset sensitive to a parallel move in interest rates at both December 31, 2011 and 2010. As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity. The significant decline in long-end rates contributed to the increase in asset sensitivity between 2011 and 2010.

Securities

The securities portfolio is an integral part of our ALM position and is primarily comprised of debt securities including MBS and to a lesser extent U.S. Treasury, corporate, municipal and other debt securities. At December 31, 2011 and 2010, we held AFS debt securities of $276.2 billion and $337.6 billion. During 2011 and 2010, we purchased AFS debt securities of $99.5 billion and $199.2 billion, sold $116.8 billion and $97.5 billion, and had maturities and received paydowns of $56.7 billion and $70.9 billion. We realized $3.4 billion and $2.5 billion in net gains on sales of debt securities during 2011 and 2010. We securitized no mortgage loans into MBS during 2011 compared to $2.4 billion in 2010, which we retained.

During 2011, we purchased approximately $35.6 billion of U.S. agency MBS which are classified as held-to-maturity securities. The purchases of these securities are part of our long-term investment activities which include holding these securities to maturity. The classification of these securities as held-to-maturity also mitigates accumulated OCI volatility and possible negative impacts on our regulatory capital requirements under the Basel III capital standards. The contractual maturities of the held-to-maturity securities are greater than 10 years and they are subject to prepayment by the issuers.

Accumulated OCI included after-tax net unrealized gains of $3.1 billion and $7.4 billion at December 31, 2011 and 2010, comprised primarily of after-tax net unrealized gains of $3.1 billion and $714 million related to AFS debt securities and after-tax net unrealized gains of $3 million and $6.7 billion related to AFS marketable equity securities. The December 31, 2010 unrealized gain on marketable equity securities was related to our investment in CCB. See *Note 5 – Securities* to the Consolidated Financial Statements for further discussion on marketable equity securities. The net unrealized gains in accumulated OCI related to AFS debt securities increased $3.9 billion during 2011 to $5.0 billion, primarily due to a lower interest rate environment.

We recognized $299 million of other-than-temporary impairment (OTTI) losses in earnings on AFS debt securities in 2011 compared to $970 million on AFS debt and marketable equity securities in 2010. The recognition of OTTI losses on AFS debt and marketable equity securities is based on a variety of factors, including the length of time and extent to which the market value has been less than amortized cost, the financial condition of the issuer of the security including credit ratings and any specific events affecting the operations of the issuer, underlying assets that collateralize the debt security, other industry and macroeconomic conditions, and our intent and ability to hold the security to recovery.

Residential Mortgage Portfolio

At December 31, 2011 and 2010, our residential mortgage portfolio was $262.3 billion (which excludes $906 million in residential mortgage loans accounted for under the fair value option) and $258.0 billion. For more information on consumer fair value option loans, see Consumer Credit Risk – Consumer Loans Accounted for Under the Fair Value Option on page 86. Outstanding residential mortgage loans increased $4.3 billion in 2011 as new origination volume was partially offset by paydowns, charge-offs and transfers to foreclosed properties. In addition, we repurchased $7.8 billion of delinquent FHA loans pursuant to our servicing agreements with GNMA which also increased the residential mortgage portfolio during 2011.

During 2011 and 2010, we retained $45.5 billion and $63.8 billion in first-lien mortgages originated by *CRES* and *GWIM*. We received paydowns of $42.3 billion and $38.2 billion in 2011 and 2010. There were no loans securitized in 2011 compared to $2.4 billion of loans securitized into MBS which we retained in 2010. We recognized gains of $68 million on the securitizations completed in 2010. We purchased $72 million of residential mortgages related to ALM activities in 2011 compared to none in 2010. We sold $109 million and $443 million of residential mortgages in 2011 and 2010, of which all of the 2011 sales were originated residential mortgages and $432 million of the 2010 sales were originated residential mortgages and $11 million were previously purchased from third parties. Net gains on these transactions were minimal.

Interest Rate and Foreign Exchange Derivative Contracts

Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to manage our interest rate and foreign exchange risk. We use derivatives to hedge the variability in cash flows or changes in fair value on our balance sheet due to interest rate and foreign exchange components. For additional information on our hedging activities, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

Our interest rate contracts are generally non-leveraged generic interest rate and foreign exchange basis swaps, options, futures and forwards. In addition, we use foreign exchange contracts, including cross-currency interest rate swaps, foreign currency forward contracts and options to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities.

Changes to the composition of our derivatives portfolio during 2011 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivatives portfolio are based upon the current assessment of economic and financial conditions including the interest rate and foreign currency environments, balance sheet composition and trends, and the relative mix of our cash and derivative positions. Table 60 includes derivatives utilized in our ALM activities including those designated as accounting and economic hedging instruments and shows the notional amount, fair value, weighted-average receive-fixed and pay-fixed rates, expected maturity and average estimated durations of our open ALM derivatives at December 31, 2011 and 2010. Our interest rate swap positions, including foreign exchange contracts, were a net receive-fixed position of $67.9 billion and $6.4 billion at December 31, 2011 and 2010. The notional amount of our foreign exchange basis swaps was $262.4 billion and $235.2 billion at December 31, 2011 and 2010. Our futures and forwards notional position, which reflects the net of long and short positions, was a long position of $12.2 billion at December 31, 2011 compared to a short position of $280 million at

December 31, 2010. These changes in notional amounts are the result of ongoing interest rate and currency risk management positioning.

The fair value of net ALM contracts decreased $7.9 billion to a gain of $4.7 billion at December 31, 2011 compared to $12.6 billion at December 31, 2010. The decrease was primarily attributable to changes in the value of U.S. dollar-denominated pay-fixed interest rate swaps of $9.7 billion, foreign exchange contracts of $1.8 billion and foreign exchange basis swaps of $1.4 billion. The decrease was partially offset by a gain from the changes in the value of U.S. dollar-denominated receive-fixed interest rate swaps of $6.6 billion.

Table 60 Asset and Liability Management Interest Rate and Foreign Exchange Contracts

		December 31, 2011							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2012	2013	2014	2015	2016	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$ 13,989								5.99
Notional amount		$ 105,938	$ 22,422	$ 8,144	$ 7,604	$ 10,774	$ 11,660	$ 45,334	
Weighted-average fixed-rate		4.09%	2.65%	3.70%	3.79%	4.01%	3.96%	4.98%	
Pay-fixed interest rate swaps (1, 2)	(13,561)								12.17
Notional amount		$ 77,985	$ 2,150	$ 1,496	$ 1,750	$ 15,026	$ 8,951	$ 48,612	
Weighted-average fixed-rate		3.29%	1.45%	2.68%	1.80%	2.35%	3.13%	3.76%	
Same-currency basis swaps (3)	61								
Notional amount		$ 222,641	$ 44,898	$ 83,248	$ 35,678	$ 14,134	$ 17,113	$ 27,570	
Foreign exchange basis swaps (2, 4, 5)	3,409								
Notional amount		262,428	60,359	49,161	55,111	20,401	43,360	34,036	
Option products (6)	(1,875)								
Notional amount (7)		10,413	1,500	2,950	600	300	458	4,605	
Foreign exchange contracts (2, 5, 8)	2,522								
Notional amount (7)		52,328	20,470	3,556	10,165	2,071	2,603	13,463	
Futures and forward rate contracts	153								
Notional amount (7)		12,160	12,160	—	—	—	—	—	
Net ALM contracts	$ 4,698								

		December 31, 2010							
		Expected Maturity							
(Dollars in millions, average estimated duration in years)	Fair Value	Total	2011	2012	2013	2014	2015	Thereafter	Average Estimated Duration
Receive-fixed interest rate swaps (1, 2)	$ 7,364								4.45
Notional amount		$ 104,949	$ 8	$ 36,201	$ 7,909	$ 7,270	$ 8,094	$ 45,467	
Weighted-average fixed-rate		3.94%	1.00%	2.49%	3.90%	3.66%	3.71%	5.19%	
Pay-fixed interest rate swaps (1, 2)	(3,827)								6.03
Notional amount		$ 156,067	$ 50,810	$ 16,205	$ 1,207	$ 4,712	$ 10,933	$ 72,200	
Weighted-average fixed-rate		3.02%	2.37%	2.15%	2.88%	2.40%	2.75%	3.76%	
Same-currency basis swaps (3)	103								
Notional amount		$ 152,849	$ 13,449	$ 49,509	$ 31,503	$ 21,085	$ 11,431	$ 25,872	
Foreign exchange basis swaps (2, 4, 5)	4,830								
Notional amount		235,164	21,936	39,365	46,380	41,003	23,430	63,050	
Option products (6)	(120)								
Notional amount (7)		6,572	(1,180)	2,092	2,390	603	311	2,356	
Foreign exchange contracts (2, 5, 8)	4,272								
Notional amount (7)		109,544	59,508	5,427	10,048	13,035	2,372	19,154	
Futures and forward rate contracts	(21)								
Notional amount (7)		(280)	(280)	—	—	—	—	—	
Net ALM contracts	$ 12,601								

(1) At both December 31, 2011 and 2010, the receive-fixed interest rate swap notional amounts that represented forward starting swaps and which will not be effective until their respective contractual start dates totaled $1.7 billion. The forward starting pay-fixed swap positions at December 31, 2011 and 2010 were $8.8 billion and $34.5 billion.

(2) Does not include basis adjustments on either fixed-rate debt issued by the Corporation or AFS debt securities which are hedged using derivatives designated as fair value hedging instruments that substantially offset the fair values of these derivatives.

(3) At December 31, 2011 and 2010, the notional amount of same-currency basis swaps consisted of $222.6 billion and $152.8 billion in both foreign currency and U.S. dollar-denominated basis swaps in which both sides of the swap are in the same currency.

(4) Foreign exchange basis swaps consisted of cross-currency variable interest rate swaps used separately or in conjunction with receive-fixed interest rate swaps.

(5) Does not include foreign currency translation adjustments on certain non-U.S. debt issued by the Corporation that substantially offset the fair values of these derivatives.

(6) The notional amount of option products of $10.4 billion at December 31, 2011 were comprised of $30 million in purchased caps/floors, $10.4 billion in swaptions and $0 in foreign exchange options. Option products of $6.6 billion at December 31, 2010 were comprised of $160 million in purchased caps/floors, $8.2 billion in swaptions and $(1.8) billion in foreign exchange options.

(7) Reflects the net of long and short positions.

(8) The notional amount of foreign exchange contracts of $52.3 billion at December 31, 2011 was comprised of $40.6 billion in foreign currency-denominated and cross-currency receive-fixed swaps, $647 million in foreign currency-denominated pay-fixed swaps, and $12.4 billion in net foreign currency forward rate contracts. Foreign exchange contracts of $109.5 billion at December 31, 2010 were comprised of $57.6 billion in foreign currency-denominated and cross-currency receive-fixed swaps and $52.0 billion in net foreign currency forward rate contracts. There were no foreign currency-denominated pay-fixed swaps at December 31, 2010.

We use interest rate derivative instruments to hedge the variability in the cash flows of our assets and liabilities and other forecasted transactions (collectively referred to as cash flow hedges). The net losses on both open and terminated derivative instruments recorded in accumulated OCI, net-of-tax, were $3.8 billion and $3.2 billion at December 31, 2011 and 2010. These net losses are expected to be reclassified into earnings in the same period as the hedged cash flows affect earnings and will decrease income or increase expense on the respective hedged cash flows. Assuming no change in open cash flow derivative hedge positions and no changes in prices or interest rates beyond what is implied in forward yield curves at December 31, 2011, the pre-tax net losses are expected to be reclassified into earnings as follows: $1.5 billion, or 26 percent within the next year, 55 percent in years two through five, and 12 percent in years six through ten, with the remaining seven percent thereafter. For more information on derivatives designated as cash flow hedges, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

We hedge our net investment in non-U.S. operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in less than 180 days, cross-currency basis swaps, foreign exchange options and foreign currency-denominated debt. We recorded after-tax gains on derivatives and foreign currency-denominated debt in accumulated OCI associated with net investment hedges which were offset by losses on our net investments in consolidated non-U.S. entities at December 31, 2011.

Mortgage Banking Risk Management

We originate, fund and service mortgage loans, which subject us to credit, liquidity and interest rate risks, among others. We determine whether loans will be HFI or held-for-sale at the time of commitment and manage credit and liquidity risks by selling or securitizing a portion of the loans we originate.

Interest rate risk and market risk can be substantial in the mortgage business. Fluctuations in interest rates drive consumer demand for new mortgages and the level of refinancing activity, which in turn, affects total origination and service fee income. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and a decrease in the value of the MSRs driven by higher prepayment expectations. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires complex modeling and ongoing monitoring. IRLCs and the related residential first mortgage LHFS are subject to interest rate risk between the date of the IRLC and the date the loans are sold to the secondary market. To hedge interest rate risk, we utilize forward loan sale commitments and other derivative instruments including purchased options. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At December 31, 2011 and 2010, the notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was $14.7 billion and $129.0 billion.

MSRs are nonfinancial assets created when the underlying mortgage loan is sold to investors and we retain the right to service the loan. We use certain derivatives such as interest rate options, interest rate swaps, forward rate agreements, Eurodollar and U.S. Treasury futures, as well as mortgage-backed and U.S. Treasury securities as economic hedges of MSRs. The notional amounts of the derivative contracts and other securities designated as economic hedges of MSRs were $2.6 trillion and $46.3 billion at December 31, 2011 compared to $1.6 trillion and $60.3 billion at December 31, 2010. In 2011, we recorded gains in mortgage banking income of $6.3 billion related to the change in fair value of these economic hedges compared to $5.0 billion for 2010. For additional information on MSRs, see *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements and for more information on mortgage banking income, see *CRES* on page 37.

Compliance Risk Management

Compliance risk arises from the failure to adhere to laws, rules, regulations, and internal policies and procedures. Compliance risk can expose the Corporation to reputational risks as well as fines, civil money penalties or payment of damages and can lead to diminished business opportunities and diminished ability to expand key operations. Compliance is at the core of the Corporation's culture and is a key component of risk management discipline.

The Global Compliance organization is responsible for driving a culture of compliance, establishing compliance program standards and policies; executing, monitoring and testing of business controls; performing risk assessments on the businesses' adherence to laws, rules and standards as well as effectiveness of business controls; delivering compliance risk reporting; and ensuring the identification, escalation, and timely mitigation of emerging and existing compliance risks. Global Compliance is also responsible for facilitating processes to effectively manage and influence the dynamic regulatory environment and build constructive relationships with regulators.

The Board provides oversight of compliance risks through its Audit Committee.

Operational Risk Management

The Corporation defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may occur anywhere in the Corporation, not solely in operations functions, and its effects may extend beyond financial losses. Operational risk includes legal risk. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business. Global banking guidelines and country-specific requirements for managing operational risk were established in Basel II which require that the Corporation has internal operational risk management processes to assess and measure operational risk exposure and to set aside appropriate capital to address those exposures.

Under the Basel II Rules, an operational loss event is an event that results in a loss and is associated with any of the following seven operational loss event categories: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; damage to physical assets; business disruption and system failures; and execution, delivery and process management. Specific examples of loss events include robberies, credit card fraud, processing errors and physical losses from natural disasters.

Under our Operational Risk Management Program, we approach operational risk management from two perspectives to best manage operational risk within the structure of the Corporation: (1) at the enterprise level to provide independent, integrated management of operational risk across the organization, and (2) at the business and enterprise control function levels to address operational risk in revenue producing and non-revenue producing units. A sound internal governance structure enhances the effectiveness of the Corporation's Operational Risk Management Program and is accomplished at the enterprise level through formal oversight by the Board, the CRO and a variety of management committees and risk oversight groups aligned to the Corporation's overall risk governance framework and practices. Of these, the Operational Risk Committee (ORC) oversees and approves the Corporation's policies and processes for sound operational risk management. The ORC also serves as an escalation point for critical operational risk matters within the Corporation. The ORC reports operational risk activities to the Enterprise Risk Committee of the Board.

Within the Global Risk Management organization, the Corporate Operational Risk team develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing operational risks across the organization and reports results to the businesses, enterprise control functions, senior management, governance committees and the Board.

The business and enterprise control functions are responsible for all the risks within the business line, including operational risks. In addition to enterprise risk management tools such as loss reporting, scenario analysis and RCSAs, operational risk executives, working in conjunction with senior business executives, have developed key tools to help identify, measure, mitigate and monitor risk in each business and enterprise control function. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning and new product introduction processes. The business and enterprise control functions are also responsible for consistently implementing and monitoring adherence to corporate practices.

Business and enterprise control function management uses the enterprise risk and control self-assessment process to identify and evaluate the status of risk and control issues, including mitigation plans, as appropriate. The goal of this process is to assess changing market and business conditions, to evaluate key risks impacting each business and enterprise control function and assess the controls in place to mitigate the risks. The risk and control self-assessment process is documented at periodic intervals. Key operational risk indicators for these risks have been developed and are used to help identify trends and issues on an enterprise, business and enterprise control function level. Independent review and challenge to the Corporation's overall operational risk management framework is performed by the Corporate Operational Risk Validation Team.

The enterprise control functions participate in the operational risk management process in two ways. First, these organizations manage risk in their functional department. Second, they provide specialized risk management services (e.g., information management, vendor management) within their area of expertise to the enterprise and the businesses and other enterprise control functions they support. These groups also work with business and risk executives to develop and guide appropriate strategies, policies, practices, controls and monitoring tools for each business and enterprise control function relative to these programs.

Additionally, where appropriate, insurance policies are purchased to mitigate the impact of operational losses when and if they occur. These insurance policies are explicitly incorporated in the structural features of operational risk evaluation. As insurance recoveries, especially given recent market events, are subject to legal and financial uncertainty, the inclusion of these insurance policies is subject to reductions in their expected mitigating benefits.

Complex Accounting Estimates

Our significant accounting principles, as described in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements are essential in understanding the Management's Discussion and Analysis of Financial Condition and Results of Operations. Many of our significant accounting principles require complex judgments to estimate the values of assets and liabilities. We have procedures and processes in place to facilitate making these judgments.

The more judgmental estimates are summarized in the following discussion. We have identified and described the development of the variables most important in the estimation processes that, with the exception of accrued taxes, involve mathematical models to derive the estimates. In many cases, there are numerous alternative judgments that could be used in the process of determining the inputs to the models. Where alternatives exist, we have used the factors that we believe represent the most reasonable value in developing the inputs. Actual performance that differs from our estimates of the key variables could impact our results of operations. Separate from the possible future impact to our results of operations from input and model variables, the value of our lending portfolio and market-sensitive assets and liabilities may change subsequent to the balance sheet date, often significantly, due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's loan portfolio excluding those loans accounted for under the fair value option. Changes to the allowance for credit losses are reported in the Consolidated Statement of Income in the provision for credit losses. Our process for determining the allowance for credit losses is discussed in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements. We evaluate our allowance at the portfolio segment level and our portfolio segments are home loans, credit card and other consumer, and commercial. Due to the variability in the drivers of the assumptions used in this process, estimates of the portfolio's inherent risks and overall collectability change with changes in the economy, individual industries, countries, and borrowers' or counterparties' ability and willingness to repay their obligations. The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions.

Key judgments used in determining the allowance for credit losses include risk ratings for pools of commercial loans and leases, market and collateral values and discount rates for individually evaluated loans, product type classifications for consumer and commercial loans and leases, loss rates used for consumer and commercial loans and leases, adjustments made to address current events and conditions, considerations regarding domestic and global economic uncertainty, and overall credit conditions.

Our estimate for the allowance for loan and lease losses is sensitive to the loss rates and expected cash flows from our home loans, and credit card and other consumer portfolio segments. For each one percent increase in the loss rates on loans collectively evaluated for impairment in our home loans portfolio segment, excluding PCI loans, coupled with a one percent decrease in the discounted cash flows on those loans individually evaluated for impairment within this portfolio segment, the allowance for loan and lease losses at December 31, 2011 would have increased by $156 million. PCI loans within our home loans portfolio segment are initially recorded at fair value. Applicable accounting guidance prohibits carry-over or creation of valuation allowances in the initial accounting. However, subsequent decreases in the expected cash flows from the date of acquisition result in a charge to the provision for credit losses and a corresponding increase to the allowance for loan and lease losses. We subject our PCI portfolio to stress scenarios to evaluate the potential impact given certain events. A one percent decrease in the expected cash flows could result in a $241 million impairment of the portfolio, of which $115 million would be related to our discontinued real estate portfolio. For each one percent increase in the loss rates on loans collectively evaluated for impairment within our credit card and other consumer portfolio segment coupled with a one percent decrease in the expected cash flows on those loans individually evaluated for impairment within this portfolio segment, the allowance for loan and lease losses at December 31, 2011 would have increased by $84 million.

Our allowance for loan and lease losses is sensitive to the risk ratings assigned to loans and leases within our commercial portfolio segment. Assuming a downgrade of one level in the internal risk ratings for commercial loans and leases, except loans and leases already risk-rated Doubtful as defined by regulatory authorities, the allowance for loan and lease losses would have increased by $3.1 billion at December 31, 2011.

The allowance for loan and lease losses as a percentage of total loans and leases at December 31, 2011 was 3.68 percent and these hypothetical increases in the allowance would raise the ratio to 4.00 percent.

These sensitivity analyses do not represent management's expectations of the deterioration in risk ratings or the increases in loss rates but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. We believe the risk ratings and loss severities currently in use are appropriate and that the probability of the alternative scenarios outlined above occurring within a short period of time is remote.

The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Mortgage Servicing Rights

MSRs are nonfinancial assets that are created when a mortgage loan is sold and we retain the right to service the loan. We account for consumer MSRs at fair value with changes in fair value recorded in the Consolidated Statement of Income in mortgage banking income. Commercial-related and residential reverse mortgage MSRs are accounted for using the amortization method, lower of amortized cost or fair value, with impairment recognized as a reduction of mortgage banking income. At December 31, 2011, our total MSR balance was $7.5 billion.

We determine the fair value of our consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates key economic assumptions including estimates of prepayment rates and resultant weighted-average lives of the MSRs, and the option-adjusted spread levels. These variables can, and generally do, change from quarter to quarter as market conditions and projected interest rates change. These assumptions are subjective in nature and changes in these assumptions could materially affect our operating results. For example, decreasing the prepayment rate assumption used in the valuation of our consumer MSRs by 10 percent while keeping all other assumptions unchanged could have resulted in an estimated increase of $639 million in MSRs and mortgage banking income at December 31, 2011. This impact does not reflect any hedge strategies that may be undertaken to mitigate such risk.

We manage potential changes in the fair value of MSRs through a comprehensive risk management program. The intent is to mitigate the effects of changes in the fair value of MSRs through the use of risk management instruments. To reduce the sensitivity of earnings to interest rate and market value fluctuations, securities as well as certain derivatives such as options and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as accounting hedges. These instruments are carried at fair value with changes in fair value recognized in mortgage banking income. For more information, see Mortgage Banking Risk Management on page 113.

For additional information on MSRs, including the sensitivity of weighted-average lives and the fair value of MSRs to changes in modeled assumptions, see *Note 25 – Mortgage Servicing Rights* to the Consolidated Financial Statements.

Fair Value of Financial Instruments

We determine the fair values of financial instruments based on the fair value hierarchy under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Applicable accounting guidance establishes three levels of inputs used to measure fair value. We carry trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, certain MSRs and certain other assets at fair value. Also, we account for certain corporate loans and loan commitments, LHFS, other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits and long-term debt under the fair value option. For more information, see *Note 22 – Fair Value Measurements* and *Note 23 – Fair Value Option* to the Consolidated Financial Statements.

The fair values of assets and liabilities include adjustments for market liquidity, credit quality and other deal specific factors, where appropriate. Valuations of products using models or other techniques are sensitive to assumptions used for the significant inputs. Where market data is available, the inputs used for valuation reflect that information as of our valuation date. Inputs to valuation models are considered unobservable if they are supported by little or no market activity. In periods of extreme volatility, lessened liquidity or in illiquid markets, there may be more variability in market pricing or a lack of market data to use in the valuation process. In keeping with the prudent application of estimates and management judgment in determining the fair value of assets and liabilities, we have in place various processes and controls that include: a model validation policy that requires review and approval of quantitative models used for deal pricing, financial statement fair value determination and risk quantification; a trading product valuation policy that requires verification of all traded product valuations; and a periodic review and substantiation of daily profit and loss reporting for all traded products. Primarily through validation controls, we utilize both broker and pricing service inputs which can and do include both market-observable and internally-modeled values and/or valuation inputs. Our reliance on this information is tempered by the knowledge of how the broker and/or pricing service develops its data with a higher degree of reliance applied to those that are more directly observable and lesser reliance applied to those developed through their own internal modeling. Similarly, broker quotes that are executable are given a higher level of reliance than indicative broker quotes, which are not executable. These processes and controls are performed independently of the business.

Trading account assets and liabilities are carried at fair value based primarily on actively traded markets where prices are from either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value of trading account assets and liabilities. 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. Situations of illiquidity generally are triggered by market 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 of the rating agencies.

Trading account profits, which represent the net amount earned from our trading positions, can be volatile and are largely driven by general market conditions and customer demand. Trading account profits are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment. To evaluate risk in our trading activities, we focus on the actual and potential volatility of individual positions as well as portfolios. At a portfolio and corporate level, we use trading limits, stress testing and tools such as VaR modeling, which estimates a potential daily loss that we do not expect to exceed with a specified confidence level, to measure and manage market risk. For more information on VaR, see Trading Risk Management on page 107.

The fair values of derivative assets and liabilities traded in the OTC 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 positions. 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 Corporation incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty and fair value for net long exposures is adjusted for counterparty credit risk while the fair value for net short exposures is adjusted for our own credit risk. The credit adjustments are determined by reference to existing direct market reference costs of credit, or where direct references are not available, a proxy is applied consistent with direct references for other counterparties that are similar in credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market implied experience adjusted for any more recent name specific expectations.

Level 3 Assets and Liabilities

Financial assets and liabilities whose values are based on valuation techniques that require inputs that are both unobservable and are significant to the overall fair value measurement are classified as Level 3 under the fair value hierarchy established in applicable accounting guidance. The Level 3 financial assets and liabilities include consumer MSRs, highly structured, complex or long-dated derivative contracts and private equity investments, as well as certain loans, MBS, ABS, structured liabilities and CDOs. The fair value of these Level 3 financial assets and liabilities is determined using pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value requires significant management judgment or estimation.

Table 61 Level 3 Asset and Liability Summary

(Dollars in millions)	December 31, 2011 Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets	December 31, 2010 Level 3 Fair Value	As a % of Total Level 3 Assets	As a % of Total Assets
Trading account assets	$ 11,455	22.21%	0.54%	$ 15,525	19.56%	0.69%
Derivative assets	14,366	27.85	0.67	18,773	23.65	0.83
AFS securities	8,012	15.53	0.38	15,873	19.99	0.70
All other Level 3 assets at fair value	17,744	34.41	0.83	29,217	36.80	1.29
Total Level 3 assets at fair value (1)	$ 51,577	100.00%	2.42%	$ 79,388	100.00%	3.51%
	Level 3 Fair Value	**As a % of Total Level 3 Liabilities**	**As a % of Total Liabilities**	**Level 3 Fair Value**	**As a % of Total Level 3 Liabilities**	**As a % of Total Liabilities**
Derivative liabilities	$ 8,500	73.46%	0.45%	$ 11,028	70.90%	0.54%
Long-term debt	2,943	25.43	0.15	2,986	19.20	0.15
All other Level 3 liabilities at fair value	128	1.11	0.01	1,541	9.90	0.07
Total Level 3 liabilities at fair value (1)	$ 11,571	100.00%	0.61%	$ 15,555	100.00%	0.76%

(1) Level 3 total assets and liabilities are shown before the impact of counterparty netting related to our derivative positions.

During 2011, we recognized net gains of $451 million on Level 3 assets and liabilities. The net gains during the year were primarily in trading account profits combined with gains on IRLCs, partially offset by losses on MSRs. There were net unrealized gains of $19 million in accumulated OCI on Level 3 assets and liabilities at December 31, 2011.

Level 3 financial instruments, such as our consumer MSRs, may be economically hedged with derivatives classified as Level 1 or 2; therefore, gains or losses associated with Level 3 financial instruments may be offset by gains or losses associated with financial instruments classified in other levels of the fair value hierarchy. The Level 3 gains and losses recorded in earnings did not have a significant impact on our liquidity or capital resources.

We conduct a review of our fair value hierarchy classifications on a quarterly basis. Transfers into or out of Level 3 are made if the significant inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively, in the current marketplace. These transfers are considered to be effective as of the beginning of the quarter in which they occur. For additional information on the significant transfers into and out of Level 3 during 2011, see *Note 22 – Fair Value Measurements* to the Consolidated Financial Statements.

Global Principal Investments

GPI is included within Equity Investments in *All Other* on page 48. GPI is comprised of a diversified portfolio of private equity, real estate and other alternative investments in both privately-held and publicly-traded companies. These investments are made either directly in a company or held through a fund. At December 31, 2011, this portfolio totaled $5.6 billion including $4.3 billion of non-public investments.

Certain equity investments in the portfolio are subject to investment company accounting under applicable accounting guidance, and accordingly, are carried at fair value with changes in fair value reported in equity investment income. Initially the transaction price of the investment is generally considered to be the best indicator of fair value. Thereafter, valuation of direct investments is based on an assessment of each individual investment using methodologies that include 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, entry-level multiples and discounted cash flows, and are subject to appropriate discounts for lack of liquidity or marketability. Certain factors that may influence changes in fair value include but are not limited to, recapitalizations, subsequent rounds of financing and offerings in the equity or debt capital markets. For fund investments, we generally record the fair value of our proportionate interest in the fund's capital as reported by the fund's respective managers.

Accrued Income Taxes and Deferred Tax Assets

Accrued income taxes, reported as a component of accrued expenses and other liabilities on our Consolidated Balance Sheet, represent the net amount of current income taxes we expect to pay to or receive from various taxing jurisdictions attributable to our operations to date. We currently file income tax returns in more than 100 jurisdictions and consider many factors, including statutory, judicial and regulatory guidance, in estimating the appropriate accrued income taxes for each jurisdiction.

In applying the applicable accounting guidance, we monitor relevant tax authorities and change our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities. These revisions of our estimate of accrued income taxes, which also may result from our income tax planning and from the resolution of income tax controversies, may be material to our operating results for any given period.

Net deferred tax assets, reported as a component of other assets on our Consolidated Balance Sheet, represent the net decrease in taxes expected to be paid in the future because of net operating loss (NOL) and tax credit carryforwards and because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. NOL and tax credit carryforwards result in reductions to future tax liabilities, and many of these attributes can expire if not utilized within certain periods. We consider the need for valuation allowances to reduce net deferred tax assets to the amounts we estimate are more-likely-than-not to be realized.

While we have established some valuation allowances for certain state and non-U.S. deferred tax assets, we have concluded that our estimates of future taxable income by jurisdiction will be sufficient to realize all U.S. federal and U.K. deferred tax assets, including NOL and tax credit carryforwards, that are not subject to any special limitations (such as change-in-control limitations) prior to any expiration. Significant decreases to our estimate of future taxable income by jurisdiction could materially change our conclusions about how much of our tax attributes and other deferred tax assets are more-likely-than-not to be realized prior to their expiration. See *Note 21 – Income Taxes* to the Consolidated Financial Statements for a table of significant tax attributes and additional information.

Goodwill and Intangible Assets

Background

The nature of and accounting for goodwill and intangible assets are discussed in *Note 1 – Summary of Significant Accounting Principles* and *Note 10 – Goodwill and Intangible Assets* to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, which for the Corporation is performed as of June 30, and in interim periods if events or circumstances indicate a potential impairment. A reporting unit is an operating segment or one level below. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned to reporting units and it no longer retains its association with a particular acquisition. All of the revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the value of the goodwill.

We use the reporting units' allocated equity as a proxy for the carrying amount of equity for each reporting unit in our goodwill impairment tests as we do not maintain a record of equity as defined under GAAP at the reporting unit level. Allocated equity includes economic capital, goodwill and a percentage of intangible assets allocated to the reporting units. The allocation of economic capital to the reporting units utilized for goodwill impairment testing has the same basis as the allocation of economic capital to our operating segments. Economic capital allocation plans are incorporated into the Corporation's financial plan which is approved by the Board on an annual basis. Allocated equity is updated on a quarterly basis.

The Corporation's common stock price remained volatile during 2011 and 2010 primarily due to the continued uncertainty in the economy and in the financial services industry, as well as adverse developments related to our mortgage business and increased regulation. During these periods, our market capitalization remained below our recorded book value. We estimate that the fair value of all reporting units in aggregate as of the June 30, 2011 annual goodwill impairment test was $210.2 billion and the common stock market capitalization of the Corporation as of that date was $111.1 billion ($58.6 billion at December 31, 2011). As none of our reporting units are publicly-traded, individual reporting unit fair value determinations do not directly correlate to the Corporation's stock price. Although we believe it is reasonable to conclude that market capitalization could be an indicator of fair value over time, we do not believe that recent fluctuations in our market capitalization reflect the fair value of our individual reporting units.

Estimating the fair value of reporting units is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, the appropriate discount rates and an applicable control premium. We determined the fair values of the reporting units using a combination of valuation techniques consistent with the market approach and the income approach, and included the use of independent valuation specialists.

The market approach we used estimates the fair value of the individual reporting units by incorporating any combination of the tangible capital, book capital and earnings multiples from comparable publicly-traded companies in industries similar to that of the reporting unit. The relative weight assigned to these multiples varies among the reporting units based on qualitative and quantitative characteristics, primarily the size and relative profitability of the reporting unit as compared to the comparable publicly-traded companies. Since the fair values determined under the market approach are representative of a noncontrolling interest, a control premium was added to arrive at the reporting units' estimated fair values on a controlling basis.

For purposes of the income approach, we calculated discounted cash flows by taking the net present value of estimated future cash flows and an appropriate terminal value. Our discounted cash flow analysis employs a capital asset pricing model in estimating the discount rate (i.e., cost of equity financing) for each reporting unit. The inputs to this model include the risk-free rate of return, beta, which is a measure of the level of non-diversifiable risk associated with comparable companies for each specific reporting unit, market equity risk premium and in certain cases an unsystematic (company-specific) risk factor. The unsystematic risk factor is the input that specifically addresses uncertainty related to our projections of earnings and growth, including the uncertainty related to loss expectations. We utilized discount rates that we believe adequately reflect the risk and uncertainty in the financial markets generally and specifically in our internally developed forecasts. We estimated expected rates of equity returns based on historical market returns and risk/return rates for similar industries of the reporting unit. We use our internal forecasts to estimate future cash flows and actual results may differ from forecasted results.

International Consumer Card Businesses

Of the $1.9 billion of goodwill associated with the international consumer card businesses, $526 million of goodwill was allocated, on a relative fair value basis, to the Canadian consumer card business which was sold on December 1, 2011.

During the three months ended December 31, 2011, a goodwill impairment test was performed for the European consumer card businesses reporting unit as it was likely that the carrying amount of the business exceeded the fair value due to a decrease in future growth projections. We concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $581 million for the European consumer card businesses.

Consumer Real Estate Services

In connection with the sale of Balboa on June 1, 2011, we allocated, on a relative fair value basis, $193 million of *CRES* goodwill to the business in determining the gain on the sale.

During the three months ended June 30, 2011, as a consequence of the BNY Mellon Settlement entered into by the Corporation on June 28, 2011, the adverse impact of the incremental mortgage-related charges and the continued economic slowdown in the mortgage business, we performed a goodwill impairment test for the *CRES* reporting unit. We concluded that the remaining balance of goodwill of $2.6 billion was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge to reduce the carrying value of the goodwill in *CRES* to zero.

2011 Annual Impairment Test

During the three months ended September 30, 2011, we completed our annual goodwill impairment test as of June 30, 2011 for all reporting units which had goodwill. In performing the first step of the annual goodwill impairment analysis, we compared the fair value of each reporting unit to its current carrying value, including goodwill. To determine fair value, we utilized a combination of the market approach and income approach. Under the market approach, we compared earnings and equity multiples of the individual reporting units to multiples of public companies comparable to the individual reporting units. The control premiums used in the June 30, 2011 annual goodwill impairment test ranged from 25 percent to 35 percent. Under the income approach, we updated our assumptions to reflect the current market environment. The discount rates used in the June 30, 2011 annual goodwill impairment test ranged from 11 percent to 16 percent depending on the relative risk of a reporting unit. Growth rates developed by management for individual revenue and expense items in each reporting unit ranged from 0.7 percent to 6.7 percent. For certain revenue and expense items that have been significantly affected by the current economic environment and financial reform, management developed separate long-term forecasts.

Based on the results of step one of the annual goodwill impairment test, we determined that step two was not required for any of the reporting units as their fair value exceeded their carrying value indicating there was no impairment.

2010 Impairment Tests

During the three months ended September 30, 2010, we performed a goodwill impairment test for *Card Services* due to the continued stress on the business and the uncertain debit card interchange provisions under the Financial Reform Act. We concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $10.4 billion to reduce the carrying value of the goodwill in *Card Services*.

During the three months ended December 31, 2010, we performed a goodwill impairment test for the *CRES* reporting unit as it was likely that there was a decline in its fair value as a result of increased uncertainties, including existing and potential litigation exposure and other related risks, higher servicing costs including those related to loss mitigation, foreclosure related issues and the redeployment of centralized sales resources. We concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $2.0 billion in *CRES*.

Representations and Warranties

The methodology used to estimate the liability for obligations under representations and warranties related to transfers of residential mortgage loans is a function of the representations and warranties given and considers a variety of factors. Depending upon the counterparty, these factors include actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that we will receive a repurchase request, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default, estimated probability that we will be required to repurchase a loan and the experience with and the behavior of the counterparty. It also considers bulk settlements, as appropriate. The estimate of the liability for obligations under representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of our liability.

The provision for representations and warranties may vary significantly each period as the methodology used to estimate the expense continues to be refined based on the level and type of repurchase requests presented, defects identified, the latest experience gained on repurchase requests and other relevant facts and circumstances. The estimated range of possible loss related to non-GSE representations and warranties exposure has been disclosed. For the GSE claims where we have established a representations and warranties liability as discussed in *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* to the Consolidated Financial Statements, an assumed simultaneous increase or decrease of 10 percent in estimated future defaults, loss severity and the net repurchase rate would result in an increase of approximately $850 million or decrease of approximately $800 million in the representations and warranties liability as of December 31, 2011. Viewed from the perspective of home prices, for each one percent change in home prices, the liability for representations and warranties on unsettled GSE originations is estimated to be impacted by $125 million based on projected collateral losses and defect rates. These sensitivities are hypothetical and are intended to provide an indication of the impact of a significant change in these key assumptions on the representations and warranties liability. In reality, changes in one assumption may result in changes in other assumptions, which may or may not counteract the sensitivity.

For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 50, as well as *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements.

Litigation Reserve

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. As a litigation or regulatory matter develops, the Corporation, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Corporation will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established.

For a limited number of the matters disclosed in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, we are able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Corporation reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. These may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, and other rulings by courts, arbitrators or others. In cases in which the Corporation possesses sufficient information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements. For other disclosed matters for which a loss is probable or reasonably possible, such an estimate is not possible. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, the estimated range of possible loss represents what we believe to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Corporation's maximum loss exposure. Information is provided in *Note 14 – Commitments and Contingencies* to the Consolidated Financial Statements regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies.

Consolidation and Accounting for Variable Interest Entities

In accordance with applicable accounting guidance, an entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. The Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Determining whether an entity has a controlling financial interest in a VIE requires significant judgment. An entity must assess the purpose and design of the VIE, including explicit and implicit contractual arrangements, and the entity's involvement in both the design of the VIE and its ongoing activities. The entity must then determine which activities have the most significant impact on the economic performance of the VIE and whether the entity has the power to direct such activities. For VIEs that hold financial assets, the party that services the assets or makes investment management decisions may have the power to direct the most significant activities of a VIE. Alternatively, a third party that has the unilateral right to replace the servicer or investment manager or to liquidate the VIE may be deemed to be the party with power. If there are no significant ongoing activities, the party that was responsible for the design of the VIE may be deemed to have power. If the entity determines that it has the power to direct the most significant activities of the VIE, then the entity must determine if it has either an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Such economic interests may include investments in debt or equity instruments issued by the VIE, liquidity commitments, and explicit and implicit guarantees.

On a quarterly basis, we reassess whether we have a controlling financial interest and are the primary beneficiary of a VIE. The quarterly reassessment process considers whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether we have acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which we are involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively, with assets and liabilities of a newly consolidated VIE initially recorded at fair value. A gain or loss may be recognized upon deconsolidation of a VIE depending on the carrying amounts of deconsolidated assets and liabilities compared to the fair value of retained interests and ongoing contractual arrangements.

2010 Compared to 2009

The following discussion and analysis provides a comparison of our results of operations for 2010 and 2009. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes. Tables 7 and 8 contain financial data to supplement this discussion.

Overview

Net Income/Loss

Net loss totaled $2.2 billion in 2010 compared to net income of $6.3 billion in 2009. Including preferred stock dividends, the net loss applicable to common shareholders was $3.6 billion, or $(0.37) per diluted share. Those results compared to a net loss applicable to common shareholders of $2.2 billion, or $(0.29) per diluted share for 2009.

Net Interest Income

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

Noninterest Income

Noninterest income decreased $13.8 billion to $58.7 billion in 2010 compared to 2009. Card income decreased $245 million due to the implementation of the CARD Act partially offset by the impact of the new consolidation guidance and higher interchange income. Service charges decreased $1.6 billion largely due to the impact of overdraft policy changes in conjunction with Regulation E, which became effective in the third quarter of 2010 and the impact of our overdraft policy changes implemented in late 2009. Equity investment income decreased $4.8 billion, as net gains on the sales of certain strategic investments during 2010 were less than gains in 2009 that included a $7.3 billion gain related to the sale of a portion of our investment in CCB. Trading account profits decreased $2.2 billion due to more favorable market conditions in 2009 and investor concerns regarding sovereign debt fears and regulatory uncertainty. DVA gains, net of hedges, on derivative liabilities of $262 million for 2010 compared to losses of $662 million for 2009. Mortgage banking income decreased $6.1 billion due to an increase of $4.9 billion in representations and warranties provision and lower volume and margins. Gains on sales of debt securities decreased $2.2 billion driven by a lower volume of sales of debt securities. The decrease also included the impact of losses in 2010 related to portfolio restructuring activities. Other income (loss) improved by $2.4 billion. 2009 included a net negative fair value adjustment related to our own credit of $4.9 billion on structured liabilities compared to a net positive adjustment of $18 million in 2010, and 2009 also included a $3.8 billion gain on the contribution of our merchant services business to a joint venture. Legacy asset write-downs included in other income (loss) were $1.7 billion in 2009 compared to net gains of $256 million in 2010. Impairment losses recognized in earnings on AFS debt securities decreased $1.9 billion reflecting lower impairment write-downs on non-agency RMBS and CDOs.

Provision for Credit Losses

The provision for credit losses decreased $20.1 billion to $28.4 billion for 2010 compared to 2009 due to improving portfolio trends across the consumer and commercial portfolios. Net charge-offs totaled $34.3 billion, or 3.60 percent of average loans and leases for 2010 compared to $33.7 billion, or 3.58 percent for 2009.

Noninterest Expense

Noninterest expense increased $16.4 billion to $83.1 billion for 2010 compared to 2009 largely due to goodwill impairment charges of $12.4 billion. The increase was also driven by a $3.6 billion increase in personnel costs reflecting the build out of several businesses, the recognition of expense on proportionally larger 2009 incentive deferrals and the U.K. payroll tax on certain year-end incentive payments, as well as a $1.6 billion increase in litigation costs. These increases were partially offset by a $901 million decline in merger and restructuring charges compared to 2009. Noninterest expense for 2009 included a special FDIC assessment of $724 million.

Income Tax Expense

Income tax expense was $915 million for 2010 compared to a benefit of $1.9 billion for 2009. The effective tax rate in 2010 was not meaningful due to the impact of non-deductible goodwill impairment charges of $12.4 billion. The effective tax rate for 2010 excluding goodwill impairment charges was 8.3 percent compared to (44.0) percent in 2009. The change in the effective tax rate from the prior year was primarily driven by an increase in pre-tax income excluding the non-deductible goodwill impairment charges. Also impacting the 2010 effective tax rate was a $392 million charge from a U.K. law change and a $1.7 billion tax benefit from the release of a portion of the deferred tax asset valuation allowance related to acquired capital loss carryforward tax benefits compared to $650 million in 2009.

Business Segment Operations

Deposits

Net income decreased $1.3 billion to $1.4 billion in 2010 due to a decline in revenue and higher noninterest expense. Net interest income increased $1.1 billion to $8.3 billion as a result of a customer shift to more liquid products and continued pricing discipline, partially offset by a lower net interest income allocation related to ALM activities. Noninterest income decreased $1.8 billion to $5.3 billion driven by the impact of overdraft policy changes in conjunction with Regulation E, which was effective in the third quarter of 2010, and our overdraft policy changes implemented in late 2009. Noninterest expense increased $1.5 billion to $11.2 billion as a higher proportion of banking center sales and service costs was aligned to *Deposits* from the other segments, and increased litigation expenses partially offset by a decrease in FDIC expenses as 2009 included a special assessment.

Card Services

Card Services recorded a net loss of $7.0 billion primarily due to a $10.4 billion goodwill impairment charge. Net interest income decreased $2.1 billion to $14.4 billion driven by a decrease in average loans and yields partially offset by lower funding costs. Noninterest income decreased $348 million to $7.9 billion driven by lower card income primarily due to the implementation of the CARD Act partially offset by higher interchange income during 2010 and the gain on the sale of our MasterCard position. The provision for credit losses improved $15.4 billion to $11.0 billion due to lower delinquencies and bankruptcies as a result of the improved economic environment, which resulted in a reduction in the allowance for credit losses in 2010 compared to an increase in 2009. Noninterest expense increased $9.8 billion to $16.4 billion primarily due to the goodwill impairment charge.

Consumer Real Estate Services

CRES net loss increased $5.1 billion to a net loss of $8.9 billion in 2010 primarily due to a $4.9 billion increase in representations and warranties provision and a $2.0 billion goodwill impairment charge, partially offset by a decline in the provision for credit losses driven by improving portfolio trends. Mortgage banking income declined driven by the increased representations and warranties provision and lower production volume reflecting a drop in the overall size of the mortgage market. The provision for credit losses decreased $2.8 billion to $8.5 billion driven by improving portfolio trends which led to lower reserve additions, including those associated with the Countrywide PCI home equity portfolio. Noninterest expense increased $3.4 billion to $14.9 billion due to the goodwill impairment charge, higher litigation expense and an increase in default-related servicing expense, partially offset by lower production expense and insurance losses.

Global Commercial Banking

Net income increased $1.0 billion to $3.2 billion in 2010. Net interest income remained relatively flat as growth in average deposits was offset by a lower net interest income allocation related to ALM activities. Noninterest income decreased $4.2 billion to $3.2 billion largely due to the 2009 gain of $3.8 billion related to the contribution of the merchant services business into a joint venture. The provision for credit losses decreased $5.8 billion to $2.0 billion driven by improvements from stabilizing values in the commercial real estate portfolio and improved borrower credit profiles in the U.S. commercial portfolio.

Global Banking & Markets

Net income decreased $1.4 billion to $6.3 billion in 2010 driven by lower sales and trading revenue due to more favorable market conditions in 2009, partially offset by credit valuation gains on derivative liabilities and gains on legacy assets compared to losses in 2009. Sales and trading revenue was $17.0 billion in 2010 compared to $17.6 billion in 2009 due to increased investor risk aversion and more favorable market conditions in 2009. Noninterest expense increased $2.3 billion to $17.5 billion driven by higher compensation costs as a result of the recognition of expense on a proportionally larger amount of prior year incentive deferrals and investments in infrastructure and personnel associated with further development of the business. Income tax expense was adversely affected by a charge related to the U.K. tax rate reduction impacting the carrying value of deferred tax assets.

Global Wealth & Investment Management

Net income decreased $329 million to $1.3 billion in 2010 driven by higher noninterest expense and the tax-related effect of the sale of the Columbia Management long-term asset management business partially offset by higher noninterest income and lower credit costs. Net interest income decreased $205 million to $5.7 billion as the positive impact of higher deposit levels was more than offset by lower revenue from corporate ALM activity. Noninterest income increased $708 million to $10.6 billion primarily due to higher asset management fees driven by stronger markets, continued long-term AUM flows and higher transactional activity. The provision for credit losses decreased $414 million to $646 million driven by improving portfolio trends and the recognition of a single large commercial charge-off in 2009. Noninterest expense increased $1.1 billion to $13.2 billion due primarily to higher revenue-related expenses, support costs and personnel costs associated with further investment in the business.

All Other

Net income increased $293 million to $1.5 billion in 2010. Net interest income decreased $1.9 billion to $3.7 billion driven by a $1.4 billion lower funding differential on certain securitizations and the impact of capital raises occurring throughout 2009 that were not allocated to the businesses. Noninterest income decreased $5.7 billion to $6.0 billion as the prior year included a $7.3 billion gain resulting from a sale of shares of CCB and an increase of $1.4 billion on net gains on the sale of debt securities. This was offset by net negative fair value adjustments related to our own credit of $4.9 billion on structured liabilities in 2009 compared to a net positive adjustment of $18 million in 2010 and higher valuation adjustments and gains on sales of select investments in GPI. Also, in 2010, we sold our investments in Itaú Unibanco and Santander resulting in a net gain of approximately $800 million, as well as the gains on CCB and BlackRock. The provision for credit losses decreased $4.9 billion to $6.3 billion due to improving portfolio trends in the residential mortgage portfolio partially offset by further deterioration in the Countrywide PCI discontinued real estate portfolio.

Table I Average Balances and Interest Rates – FTE Basis

	2011			2010			2009		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [(1)]	$ 28,242	$ 366	1.29%	$ 27,419	$ 292	1.06%	$ 27,465	$ 334	1.22%
Federal funds sold and securities borrowed or purchased under agreements to resell	245,069	2,147	0.88	256,943	1,832	0.71	235,764	2,894	1.23
Trading account assets	187,340	6,142	3.28	213,745	7,050	3.30	217,048	8,236	3.79
Debt securities [(2)]	337,120	9,602	2.85	323,946	11,850	3.66	271,048	13,224	4.88
Loans and leases [(3)]:									
Residential mortgage [(4)]	265,546	11,096	4.18	245,727	11,736	4.78	249,335	13,535	5.43
Home equity	130,781	5,041	3.85	145,860	5,990	4.11	154,761	6,736	4.35
Discontinued real estate	14,730	501	3.40	13,830	527	3.81	17,340	1,082	6.24
U.S. credit card	105,478	10,808	10.25	117,962	12,644	10.72	52,378	5,666	10.82
Non-U.S. credit card	24,049	2,656	11.04	28,011	3,450	12.32	19,655	2,122	10.80
Direct/Indirect consumer [(5)]	90,163	3,716	4.12	96,649	4,753	4.92	99,993	6,016	6.02
Other consumer [(6)]	2,760	176	6.39	2,927	186	6.34	3,303	237	7.17
Total consumer	633,507	33,994	5.37	650,966	39,286	6.04	596,765	35,394	5.93
U.S. commercial	192,524	7,360	3.82	195,895	7,909	4.04	223,813	8,883	3.97
Commercial real estate [(7)]	44,406	1,522	3.43	59,947	2,000	3.34	73,349	2,372	3.23
Commercial lease financing	21,383	1,001	4.68	21,427	1,070	4.99	21,979	990	4.51
Non-U.S. commercial	46,276	1,382	2.99	30,096	1,091	3.62	32,899	1,406	4.27
Total commercial	304,589	11,265	3.70	307,365	12,070	3.93	352,040	13,651	3.88
Total loans and leases	938,096	45,259	4.82	958,331	51,356	5.36	948,805	49,045	5.17
Other earning assets	98,792	3,506	3.55	117,189	3,919	3.34	130,063	5,105	3.92
Total earning assets [(8)]	1,834,659	67,022	3.65	1,897,573	76,299	4.02	1,830,193	78,838	4.31
Cash and cash equivalents [(1)]	112,616	186		174,621	368		196,237	379	
Other assets, less allowance for loan and lease losses	349,047			367,412			416,638		
Total assets	$ 2,296,322			$2,439,606			$2,443,068		
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$ 40,364	$ 100	0.25%	$ 36,649	$ 157	0.43%	$ 33,671	$ 215	0.64%
NOW and money market deposit accounts	470,519	1,060	0.23	441,589	1,405	0.32	358,712	1,557	0.43
Consumer CDs and IRAs	110,922	1,045	0.94	142,648	1,723	1.21	218,041	5,054	2.32
Negotiable CDs, public funds and other time deposits	17,227	120	0.70	17,683	226	1.28	37,796	473	1.25
Total U.S. interest-bearing deposits	639,032	2,325	0.36	638,569	3,511	0.55	648,220	7,299	1.13
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	20,563	138	0.67	18,102	144	0.80	18,688	145	0.78
Governments and official institutions	1,985	7	0.35	3,349	10	0.28	6,270	16	0.26
Time, savings and other	61,851	532	0.86	55,059	332	0.60	57,045	347	0.61
Total non-U.S. interest-bearing deposits	84,399	677	0.80	76,510	486	0.64	82,003	508	0.62
Total interest-bearing deposits	723,431	3,002	0.42	715,079	3,997	0.56	730,223	7,807	1.07
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	324,269	4,599	1.42	430,329	3,699	0.86	488,644	5,512	1.13
Trading account liabilities	84,689	2,212	2.61	91,669	2,571	2.80	72,207	2,075	2.87
Long-term debt	421,229	11,807	2.80	490,497	13,707	2.79	446,634	15,413	3.45
Total interest-bearing liabilities [(8)]	1,553,618	21,620	1.39	1,727,574	23,974	1.39	1,737,708	30,807	1.77
Noninterest-bearing sources:									
Noninterest-bearing deposits	312,371			273,507			250,743		
Other liabilities	201,238			205,290			209,972		
Shareholders' equity	229,095			233,235			244,645		
Total liabilities and shareholders' equity	$ 2,296,322			$2,439,606			$2,443,068		
Net interest spread			2.26%			2.63%			2.54%
Impact of noninterest-bearing sources			0.21			0.13			0.08
Net interest income/yield on earning assets [(1)]		$ 45,402	2.47%		$ 52,325	2.76%		$ 48,031	2.62%

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

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

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

(4) Includes non-U.S. residential mortgage loans of $91 million, $410 million and $622 million in 2011, 2010 and 2009, respectively.

(5) Includes non-U.S. consumer loans of $8.5 billion, $7.9 billion and $8.0 billion in 2011, 2010 and 2009, respectively.

(6) Includes consumer finance loans of $1.8 billion, $2.1 billion and $2.4 billion; other non-U.S. consumer loans of $878 million, $731 million and $657 million; and consumer overdrafts of $93 million, $111 million and $217 million in 2011, 2010 and 2009, respectively.

(7) Includes U.S. commercial real estate loans of $42.1 billion, $57.3 billion and $70.7 billion; and non-U.S. commercial real estate loans of $2.3 billion, $2.7 billion and $2.7 billion in 2011, 2010 and 2009, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets $2.6 billion, $1.4 billion and $456 million in 2011, 2010 and 2009, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities $2.6 billion, $3.5 billion and $3.0 billion in 2011, 2010 and 2009, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 110.

Table II Analysis of Changes in Net Interest Income – FTE Basis

(Dollars in millions)	From 2010 to 2011 Due to Change in [1] Volume	From 2010 to 2011 Due to Change in [1] Rate	From 2010 to 2011 Net Change	From 2009 to 2010 Due to Change in [1] Volume	From 2009 to 2010 Due to Change in [1] Rate	From 2009 to 2010 Net Change
Increase (decrease) in interest income						
Time deposits placed and other short-term investments [2]	$ 7	$ 67	$ 74	$ 1	$ (43)	$ (42)
Federal funds sold and securities borrowed or purchased under agreements to resell	(92)	407	315	266	(1,328)	(1,062)
Trading account assets	(868)	(40)	(908)	(135)	(1,051)	(1,186)
Debt securities	489	(2,737)	(2,248)	2,585	(3,959)	(1,374)
Loans and leases:						
Residential mortgage	957	(1,597)	(640)	(192)	(1,607)	(1,799)
Home equity	(615)	(334)	(949)	(391)	(355)	(746)
Discontinued real estate	34	(60)	(26)	(219)	(336)	(555)
U.S. credit card	(1,337)	(499)	(1,836)	7,097	(119)	6,978
Non-U.S. credit card	(487)	(307)	(794)	903	425	1,328
Direct/Indirect consumer	(317)	(720)	(1,037)	(198)	(1,065)	(1,263)
Other consumer	(11)	1	(10)	(27)	(24)	(51)
Total consumer			(5,292)			3,892
U.S. commercial	(131)	(418)	(549)	(1,106)	132	(974)
Commercial real estate	(517)	39	(478)	(436)	64	(372)
Commercial lease financing	(3)	(66)	(69)	(24)	104	80
Non-U.S. commercial	584	(293)	291	(121)	(194)	(315)
Total commercial			(805)			(1,581)
Total loans and leases			(6,097)			2,311
Other earning assets	(619)	206	(413)	(511)	(675)	(1,186)
Total interest income			$ (9,277)			$ (2,539)
Increase (decrease) in interest expense						
U.S. interest-bearing deposits:						
Savings	$ 17	$ (74)	$ (57)	$ 20	$ (78)	$ (58)
NOW and money market deposit accounts	101	(446)	(345)	342	(494)	(152)
Consumer CDs and IRAs	(381)	(297)	(678)	(1,745)	(1,586)	(3,331)
Negotiable CDs, public funds and other time deposits	(5)	(101)	(106)	(252)	5	(247)
Total U.S. interest-bearing deposits			(1,186)			(3,788)
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	21	(27)	(6)	(4)	3	(1)
Governments and official institutions	(4)	1	(3)	(7)	1	(6)
Time, savings and other	39	161	200	(11)	(4)	(15)
Total non-U.S. interest-bearing deposits			191			(22)
Total interest-bearing deposits			(995)			(3,810)
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	(910)	1,810	900	(649)	(1,164)	(1,813)
Trading account liabilities	(200)	(159)	(359)	556	(60)	496
Long-term debt	(1,955)	55	(1,900)	1,509	(3,215)	(1,706)
Total interest expense			(2,354)			(6,833)
Net increase (decrease) in interest income [2]			$ (6,923)			$ 4,294

[1] The changes for each category of interest income and expense are divided between the portion of change attributable to the variance in volume and the portion of change attributable to the variance in rate for that category. The unallocated change in rate or volume variance is allocated between the rate and volume variances.

[2] For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income in the table is calculated excluding these fees.

Table III Preferred Stock Cash Dividend Summary (as of February 23, 2012)

Preferred Stock	December 31, 2011 Outstanding Notional Amount (in millions)		Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share	
Series B [(1)]	$	1	January 11, 2012	April 11, 2012	April 25, 2012	7.00%	$	1.75
			November 18, 2011	January 11, 2012	January 25, 2012	7.00		1.75
			August 22, 2011	October 11, 2011	October 25, 2011	7.00		1.75
			May 11, 2011	July 11, 2011	July 25, 2011	7.00		1.75
			January 26, 2011	April 11, 2011	April 25, 2011	7.00		1.75
Series D [(2)]	$	654	January 4, 2012	February 29, 2012	March 14, 2012	6.204%	$	0.38775
			October 4, 2011	November 30, 2011	December 14, 2011	6.204		0.38775
			July 5, 2011	August 31, 2011	September 14, 2011	6.204		0.38775
			April 4, 2011	May 31, 2011	June 14, 2011	6.204		0.38775
			January 4, 2011	February 28, 2011	March 14, 2011	6.204		0.38775
Series E [(2)]	$	340	January 4, 2012	January 31, 2012	February 15, 2012	Floating	$	0.25556
			October 4, 2011	October 31, 2011	November 15, 2011	Floating		0.25556
			July 5, 2011	July 29, 2011	August 15, 2011	Floating		0.25556
			April 4, 2011	April 29, 2011	May 16, 2011	Floating		0.24722
			January 4, 2011	January 31, 2011	February 15, 2011	Floating		0.25556
Series H [(2)]	$	2,862	January 4, 2012	January 15, 2012	February 1, 2012	8.20%	$	0.51250
			October 4, 2011	October 15, 2011	November 1, 2011	8.20		0.51250
			July 5, 2011	July 15, 2011	August 1, 2011	8.20		0.51250
			April 4, 2011	April 15, 2011	May 2, 2011	8.20		0.51250
			January 4, 2011	January 15, 2011	February 1, 2011	8.20		0.51250
Series I [(2)]	$	365	January 4, 2012	March 15, 2012	April 2, 2012	6.625%	$	0.41406
			October 4, 2011	December 15, 2011	January 2, 2012	6.625		0.41406
			July 5, 2011	September 15, 2011	October 3, 2011	6.625		0.41406
			April 4, 2011	June 15, 2011	July 1, 2011	6.625		0.41406
			January 4, 2011	March 15, 2011	April 1, 2011	6.625		0.41406
Series J [(2)]	$	951	January 4, 2012	January 15, 2012	February 1, 2012	7.25%	$	0.45312
			October 4, 2011	October 15, 2011	November 1, 2011	7.25		0.45312
			July 5, 2011	July 15, 2011	August 1, 2011	7.25		0.45312
			April 4, 2011	April 15, 2011	May 2, 2011	7.25		0.45312
			January 4, 2011	January 15, 2011	February 1, 2011	7.25		0.45312
Series K [(3, 4)]	$	1,544	January 4, 2012	January 15, 2012	January 30, 2012	Fixed-to-floating	$	40.00
			July 5, 2011	July 15, 2011	August 1, 2011	Fixed-to-floating		40.00
			January 4, 2011	January 15, 2011	January 31, 2011	Fixed-to-floating		40.00
Series L	$	3,080	December 16, 2011	January 1, 2012	January 30, 2012	7.25%	$	18.125
			September 16, 2011	October 1, 2011	October 31, 2011	7.25		18.125
			June 17, 2011	July 1, 2011	August 1, 2011	7.25		18.125
			March 17, 2011	April 1, 2011	May 2, 2011	7.25		18.125
Series M [(3, 4)]	$	1,310	October 4, 2011	October 31, 2011	November 15, 2011	Fixed-to-floating	$	40.625
			April 4, 2011	April 30, 2011	May 16, 2011	Fixed-to-floating		40.625
Series T [(1)]	$	5,000	December 16, 2011	December 26, 2011	January 10, 2012	6.00%	$	1,500.00
			September 21, 2011	September 25, 2011	October 11, 2011	6.00		650.00

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

Table III Preferred Stock Cash Dividend Summary (as of February 23, 2012) (continued)

Preferred Stock	December 31, 2011 Outstanding Notional Amount (in millions)	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend Per Share
Series 1 [5]	$ 109	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.19167
		October 4, 2011	November 15, 2011	November 28, 2011	Floating	0.19167
		July 5, 2011	August 15, 2011	August 30, 2011	Floating	0.19167
		April 4, 2011	May 15, 2011	May 31, 2011	Floating	0.18542
		January 4, 2011	February 15, 2011	February 28, 2011	Floating	0.19167
Series 2 [5]	$ 363	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.19167
		October 4, 2011	November 15, 2011	November 28, 2011	Floating	0.19167
		July 5, 2011	August 15, 2011	August 30, 2011	Floating	0.19167
		April 4, 2011	May 15, 2011	May 31, 2011	Floating	0.18542
		January 4, 2011	February 15, 2011	February 28, 2011	Floating	0.19167
Series 3 [5]	$ 653	January 4, 2012	February 15, 2012	February 28, 2012	6.375%	$ 0.39843
		October 4, 2011	November 15, 2011	November 28, 2011	6.375	0.39843
		July 5, 2011	August 15, 2011	August 29, 2011	6.375	0.39843
		April 4, 2011	May 15, 2011	May 31, 2011	6.375	0.39843
		January 4, 2011	February 15, 2011	February 28, 2011	6.375	0.39843
Series 4 [5]	$ 323	January 4, 2012	February 15, 2012	February 28, 2012	Floating	$ 0.25556
		October 4, 2011	November 15, 2011	November 28, 2011	Floating	0.25556
		July 5, 2011	August 15, 2011	August 30, 2011	Floating	0.25556
		April 4, 2011	May 15, 2011	May 31, 2011	Floating	0.24722
		January 4, 2011	February 15, 2011	February 28, 2011	Floating	0.25556
Series 5 [5]	$ 507	January 4, 2012	February 1, 2012	February 21, 2012	Floating	$ 0.25556
		October 4, 2011	November 1, 2011	November 21, 2011	Floating	0.25556
		July 5, 2011	August 1, 2011	August 22, 2011	Floating	0.25556
		April 4, 2011	May 1, 2011	May 23, 2011	Floating	0.24722
		January 4, 2011	February 1, 2011	February 22, 2011	Floating	0.25556
Series 6 [6]	$ 60	January 4, 2012	March 15, 2012	March 30, 2012	6.70%	$ 0.41875
		October 4, 2011	December 15, 2011	December 30, 2011	6.70	0.41875
		July 5, 2011	September 15, 2011	September 30, 2011	6.70	0.41875
		April 4, 2011	June 15, 2011	June 30, 2011	6.70	0.41875
		January 4, 2011	March 15, 2011	March 30, 2011	6.70	0.41875
Series 7 [6]	$ 17	January 4, 2012	March 15, 2012	March 30, 2012	6.25%	$ 0.39062
		October 4, 2011	December 15, 2011	December 30, 2011	6.25	0.39062
		July 5, 2011	September 15, 2011	September 30, 2011	6.25	0.39062
		April 4, 2011	June 15, 2011	June 30, 2011	6.25	0.39062
		January 4, 2011	March 15, 2011	March 30, 2011	6.25	0.39062
Series 8 [5]	$ 2,673	January 4, 2012	February 15, 2012	February 28, 2012	8.625%	$ 0.53906
		October 4, 2011	November 15, 2011	November 28, 2011	8.625	0.53906
		July 5, 2011	August 15, 2011	August 29, 2011	8.625	0.53906
		April 4, 2011	May 15, 2011	May 31, 2011	8.625	0.53906
		January 4, 2011	February 15, 2011	February 28, 2011	8.625	0.53906

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

Table IV Outstanding Loans and Leases

(Dollars in millions)	December 31 2011	2010 (1)	2009	2008	2007
Consumer					
Residential mortgage (2)	**$ 262,290**	$ 257,973	$ 242,129	$ 248,063	$ 274,949
Home equity	**124,699**	137,981	149,126	152,483	114,820
Discontinued real estate (3)	**11,095**	13,108	14,854	19,981	n/a
U.S. credit card	**102,291**	113,785	49,453	64,128	65,774
Non-U.S. credit card	**14,418**	27,465	21,656	17,146	14,950
Direct/Indirect consumer (4)	**89,713**	90,308	97,236	83,436	76,538
Other consumer (5)	**2,688**	2,830	3,110	3,442	4,170
Total consumer loans	**607,194**	643,450	577,564	588,679	551,201
Consumer loans accounted for under the fair value option (6)	**2,190**	—	—	—	—
Total consumer	**609,384**	643,450	577,564	588,679	551,201
Commercial					
U.S. commercial (7)	**193,199**	190,305	198,903	219,233	208,297
Commercial real estate (8)	**39,596**	49,393	69,447	64,701	61,298
Commercial lease financing	**21,989**	21,942	22,199	22,400	22,582
Non-U.S. commercial	**55,418**	32,029	27,079	31,020	28,376
Total commercial loans	**310,202**	293,669	317,628	337,354	320,553
Commercial loans accounted for under the fair value option (6)	**6,614**	3,321	4,936	5,413	4,590
Total commercial	**316,816**	296,990	322,564	342,767	325,143
Total loans and leases	**$ 926,200**	$ 940,440	$ 900,128	$ 931,446	$ 876,344

(1) 2011 and 2010 periods are presented in accordance with new consolidation guidance.

(2) Includes non-U.S. residential mortgages of $85 million, $90 million and $552 million at December 31, 2011, 2010 and 2009, respectively. There were no material non-U.S. residential mortgage loans prior to January 1, 2009.

(3) Includes $9.9 billion, $11.8 billion, $13.4 billion and $18.2 billion of pay option loans, and $1.2 billion, $1.3 billion, $1.5 billion and $1.8 billion of subprime loans at December 31, 2011, 2010, 2009 and 2008, respectively. We no longer originate these products.

(4) Includes dealer financial services loans of $43.0 billion, $43.3 billion, $41.6 billion, $40.1 billion and $37.2 billion; consumer lending loans of $8.0 billion, $12.4 billion, $19.7 billion, $28.2 billion and $24.4 billion; U.S. securities-based lending margin loans of $23.6 billion, $16.6 billion, $12.9 billion, $0 and $0; student loans of $6.0 billion, $6.8 billion, $10.8 billion, $8.3 billion and $4.7 billion; non-U.S. consumer loans of $7.6 billion, $8.0 billion, $8.0 billion, $1.8 billion and $3.4 billion; and other consumer loans of $1.5 billion, $3.2 billion, $4.2 billion, $5.0 billion and $6.8 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(5) Includes consumer finance loans of $1.7 billion, $1.9 billion, $2.3 billion, $2.6 billion and $3.0 billion, other non-U.S. consumer loans of $929 million, $803 million, $709 million, $618 million and $829 million, and consumer overdrafts of $103 million, $88 million, $144 million, $211 million and $320 million at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(6) Certain consumer loans are accounted for under the fair value option and include residential mortgage loans of $906 million and discontinued real estate loans of $1.3 billion at December 31, 2011. There were no consumer loans accounted for under the fair value option prior to 2011. Certain commercial loans are accounted for under the fair value option and include U.S. commercial loans of $2.2 billion, $1.6 billion, $3.0 billion, $3.5 billion and $3.5 billion, commercial real estate loans of $0, $79 million, $90 million, $203 million and $304 million and non-U.S. commercial loans of $4.4 billion, $1.7 billion, $1.9 billion, $1.7 billion and $790 million at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(7) Includes U.S. small business commercial loans, including card-related products, of $13.3 billion, $14.7 billion, $17.5 billion, $19.1 billion and $19.3 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

(8) Includes U.S. commercial real estate loans of $37.8 billion, $46.9 billion, $66.5 billion, $63.7 billion and $60.2 billion, and non-U.S. commercial real estate loans of $1.8 billion, $2.5 billion, $3.0 billion, $979 million and $1.1 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

n/a = not applicable

Table V Nonperforming Loans, Leases and Foreclosed Properties (1)

(Dollars in millions)	December 31 2011	2010	2009	2008	2007
Consumer					
Residential mortgage	**$ 15,970**	$ 17,691	$ 16,596	$ 7,057	$ 1,999
Home equity	**2,453**	2,694	3,804	2,637	1,340
Discontinued real estate	**290**	331	249	77	n/a
Direct/Indirect consumer	**40**	90	86	26	8
Other consumer	**15**	48	104	91	95
Total consumer (2)	**18,768**	20,854	20,839	9,888	3,442
Commercial					
U.S. commercial	**2,174**	3,453	4,925	2,040	852
Commercial real estate	**3,880**	5,829	7,286	3,906	1,099
Commercial lease financing	**26**	117	115	56	33
Non-U.S. commercial	**143**	233	177	290	19
	6,223	9,632	12,503	6,292	2,003
U.S. small business commercial	**114**	204	200	205	152
Total commercial (3)	**6,337**	9,836	12,703	6,497	2,155
Total nonperforming loans and leases	**25,105**	30,690	33,542	16,385	5,597
Foreclosed properties	**2,603**	1,974	2,205	1,827	351
Total nonperforming loans, leases and foreclosed properties (4)	**$ 27,708**	$ 32,664	$ 35,747	$ 18,212	$ 5,948

(1) Balances do not include PCI loans even though the customer may be contractually past due. Loans accounted for as PCI loans were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan. In addition, the fully insured loan portfolio is also excluded from nonperforming loans and foreclosed properties since the principal repayments are insured.

(2) In 2011, $2.6 billion in interest income was estimated to be contractually due on consumer loans classified as nonperforming at December 31, 2011 provided that these loans had been paying according to their terms and conditions, including TDRs of which $15.7 billion were performing at December 31, 2011 and not included in the table above. Approximately $985 million of the estimated $2.6 billion in contractual interest was received and included in earnings for 2011.

(3) In 2011, $379 million in interest income was estimated to be contractually due on commercial loans and leases classified as nonperforming at December 31, 2011 provided that these loans and leases had been paying according to their terms and conditions, including TDRs of which $1.8 billion were performing at December 31, 2011 and not included in the table above. Approximately $123 million of the estimated $379 million in contractual interest was received and included in earnings for 2011.

(4) Balances do not include loans accounted for under the fair value option. At December 31, 2011, there were $786 million of loans accounted for under the fair value option that were 90 days or more past due and not accruing interest.

n/a = not applicable

Table VI Accruing Loans and Leases Past Due 90 Days or More (1)

(Dollars in millions)	December 31 2011	2010	2009	2008	2007
Consumer					
Residential mortgage (2)	**$ 21,164**	$ 16,768	$ 11,680	$ 372	$ 237
U.S. credit card	**2,070**	3,320	2,158	2,197	1,855
Non-U.S. credit card	**342**	599	515	368	272
Direct/Indirect consumer	**746**	1,058	1,488	1,370	745
Other consumer	**2**	2	3	4	4
Total consumer	**24,324**	21,747	15,844	4,311	3,113
Commercial					
U.S. commercial	**75**	236	213	381	119
Commercial real estate	**7**	47	80	52	36
Commercial lease financing	**14**	18	32	23	25
Non-U.S. commercial	**—**	6	67	7	16
	96	307	392	463	196
U.S. small business commercial	**216**	325	624	640	427
Total commercial	**312**	632	1,016	1,103	623
Total accruing loans and leases past due 90 days or more (3)	**$ 24,636**	$ 22,379	$ 16,860	$ 5,414	$ 3,736

(1) Our policy is to classify consumer real estate-secured loans as nonperforming at 90 days past due, except the Countrywide PCI loan portfolio, the fully-insured loan portfolio and loans accounted for under the fair value option as referenced in footnote 3.

(2) Balances are fully-insured loans.

(3) Balances do not include loans accounted for under the fair value option. At December 31, 2011 and 2010 there were no loans past due 90 days or more still accruing interest accounted for under the fair value option. At December 31, 2009, there was $87 million of loans past due 90 days or more and still accruing interest accounted for under the fair value option.

Table VII Allowance for Credit Losses

(Dollars in millions)	2011	2010	2009	2008	2007
Allowance for loan and lease losses, January 1 [1]	**$ 41,885**	$ 47,988	$ 23,071	$ 11,588	$ 9,016
Loans and leases charged off					
Residential mortgage	**(4,195)**	(3,779)	(4,436)	(964)	(78)
Home equity	**(4,990)**	(7,059)	(7,205)	(3,597)	(286)
Discontinued real estate	**(106)**	(77)	(104)	(19)	n/a
U.S. credit card	**(8,114)**	(13,818)	(6,753)	(4,469)	(3,410)
Non-U.S. credit card	**(1,691)**	(2,424)	(1,332)	(639)	(453)
Direct/Indirect consumer	**(2,190)**	(4,303)	(6,406)	(3,777)	(1,885)
Other consumer	**(252)**	(320)	(491)	(461)	(346)
Total consumer charge-offs	**(21,538)**	(31,780)	(26,727)	(13,926)	(6,458)
U.S. commercial [2]	**(1,690)**	(3,190)	(5,237)	(2,567)	(1,135)
Commercial real estate	**(1,298)**	(2,185)	(2,744)	(895)	(54)
Commercial lease financing	**(61)**	(96)	(217)	(79)	(55)
Non-U.S. commercial	**(155)**	(139)	(558)	(199)	(28)
Total commercial charge-offs	**(3,204)**	(5,610)	(8,756)	(3,740)	(1,272)
Total loans and leases charged off	**(24,742)**	(37,390)	(35,483)	(17,666)	(7,730)
Recoveries of loans and leases previously charged off					
Residential mortgage	**363**	109	86	39	22
Home equity	**517**	278	155	101	12
Discontinued real estate	**14**	9	3	3	n/a
U.S. credit card	**838**	791	206	308	347
Non-U.S. credit card	**522**	217	93	88	74
Direct/Indirect consumer	**714**	967	943	663	512
Other consumer	**50**	59	63	62	68
Total consumer recoveries	**3,018**	2,430	1,549	1,264	1,035
U.S. commercial [3]	**500**	391	161	118	128
Commercial real estate	**351**	168	42	8	7
Commercial lease financing	**37**	39	22	19	53
Non-U.S. commercial	**3**	28	21	26	27
Total commercial recoveries	**891**	626	246	171	215
Total recoveries of loans and leases previously charged off	**3,909**	3,056	1,795	1,435	1,250
Net charge-offs	**(20,833)**	(34,334)	(33,688)	(16,231)	(6,480)
Provision for loan and lease losses	**13,629**	28,195	48,366	26,922	8,357
Other [4]	**(898)**	36	(549)	792	695
Allowance for loan and lease losses, December 31	**33,783**	41,885	37,200	23,071	11,588
Reserve for unfunded lending commitments, January 1	**1,188**	1,487	421	518	397
Provision for unfunded lending commitments	**(219)**	240	204	(97)	28
Other [5]	**(255)**	(539)	862	—	93
Reserve for unfunded lending commitments, December 31	**714**	1,188	1,487	421	518
Allowance for credit losses, December 31	**$ 34,497**	$ 43,073	$ 38,687	$ 23,492	$ 12,106

(1) The 2010 balance includes $10.8 billion of allowance for loan and lease losses related to the adoption of new consolidation guidance.

(2) Includes U.S. small business commercial charge-offs of $1.1 billion, $2.0 billion, $3.0 billion, $2.0 billion and $931 million in 2011, 2010, 2009, 2008 and 2007, respectively.

(3) Includes U.S. small business commercial recoveries of $106 million, $107 million, $65 million, $39 million and $51 million in 2011, 2010, 2009, 2008 and 2007, respectively.

(4) The 2011 amount includes a $449 million reserve reduction in the allowance for loan and lease losses related to Canadian consumer card loans that were transferred to LHFS. The 2009 amount includes a $750 million reduction in the allowance for loan and lease losses related to credit card loans of $8.5 billion which were exchanged for $7.8 billion in held-to-maturity debt securities that were issued by the Corporation's U.S. Credit Card Securitization Trust and retained by the Corporation. The 2008 amount includes the $1.2 billion addition to the Countrywide allowance for loan losses as of July 1, 2008. The 2007 amount includes $750 million of additions to the allowance for loan losses for certain acquisitions.

(5) The 2011 and 2010 amounts primarily represent accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions. The 2009 amount includes the remaining balance of the acquired Merrill Lynch reserve excluding those commitments accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded positions. The 2007 amount includes a $124 million addition for reserve for unfunded lending commitments for a prior acquisition.

n/a = not applicable

Table VII Allowance for Credit Losses (continued)

(Dollars in millions)	2011	2010	2009	2008	2007
Loan and allowance ratios:					
Loans and leases outstanding at December 31 (5)	**$ 917,396**	$ 937,119	$ 895,192	$ 926,033	$ 871,754
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (5)	**3.68%**	4.47%	4.16%	2.49%	1.33%
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at December 31 (6)	**4.88**	5.40	4.81	2.83	1.23
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (7)	**1.33**	2.44	2.96	1.90	1.51
Average loans and leases outstanding (5)	**$ 929,661**	$ 954,278	$ 941,862	$ 905,944	$ 773,142
Net charge-offs as a percentage of average loans and leases outstanding (5)	**2.24%**	3.60%	3.58%	1.79%	0.84%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 8)	**135**	136	111	141	207
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.62**	1.22	1.10	1.42	1.79
Amounts included in allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (9)	**$ 17,490**	$ 22,908	$ 17,690	$ 11,679	$ 6,520
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding amounts included in the allowance for loan and lease losses that are excluded from nonperforming loans and leases at December 31 (9)	**65%**	62%	58%	70%	91%
Loan and allowance ratios excluding purchased credit-impaired loans:					
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at December 31 (5)	**2.86%**	3.94%	3.88%	2.53%	n/a
Consumer allowance for loan and lease losses as a percentage of total consumer loans outstanding at December 31 (6)	**3.68**	4.66	4.43	2.91	n/a
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at December 31 (7)	**1.33**	2.44	2.96	1.90	n/a
Net charge-offs as a percentage of average loans and leases outstanding (5)	**2.32**	3.73	3.71	1.83	n/a
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at December 31 (5, 8)	**101**	116	99	136	n/a
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.22**	1.04	1.00	1.38	n/a

(5) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option. Loans accounted for under the fair value option were $8.8 billion, $3.3 billion, $4.9 billion, $5.4 billion and $4.6 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively. Average loans accounted for under the fair value option were $8.4 billion, $4.1 billion, $6.9 billion, $4.9 billion and $3.0 billion for 2011, 2010, 2009, 2008 and 2007, respectively.
(6) Excludes consumer loans accounted for under the fair value option of $2.2 billion at December 31, 2011. There were no consumer loans accounted for under the fair value option prior to 2011.
(7) Excludes commercial loans accounted for under the fair value option of $6.6 billion, $3.3 billion, $4.9 billion, $5.4 billion and $4.6 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.
(8) For more information on our definition of nonperforming loans, see pages 86 and 94.
(9) Primarily includes amounts allocated to *Card Services* portfolios, PCI loans and the non-U.S. credit portfolio in *All Other*.
n/a = not applicable

Table VIII Allocation of the Allowance for Credit Losses by Product Type

	December 31									
	2011		2010		2009		2008		2007	
(Dollars in millions)	**Amount**	**Percent of Total**	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Allowance for loan and lease losses										
Residential mortgage	**$ 5,935**	**17.57%**	$ 5,082	12.14%	$ 4,773	12.83%	$ 1,382	5.99%	$ 207	1.79%
Home equity	**13,094**	**38.76**	12,887	30.77	10,116	27.19	5,385	23.34	963	8.31
Discontinued real estate	**2,050**	**6.07**	1,283	3.06	867	2.33	658	2.85	n/a	n/a
U.S. credit card	**6,322**	**18.71**	10,876	25.97	6,017	16.18	3,947	17.11	2,919	25.19
Non-U.S. credit card	**946**	**2.80**	2,045	4.88	1,581	4.25	742	3.22	441	3.81
Direct/Indirect consumer	**1,153**	**3.41**	2,381	5.68	4,227	11.36	4,341	18.81	2,077	17.92
Other consumer	**148**	**0.44**	161	0.38	204	0.55	203	0.88	151	1.30
Total consumer	**29,648**	**87.76**	34,715	82.88	27,785	74.69	16,658	72.20	6,758	58.32
U.S. commercial [(1)]	**2,441**	**7.23**	3,576	8.54	5,152	13.85	4,339	18.81	3,194	27.56
Commercial real estate	**1,349**	**3.99**	3,137	7.49	3,567	9.59	1,465	6.35	1,083	9.35
Commercial lease financing	**92**	**0.27**	126	0.30	291	0.78	223	0.97	218	1.88
Non-U.S. commercial	**253**	**0.75**	331	0.79	405	1.09	386	1.67	335	2.89
Total commercial [(2)]	**4,135**	**12.24**	7,170	17.12	9,415	25.31	6,413	27.80	4,830	41.68
Allowance for loan and lease losses	**33,783**	**100.00%**	41,885	100.00%	37,200	100.00%	23,071	100.00%	11,588	100.00%
Reserve for unfunded lending commitments	**714**		1,188		1,487		421		518	
Allowance for credit losses [(3)]	**$ 34,497**		$ 43,073		$ 38,687		$ 23,492		$ 12,106	

(1) Includes allowance for U.S. small business commercial loans of $893 million, $1.5 billion, $2.4 billion, $2.4 billion and $1.4 billion at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.
(2) Includes allowance for loan and lease losses for impaired commercial loans of $545 million, $1.1 billion, $1.2 billion, $691 million and $123 million at December 31, 2011, 2010, 2009, 2008 and 2007, respectively.
(3) Includes $8.5 billion, $6.4 billion, $3.9 billion and $750 million of valuation reserves presented with the allowance for credit losses related to PCI loans at December 31, 2011, 2010, 2009 and 2008, respectively.
n/a = not applicable

Table IX Selected Loan Maturity Data [(1, 2)]

	December 31, 2011			
(Dollars in millions)	**Due in One Year or Less**	**Due After One Year Through Five Years**	**Due After Five Years**	**Total**
U.S. commercial	$ 57,572	$ 94,860	$ 42,955	**$ 195,387**
U.S. commercial real estate	14,073	19,164	4,533	**37,770**
Non-U.S. and other [(3)]	53,636	8,257	707	**62,600**
Total selected loans	**$ 125,281**	**$ 122,281**	**$ 48,195**	**$ 295,757**
Percent of total	42%	41%	17%	100%
Sensitivity of selected loans to changes in interest rates for loans due after one year:				
Fixed interest rates		$ 11,480	$ 24,553	
Floating or adjustable interest rates		110,801	23,642	
Total		**$ 122,281**	**$ 48,195**	

(1) Loan maturities are based on the remaining maturities under contractual terms.
(2) Includes loans accounted for under the fair value option.
(3) Includes other consumer, commercial real estate and non-U.S. commercial loans.

Table X Non-exchange Traded Commodity Contracts

	December 31, 2011	
(Dollars in millions)	Asset Positions	Liability Positions
Net fair value of contracts outstanding, January 1, 2011	$ 4,773	$ 4,677
Effects of legally enforceable master netting agreements	10,756	10,756
Gross fair value of contracts outstanding, January 1, 2011	15,529	15,433
Contracts realized or otherwise settled	(9,976)	(10,300)
Fair value of new contracts	5,770	5,907
Other changes in fair value	2,584	1,944
Gross fair value of contracts outstanding, December 31, 2011	13,907	12,984
Effects of legally enforceable master netting agreements	(8,399)	(8,399)
Net fair value of contracts outstanding, December 31, 2011	**$ 5,508**	**$ 4,585**

Table XI Non-exchange Traded Commodity Contract Maturities

	December 31, 2011	
(Dollars in millions)	Asset Positions	Liability Positions
Less than one year	$ 9,052	$ 8,219
Greater than or equal to one year and less than three years	2,624	2,723
Greater than or equal to three years and less than five years	861	900
Greater than or equal to five years	1,370	1,142
Gross fair value of contracts outstanding	13,907	12,984
Effects of legally enforceable master netting agreements	(8,399)	(8,399)
Net fair value of contracts outstanding	**$ 5,508**	**$ 4,585**

Table XII Selected Quarterly Financial Data

(In millions, except per share information)	2011 Quarters Fourth	2011 Quarters Third	2011 Quarters Second	2011 Quarters First	2010 Quarters Fourth	2010 Quarters Third	2010 Quarters Second	2010 Quarters First
Income statement								
Net interest income	**$ 10,701**	$ 10,490	$ 11,246	$ 12,179	$ 12,439	$ 12,435	$ 12,900	$ 13,749
Noninterest income	**14,187**	17,963	1,990	14,698	9,959	14,265	16,253	18,220
Total revenue, net of interest expense	**24,888**	28,453	13,236	26,877	22,398	26,700	29,153	31,969
Provision for credit losses	**2,934**	3,407	3,255	3,814	5,129	5,396	8,105	9,805
Goodwill impairment	**581**	—	2,603	—	2,000	10,400	—	—
Merger and restructuring charges	**101**	176	159	202	370	421	508	521
All other noninterest expense [(1)]	**18,840**	17,437	20,094	20,081	18,494	16,395	16,745	17,254
Income (loss) before income taxes	**2,432**	7,433	(12,875)	2,780	(3,595)	(5,912)	3,795	4,389
Income tax expense (benefit)	**441**	1,201	(4,049)	731	(2,351)	1,387	672	1,207
Net income (loss)	**1,991**	6,232	(8,826)	2,049	(1,244)	(7,299)	3,123	3,182
Net income (loss) applicable to common shareholders	**1,584**	5,889	(9,127)	1,739	(1,565)	(7,647)	2,783	2,834
Average common shares issued and outstanding	**10,281**	10,116	10,095	10,076	10,037	9,976	9,957	9,177
Average diluted common shares issued and outstanding [(2)]	**11,125**	10,464	10,095	10,181	10,037	9,976	10,030	10,005
Performance ratios								
Return on average assets	**0.36%**	1.07%	n/m	0.36%	n/m	n/m	0.50%	0.51%
Four quarter trailing return on average assets [(3)]	**0.06**	n/m	n/m	n/m	n/m	n/m	0.21	0.21
Return on average common shareholders' equity	**3.00**	11.40	n/m	3.29	n/m	n/m	5.18	5.73
Return on average tangible common shareholders' equity [(4)]	**4.72**	18.30	n/m	5.28	n/m	n/m	9.19	9.79
Return on average tangible shareholders' equity [(4)]	**5.20**	17.03	n/m	5.54	n/m	n/m	8.98	9.55
Total ending equity to total ending assets	**10.81**	10.37	9.83%	10.15	10.08%	9.85%	9.85	9.80
Total average equity to total average assets	**10.34**	9.66	10.05	9.87	9.94	9.83	9.36	9.14
Dividend payout	**6.60**	1.73	n/m	6.06	n/m	n/m	3.63	3.57
Per common share data								
Earnings (loss)	**$ 0.15**	$ 0.58	$ (0.90)	$ 0.17	$ (0.16)	$ (0.77)	$ 0.28	$ 0.28
Diluted earnings (loss) [(2)]	**0.15**	0.56	(0.90)	0.17	(0.16)	(0.77)	0.27	0.28
Dividends paid	**0.01**	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Book value	**20.09**	20.80	20.29	21.15	20.99	21.17	21.45	21.12
Tangible book value [(4)]	**12.95**	13.22	12.65	13.21	12.98	12.91	12.14	11.70
Market price per share of common stock								
Closing	**$ 5.56**	$ 6.12	$ 10.96	$ 13.33	$ 13.34	$ 13.10	$ 14.37	$ 17.85
High closing	**7.35**	11.09	13.72	15.25	13.56	15.67	19.48	18.04
Low closing	**4.99**	6.06	10.50	13.33	10.95	12.32	14.37	14.45
Market capitalization	**$ 58,580**	$ 62,023	$ 111,060	$ 135,057	$ 134,536	$ 131,442	$ 144,174	$ 179,071
Average balance sheet								
Total loans and leases	**$ 932,898**	$ 942,032	$ 938,513	$ 938,966	$ 940,614	$ 934,860	$ 967,054	$ 991,615
Total assets	**2,207,567**	2,301,454	2,339,110	2,338,538	2,370,258	2,379,397	2,494,432	2,516,590
Total deposits	**1,032,531**	1,051,320	1,035,944	1,023,140	1,007,738	973,846	991,615	981,015
Long-term debt	**389,557**	420,273	435,144	440,511	465,875	485,588	497,469	513,634
Common shareholders' equity	**209,324**	204,928	218,505	214,206	218,728	215,911	215,468	200,380
Total shareholders' equity	**228,235**	222,410	235,067	230,769	235,525	233,978	233,461	229,891
Asset quality [(5)]								
Allowance for credit losses [(6)]	**$ 34,497**	$ 35,872	$ 38,209	$ 40,804	$ 43,073	$ 44,875	$ 46,668	$ 48,356
Nonperforming loans, leases and foreclosed properties [(7)]	**27,708**	29,059	30,058	31,643	32,664	34,556	35,598	35,925
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [(7)]	**3.68%**	3.81%	4.00%	4.29%	4.47%	4.69%	4.75%	4.82%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [(7)]	**135**	133	135	135	136	135	137	139
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the purchased credit-impaired loan portfolio [(6)]	**101**	101	105	108	116	118	121	124
Amounts included in allowance that are excluded from nonperforming loans [(8)]	**$ 17,490**	$ 18,317	$ 19,935	$ 22,110	$ 22,908	$ 23,661	$ 24,338	$ 26,199
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [(8)]	**65%**	63%	63%	60%	62%	62%	63%	61%
Net charge-offs	**$ 4,054**	$ 5,086	$ 5,665	$ 6,028	$ 6,783	$ 7,197	$ 9,557	$ 10,797
Annualized net charge-offs as a percentage of average loans and leases outstanding [(7)]	**1.74%**	2.17%	2.44%	2.61%	2.87%	3.07%	3.98%	4.44%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [(7)]	**2.74**	2.87	2.96	3.19	3.27	3.47	3.48	3.46
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [(7)]	**3.01**	3.15	3.22	3.40	3.48	3.71	3.73	3.69
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	**2.10**	1.74	1.64	1.63	1.56	1.53	1.18	1.07
Capital ratios (period end)								
Risk-based capital:								
Tier 1 common	**9.86%**	8.65%	8.23%	8.64%	8.60%	8.45%	8.01%	7.60%
Tier 1	**12.40**	11.48	11.00	11.32	11.24	11.16	10.67	10.23
Total	**16.75**	15.86	15.65	15.98	15.77	15.65	14.77	14.47
Tier 1 leverage	**7.53**	7.11	6.86	7.25	7.21	7.21	6.68	6.44
Tangible equity [(4)]	**7.54**	7.16	6.63	6.85	6.75	6.54	6.14	6.02
Tangible common equity [(4)]	**6.64**	6.25	5.87	6.10	5.99	5.74	5.35	5.22

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

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

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

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 32 and Table XVII.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 75 and Commercial Portfolio Credit Risk Management on page 88.

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

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 86 and corresponding Table 36, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 94 and corresponding Table 45.

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

n/m = not meaningful

Table XIII Quarterly Average Balances and Interest Rates – FTE Basis

(Dollars in millions)	Fourth Quarter 2011 Average Balance	Fourth Quarter 2011 Interest Income/ Expense	Fourth Quarter 2011 Yield/ Rate	Third Quarter 2011 Average Balance	Third Quarter 2011 Interest Income/ Expense	Third Quarter 2011 Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	**$ 27,688**	**$ 85**	**1.19%**	$ 26,743	$ 87	1.31%
Federal funds sold and securities borrowed or purchased under agreements to resell	**237,453**	**449**	**0.75**	256,143	584	0.90
Trading account assets	**161,848**	**1,354**	**3.33**	180,438	1,543	3.40
Debt securities [2]	**332,990**	**2,245**	**2.69**	344,327	1,744	2.02
Loans and leases [3]:						
Residential mortgage [4]	**266,144**	**2,596**	**3.90**	268,494	2,856	4.25
Home equity	**126,251**	**1,207**	**3.80**	129,125	1,238	3.81
Discontinued real estate	**14,073**	**128**	**3.65**	15,923	134	3.36
U.S. credit card	**102,241**	**2,603**	**10.10**	103,671	2,650	10.14
Non-U.S. credit card	**15,981**	**420**	**10.41**	25,434	697	10.88
Direct/Indirect consumer [5]	**90,861**	**863**	**3.77**	90,280	915	4.02
Other consumer [6]	**2,751**	**41**	**6.14**	2,795	43	6.07
Total consumer	**618,302**	**7,858**	**5.06**	635,722	8,533	5.34
U.S. commercial	**196,778**	**1,798**	**3.63**	191,439	1,809	3.75
Commercial real estate [7]	**40,673**	**343**	**3.34**	42,931	360	3.33
Commercial lease financing	**21,278**	**204**	**3.84**	21,342	240	4.51
Non-U.S. commercial	**55,867**	**395**	**2.80**	50,598	349	2.73
Total commercial	**314,596**	**2,740**	**3.46**	306,310	2,758	3.58
Total loans and leases	**932,898**	**10,598**	**4.52**	942,032	11,291	4.77
Other earning assets	**91,109**	**904**	**3.95**	91,452	814	3.54
Total earning assets [8]	**1,783,986**	**15,635**	**3.49**	1,841,135	16,063	3.47
Cash and cash equivalents [1]	**94,287**	**36**		102,573	38	
Other assets, less allowance for loan and lease losses	**329,294**			357,746		
Total assets	**$ 2,207,567**			$ 2,301,454		
Interest-bearing liabilities						
U.S. interest-bearing deposits:						
Savings	**$ 39,609**	**$ 16**	**0.16%**	$ 41,256	$ 21	0.19%
NOW and money market deposit accounts	**454,249**	**192**	**0.17**	473,391	248	0.21
Consumer CDs and IRAs	**103,488**	**220**	**0.84**	108,359	244	0.89
Negotiable CDs, public funds and other time deposits	**22,413**	**34**	**0.60**	18,547	5	0.12
Total U.S. interest-bearing deposits	**619,759**	**462**	**0.30**	641,553	518	0.32
Non-U.S. interest-bearing deposits:						
Banks located in non-U.S. countries	**20,454**	**29**	**0.55**	21,037	34	0.65
Governments and official institutions	**1,466**	**1**	**0.36**	2,043	2	0.32
Time, savings and other	**57,814**	**124**	**0.85**	64,271	150	0.93
Total non-U.S. interest-bearing deposits	**79,734**	**154**	**0.77**	87,351	186	0.85
Total interest-bearing deposits	**699,493**	**616**	**0.35**	728,904	704	0.38
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	**284,766**	**921**	**1.28**	303,234	1,152	1.51
Trading account liabilities	**70,999**	**411**	**2.29**	87,841	547	2.47
Long-term debt	**389,557**	**2,764**	**2.80**	420,273	2,959	2.82
Total interest-bearing liabilities [8]	**1,444,815**	**4,712**	**1.29**	1,540,252	5,362	1.39
Noninterest-bearing sources:						
Noninterest-bearing deposits	**333,038**			322,416		
Other liabilities	**201,479**			216,376		
Shareholders' equity	**228,235**			222,410		
Total liabilities and shareholders' equity	**$ 2,207,567**			$ 2,301,454		
Net interest spread			**2.20%**			2.08%
Impact of noninterest-bearing sources			**0.24**			0.23
Net interest income/yield on earning assets [1]		**$ 10,923**	**2.44%**		$ 10,701	2.31%

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

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

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

(4) Includes non-U.S. residential mortgage loans of $88 million, $91 million, $94 million and $92 million in the fourth, third, second and first quarters of 2011, and $96 million in the fourth quarter of 2010, respectively.

(5) Includes non-U.S. consumer loans of $8.4 billion, $8.6 billion, $8.7 billion and $8.2 billion in the fourth, third, second and first quarters of 2011, and $7.9 billion in the fourth quarter of 2010, respectively.

(6) Includes consumer finance loans of $1.7 billion, $1.8 billion, $1.8 billion and $1.9 billion in the fourth, third, second and first quarters of 2011, and $2.0 billion in the fourth quarter of 2010, respectively; other non-U.S. consumer loans of $959 million, $932 million, $840 million and $777 million in the fourth, third, second and first quarters of 2011, and $791 million in the fourth quarter of 2010, respectively; and consumer overdrafts of $107 million, $107 million, $79 million and $76 million in the fourth, third, second and first quarters of 2011, and $34 million in the fourth quarter of 2010, respectively.

(7) Includes U.S. commercial real estate loans of $38.7 billion, $40.7 billion, $43.4 billion and $45.7 billion in the fourth, third, second and first quarters of 2011, and $49.0 billion in the fourth quarter of 2010, respectively; and non-U.S. commercial real estate loans of $1.9 billion, $2.2 billion, $2.3 billion and $2.7 billion in the fourth, third, second and first quarters of 2011, and $2.6 billion in the fourth quarter of 2010, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $427 million, $1.0 billion, $739 million and $388 million in the fourth, third, second and first quarters of 2011, and $29 million in the fourth quarter of 2010, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $763 million, $631 million, $625 million and $621 million in the fourth, third, second and first quarters of 2011, and $672 million in the fourth quarter of 2010, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 110.

Table XIII Quarterly Average Balances and Interest Rates – FTE Basis (continued)

(Dollars in millions)	Second Quarter 2011 Average Balance	Second Quarter 2011 Interest Income/ Expense	Second Quarter 2011 Yield/ Rate	First Quarter 2011 Average Balance	First Quarter 2011 Interest Income/ Expense	First Quarter 2011 Yield/ Rate	Fourth Quarter 2010 Average Balance	Fourth Quarter 2010 Interest Income/ Expense	Fourth Quarter 2010 Yield/ Rate
Earning assets									
Time deposits placed and other short-term investments [1]	$ 27,298	$ 106	1.56%	$ 31,294	$ 88	1.14%	$ 28,141	$ 75	1.07%
Federal funds sold and securities borrowed or purchased under agreements to resell	259,069	597	0.92	227,379	517	0.92	243,589	486	0.79
Trading account assets	186,760	1,576	3.38	221,041	1,669	3.05	216,003	1,710	3.15
Debt securities [2]	335,269	2,696	3.22	335,847	2,917	3.49	341,867	3,065	3.58
Loans and leases [3]:									
Residential mortgage [4]	265,420	2,763	4.16	262,049	2,881	4.40	254,051	2,857	4.50
Home equity	131,786	1,261	3.83	136,089	1,335	3.96	139,772	1,410	4.01
Discontinued real estate	15,997	129	3.22	12,899	110	3.42	13,297	118	3.57
U.S. credit card	106,164	2,718	10.27	109,941	2,837	10.47	112,673	3,040	10.70
Non-U.S. credit card	27,259	760	11.18	27,633	779	11.43	27,457	815	11.77
Direct/Indirect consumer [5]	89,403	945	4.24	90,097	993	4.47	91,549	1,088	4.72
Other consumer [6]	2,745	47	6.76	2,753	45	6.58	2,796	45	6.32
Total consumer	638,774	8,623	5.41	641,461	8,980	5.65	641,595	9,373	5.81
U.S. commercial	190,479	1,827	3.85	191,353	1,926	4.08	193,608	1,894	3.88
Commercial real estate [7]	45,762	382	3.35	48,359	437	3.66	51,617	432	3.32
Commercial lease financing	21,284	235	4.41	21,634	322	5.95	21,363	250	4.69
Non-U.S. commercial	42,214	339	3.22	36,159	299	3.35	32,431	289	3.53
Total commercial	299,739	2,783	3.72	297,505	2,984	4.06	299,019	2,865	3.81
Total loans and leases	938,513	11,406	4.87	938,966	11,964	5.14	940,614	12,238	5.18
Other earning assets	97,616	866	3.56	115,336	922	3.24	113,325	923	3.23
Total earning assets [8]	1,844,525	17,247	3.75	1,869,863	18,077	3.92	1,883,539	18,497	3.90
Cash and cash equivalents [1]	115,956	49		138,241	63		136,967	63	
Other assets, less allowance for loan and lease losses	378,629			330,434			349,752		
Total assets	$2,339,110			$2,338,538			$2,370,258		
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$ 41,668	$ 31	0.30%	$ 38,905	$ 32	0.34%	$ 37,145	$ 35	0.36%
NOW and money market deposit accounts	478,690	304	0.25	475,954	316	0.27	464,531	333	0.28
Consumer CDs and IRAs	113,728	281	0.99	118,306	300	1.03	124,855	338	1.07
Negotiable CDs, public funds and other time deposits	13,842	42	1.22	13,995	39	1.11	16,334	47	1.16
Total U.S. interest-bearing deposits	647,928	658	0.41	647,160	687	0.43	642,865	753	0.46
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	19,234	37	0.77	21,534	38	0.72	16,827	38	0.91
Governments and official institutions	2,131	2	0.38	2,307	2	0.35	1,560	2	0.42
Time, savings and other	64,889	146	0.90	60,432	112	0.76	58,746	101	0.69
Total non-U.S. interest-bearing deposits	86,254	185	0.86	84,273	152	0.73	77,133	141	0.73
Total interest-bearing deposits	734,182	843	0.46	731,433	839	0.46	719,998	894	0.49
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	338,692	1,342	1.59	371,573	1,184	1.29	369,738	1,142	1.23
Trading account liabilities	96,108	627	2.62	83,914	627	3.03	81,313	561	2.74
Long-term debt	435,144	2,991	2.75	440,511	3,093	2.84	465,875	3,254	2.78
Total interest-bearing liabilities [8]	1,604,126	5,803	1.45	1,627,431	5,743	1.43	1,636,924	5,851	1.42
Noninterest-bearing sources:									
Noninterest-bearing deposits	301,762			291,707			287,740		
Other liabilities	198,155			188,631			210,069		
Shareholders' equity	235,067			230,769			235,525		
Total liabilities and shareholders' equity	$2,339,110			$2,338,538			$2,370,258		
Net interest spread			2.30%			2.49%			2.48%
Impact of noninterest-bearing sources			0.19			0.17			0.18
Net interest income/yield on earning assets [1]		$ 11,444	2.49%		$ 12,334	2.66%		$ 12,646	2.66%

For footnotes see page 134.

Table XIV Quarterly Supplemental Financial Data [(1)]

(Dollars in millions, except per share information)	2011 Quarters Fourth	2011 Quarters Third	2011 Quarters Second	2011 Quarters First	2010 Quarters Fourth	2010 Quarters Third	2010 Quarters Second	2010 Quarters First
Fully taxable-equivalent basis data								
Net interest income	**$ 10,959**	$ 10,739	$ 11,493	$ 12,397	$ 12,709	$ 12,717	$ 13,197	$ 14,070
Total revenue, net of interest expense	**25,146**	28,702	13,483	27,095	22,668	26,982	29,450	32,290
Net interest yield [(2)]	**2.45%**	2.32%	2.50%	2.67%	2.69%	2.72%	2.77%	2.93%
Efficiency ratio	**77.64**	61.37	n/m	74.86	92.04	100.87	58.58	55.05
Performance ratios, excluding goodwill impairment charges [(3)]								
Per common share information								
Earnings (loss)	**$ 0.21**		$ (0.65)		$ 0.04	$ 0.27		
Diluted earnings (loss)	**0.20**		(0.65)		0.04	0.27		
Efficiency ratio	**75.33%**		n/m		83.22%	62.33%		
Return on average assets	**0.46**		n/m		0.13	0.52		
Four quarter trailing return on average assets [(4)]	**0.20**		n/m		0.42	0.38		
Return on average common shareholders' equity	**4.10**		n/m		0.79	5.06		
Return on average tangible common shareholders' equity	**6.46**		n/m		1.27	8.67		
Return on average tangible shareholders' equity	**6.72**		n/m		1.96	8.54		

(1) Supplemental financial data on a FTE basis and performance measures and ratios excluding the impact of goodwill impairment charges are non-GAAP financial measures. Other companies may define or calculate these measures differently. For additional information on these performance measures and ratios, see Supplemental Financial Data on page 32 and for corresponding reconciliations to GAAP financial measures, see Table XVII.

(2) Calculation includes fees earned on overnight deposits placed with the Federal Reserve of $36 million, $38 million, $49 million and $63 million for the fourth, third, second and first quarters of 2011, and $63 million, $107 million, $106 million and $92 million for the fourth, third, second and first quarters of 2010, respectively.

(3) Performance ratios are calculated excluding the impact of the goodwill impairment charges of $581 million and $2.6 billion recorded during the fourth and second quarters of 2011 and $2.0 billion and $10.4 billion recorded during the fourth and third quarters of 2010, respectively.

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

n/m = not meaningful

Table XV Five Year Reconciliations to GAAP Financial Measures [1]

(Dollars in millions, except per share information)	2011	2010	2009	2008	2007
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$ 44,616	$ 51,523	$ 47,109	$ 45,360	$ 34,441
Fully taxable-equivalent adjustment	972	1,170	1,301	1,194	1,749
Net interest income on a fully taxable-equivalent basis	$ 45,588	$ 52,693	$ 48,410	$ 46,554	$ 36,190
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$ 93,454	$ 110,220	$ 119,643	$ 72,782	$ 66,833
Fully taxable-equivalent adjustment	972	1,170	1,301	1,194	1,749
Total revenue, net of interest expense on a fully taxable-equivalent basis	$ 94,426	$ 111,390	$ 120,944	$ 73,976	$ 68,582
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$ 80,274	$ 83,108	$ 66,713	$ 41,529	$ 37,524
Goodwill impairment charges	(3,184)	(12,400)	—	—	—
Total noninterest expense, excluding goodwill impairment charges	$ 77,090	$ 70,708	$ 66,713	$ 41,529	$ 37,524
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$ (1,676)	$ 915	$ (1,916)	$ 420	$ 5,942
Fully taxable-equivalent adjustment	972	1,170	1,301	1,194	1,749
Income tax expense (benefit) on a fully taxable-equivalent basis	$ (704)	$ 2,085	$ (615)	$ 1,614	$ 7,691
Reconciliation of net income (loss) to net income, excluding goodwill impairment charges					
Net income (loss)	$ 1,446	$ (2,238)	$ 6,276	$ 4,008	$ 14,982
Goodwill impairment charges	3,184	12,400	—	—	—
Net income, excluding goodwill impairment charges	$ 4,630	$ 10,162	$ 6,276	$ 4,008	$ 14,982
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$ 85	$ (3,595)	$ (2,204)	$ 2,556	$ 14,800
Goodwill impairment charges	3,184	12,400	—	—	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$ 3,269	$ 8,805	$ (2,204)	$ 2,556	$ 14,800
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$ 211,709	$ 212,686	$ 182,288	$ 141,638	$ 133,555
Common Equivalent Securities	—	2,900	1,213	—	—
Goodwill	(72,334)	(82,600)	(86,034)	(79,827)	(69,333)
Intangible assets (excluding MSRs)	(9,180)	(10,985)	(12,220)	(9,502)	(9,566)
Related deferred tax liabilities	2,898	3,306	3,831	1,782	1,845
Tangible common shareholders' equity	$ 133,093	$ 125,307	$ 89,078	$ 54,091	$ 56,501
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$ 229,095	$ 233,235	$ 244,645	$ 164,831	$ 136,662
Goodwill	(72,334)	(82,600)	(86,034)	(79,827)	(69,333)
Intangible assets (excluding MSRs)	(9,180)	(10,985)	(12,220)	(9,502)	(9,566)
Related deferred tax liabilities	2,898	3,306	3,831	1,782	1,845
Tangible shareholders' equity	$ 150,479	$ 142,956	$ 150,222	$ 77,284	$ 59,608
Reconciliation of year-end common shareholders' equity to year-end tangible common shareholders' equity					
Common shareholders' equity	$ 211,704	$ 211,686	$ 194,236	$ 139,351	$ 142,394
Common Equivalent Securities	—	—	19,244	—	—
Goodwill	(69,967)	(73,861)	(86,314)	(81,934)	(77,530)
Intangible assets (excluding MSRs)	(8,021)	(9,923)	(12,026)	(8,535)	(10,296)
Related deferred tax liabilities	2,702	3,036	3,498	1,854	1,855
Tangible common shareholders' equity	$ 136,418	$ 130,938	$ 118,638	$ 50,736	$ 56,423
Reconciliation of year-end shareholders' equity to year-end tangible shareholders' equity					
Shareholders' equity	$ 230,101	$ 228,248	$ 231,444	$ 177,052	$ 146,803
Goodwill	(69,967)	(73,861)	(86,314)	(81,934)	(77,530)
Intangible assets (excluding MSRs)	(8,021)	(9,923)	(12,026)	(8,535)	(10,296)
Related deferred tax liabilities	2,702	3,036	3,498	1,854	1,855
Tangible shareholders' equity	$ 154,815	$ 147,500	$ 136,602	$ 88,437	$ 60,832
Reconciliation of year-end assets to year-end tangible assets					
Assets	$ 2,129,046	$ 2,264,909	$ 2,230,232	$ 1,817,943	$ 1,715,746
Goodwill	(69,967)	(73,861)	(86,314)	(81,934)	(77,530)
Intangible assets (excluding MSRs)	(8,021)	(9,923)	(12,026)	(8,535)	(10,296)
Related deferred tax liabilities	2,702	3,036	3,498	1,854	1,855
Tangible assets	$ 2,053,760	$ 2,184,161	$ 2,135,390	$ 1,729,328	$ 1,629,775
Reconciliation of year-end common shares outstanding to year-end tangible common shares outstanding					
Common shares outstanding	10,535,938	10,085,155	8,650,244	5,017,436	4,437,885
Assumed conversion of common equivalent shares [2]	—	—	1,286,000	—	—
Tangible common shares outstanding	10,535,938	10,085,155	9,936,244	5,017,436	4,437,885

(1) Presents reconciliations of non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate non-GAAP financial measures differently. For more information on non-GAAP financial measures and ratios we use in assessing the results of the Corporation, see Supplemental Financial Data on page 32.

(2) On February 24, 2010, the common equivalent shares converted into common shares.

Table XVI Two Year Reconciliations to GAAP Financial Measures [1]

(Dollars in millions)	2011	2010
Deposits		
Reported net income	$ 1,192	$ 1,362
Adjustment related to intangibles [2]	3	10
Adjusted net income	$ 1,195	$ 1,372
Average allocated equity	$ 23,735	$ 24,222
Adjustment related to goodwill and a percentage of intangibles	(17,949)	(17,975)
Average economic capital	$ 5,786	$ 6,247
Card Services		
Reported net income (loss)	$ 5,788	$ (6,980)
Adjustment related to intangibles [2]	17	70
Goodwill impairment charge	—	10,400
Adjusted net income	$ 5,805	$ 3,490
Average allocated equity	$ 21,128	$ 32,418
Adjustment related to goodwill and a percentage of intangibles	(10,589)	(17,644)
Average economic capital	$ 10,539	$ 14,774
Consumer Real Estate Services		
Reported net loss	$ (19,529)	$ (8,947)
Adjustment related to intangibles [2]	—	3
Goodwill impairment charges	2,603	2,000
Adjusted net loss	$ (16,926)	$ (6,944)
Average allocated equity	$ 16,202	$ 26,016
Adjustment related to goodwill and a percentage of intangibles (excluding MSRs)	(1,350)	(4,802)
Average economic capital	$ 14,852	$ 21,214
Global Commercial Bank		
Reported net income	$ 4,402	$ 3,218
Adjustment related to intangibles [2]	2	5
Adjusted net income	$ 4,404	$ 3,223
Average allocated equity	$ 40,867	$ 43,590
Adjustment related to goodwill and a percentage of intangibles	(20,695)	(20,684)
Average economic capital	$ 20,172	$ 22,906
Global Banking and Markets		
Reported net income	$ 2,967	$ 6,297
Adjustment related to intangibles [2]	17	19
Adjusted net income	$ 2,984	$ 6,316
Average allocated equity	$ 37,233	$ 50,037
Adjustment related to goodwill and a percentage of intangibles	(10,650)	(10,106)
Average economic capital	$ 26,583	$ 39,931
Global Wealth and Investment Management		
Reported net income	$ 1,635	$ 1,340
Adjustment related to intangibles [2]	30	86
Adjusted net income	$ 1,665	$ 1,426
Average allocated equity	$ 17,802	$ 18,068
Adjustment related to goodwill and a percentage of intangibles	(10,696)	(10,778)
Average economic capital	$ 7,106	$ 7,290

(1) Presents reconciliations of non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate non-GAAP financial measures differently. For more information on non-GAAP financial measures and ratios we use in assessing the results of the Corporation, see Supplemental Financial Data on page 32.

(2) Represents cost of funds, earnings credit and certain expenses related to intangibles.

Table XVII Quarterly Reconciliations to GAAP Financial Measures (1)

(Dollars in millions, except per share information)	2011 Quarters Fourth	2011 Quarters Third	2011 Quarters Second	2011 Quarters First	2010 Quarters Fourth	2010 Quarters Third	2010 Quarters Second	2010 Quarters First
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis								
Net interest income	**$ 10,701**	$ 10,490	$ 11,246	$ 12,179	$ 12,439	$ 12,435	$ 12,900	$ 13,749
Fully taxable-equivalent adjustment	**258**	249	247	218	270	282	297	321
Net interest income on a fully taxable-equivalent basis	**$ 10,959**	$ 10,739	$ 11,493	$ 12,397	$ 12,709	$ 12,717	$ 13,197	$ 14,070
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis								
Total revenue, net of interest expense	**$ 24,888**	$ 28,453	$ 13,236	$ 26,877	$ 22,398	$ 26,700	$ 29,153	$ 31,969
Fully taxable-equivalent adjustment	**258**	249	247	218	270	282	297	321
Total revenue, net of interest expense on a fully taxable-equivalent basis	**$ 25,146**	$ 28,702	$ 13,483	$ 27,095	$ 22,668	$ 26,982	$ 29,450	$ 32,290
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges								
Total noninterest expense	**$ 19,522**	$ 17,613	$ 22,856	$ 20,283	$ 20,864	$ 27,216	$ 17,253	$ 17,775
Goodwill impairment charges	**(581)**	—	(2,603)	—	(2,000)	(10,400)	—	—
Total noninterest expense, excluding goodwill impairment charges	**$ 18,941**	$ 17,613	$ 20,253	$ 20,283	$ 18,864	$ 16,816	$ 17,253	$ 17,775
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis								
Income tax expense (benefit)	**$ 441**	$ 1,201	$ (4,049)	$ 731	$ (2,351)	$ 1,387	$ 672	$ 1,207
Fully taxable-equivalent adjustment	**258**	249	247	218	270	282	297	321
Income tax expense (benefit) on a fully taxable-equivalent basis	**$ 699**	$ 1,450	$ (3,802)	$ 949	$ (2,081)	$ 1,669	$ 969	$ 1,528
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges								
Net income (loss)	**$ 1,991**	$ 6,232	$ (8,826)	$ 2,049	$ (1,244)	$ (7,299)	$ 3,123	$ 3,182
Goodwill impairment charges	**581**	—	2,603	—	2,000	10,400	—	—
Net income (loss), excluding goodwill impairment charges	**$ 2,572**	$ 6,232	$ (6,223)	$ 2,049	$ 756	$ 3,101	$ 3,123	$ 3,182
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges								
Net income (loss) applicable to common shareholders	**$ 1,584**	$ 5,889	$ (9,127)	$ 1,739	$ (1,565)	$ (7,647)	$ 2,783	$ 2,834
Goodwill impairment charges	**581**	—	2,603	—	2,000	10,400	—	—
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	**$ 2,165**	$ 5,889	$ (6,524)	$ 1,739	$ 435	$ 2,753	$ 2,783	$ 2,834
Reconciliation of average common shareholders' equity to average tangible common shareholders' equity								
Common shareholders' equity	**$ 209,324**	$ 204,928	$ 218,505	$ 214,206	$ 218,728	$ 215,911	$ 215,468	$ 200,380
Common Equivalent Securities	**—**	—	—	—	—	—	—	11,760
Goodwill	**(70,647)**	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)	(86,099)	(86,334)
Intangible assets (excluding MSRs)	**(8,566)**	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)	(11,216)	(11,906)
Related deferred tax liabilities	**2,775**	2,852	2,932	3,035	3,121	3,214	3,395	3,497
Tangible common shareholders' equity	**$ 132,886**	$ 127,705	$ 138,295	$ 133,550	$ 136,054	$ 126,012	$ 121,548	$ 117,397

(1) Presents reconciliations of non-GAAP financial measures to GAAP financial measures. We believe the use of these non-GAAP financial measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate non-GAAP financial measures differently. For more information on non-GAAP financial measures and ratios we use in assessing the results of the Corporation, see Supplemental Financial Data on page 32.

Table XVII Quarterly Reconciliations to GAAP Financial Measures (1) (continued)

(Dollars in millions, except per share information)	2011 Quarters Fourth	2011 Quarters Third	2011 Quarters Second	2011 Quarters First	2010 Quarters Fourth	2010 Quarters Third	2010 Quarters Second	2010 Quarters First
Reconciliation of average shareholders' equity to average tangible shareholders' equity								
Shareholders' equity	**$ 228,235**	$ 222,410	$ 235,067	$ 230,769	$ 235,525	$ 233,978	$ 233,461	$ 229,891
Goodwill	**(70,647)**	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)	(86,099)	(86,334)
Intangible assets (excluding MSRs)	**(8,566)**	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)	(11,216)	(11,906)
Related deferred tax liabilities	**2,775**	2,852	2,932	3,035	3,121	3,214	3,395	3,497
Tangible shareholders' equity	**$ 151,797**	$ 145,187	$ 154,857	$ 150,113	$ 152,851	$ 144,079	$ 139,541	$ 135,148
Reconciliation of period-end common shareholders' equity to period-end tangible common shareholders' equity								
Common shareholders' equity	**$ 211,704**	$ 210,772	$ 205,614	$ 214,314	$ 211,686	$ 212,391	$ 215,181	$ 211,859
Goodwill	**(69,967)**	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)	(85,801)	(86,305)
Intangible assets (excluding MSRs)	**(8,021)**	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)	(10,796)	(11,548)
Related deferred tax liabilities	**2,702**	2,777	2,853	2,933	3,036	3,123	3,215	3,396
Tangible common shareholders' equity	**$ 136,418**	$ 133,953	$ 128,217	$ 133,818	$ 130,938	$ 129,510	$ 121,799	$ 117,402
Reconciliation of period-end shareholders' equity to period-end tangible shareholders' equity								
Shareholders' equity	**$ 230,101**	$ 230,252	$ 222,176	$ 230,876	$ 228,248	$ 230,495	$ 233,174	$ 229,823
Goodwill	**(69,967)**	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)	(85,801)	(86,305)
Intangible assets (excluding MSRs)	**(8,021)**	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)	(10,796)	(11,548)
Related deferred tax liabilities	**2,702**	2,777	2,853	2,933	3,036	3,123	3,215	3,396
Tangible shareholders' equity	**$ 154,815**	$ 153,433	$ 144,779	$ 150,380	$ 147,500	$ 147,614	$ 139,792	$ 135,366
Reconciliation of period-end assets to period-end tangible assets								
Assets	**$ 2,129,046**	$2,219,628	$2,261,319	$2,274,532	$2,264,909	$2,339,660	$2,368,384	$2,344,634
Goodwill	**(69,967)**	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)	(85,801)	(86,305)
Intangible assets (excluding MSRs)	**(8,021)**	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)	(10,796)	(11,548)
Related deferred tax liabilities	**2,702**	2,777	2,853	2,933	3,036	3,123	3,215	3,396
Tangible assets	**$ 2,053,760**	$2,142,809	$2,183,922	$2,194,036	$2,184,161	$2,256,779	$2,275,002	$2,250,177

For footnotes see page 139.

Glossary

Alt-A Mortgage – A type of U.S. mortgage that, for various reasons, is considered riskier than A-paper, or "prime," and less risky than "subprime," the riskiest category. Alt-A interest rates, which are determined by credit risk, therefore tend to be between those of prime and subprime home loans. Typically, Alt-A mortgages are characterized by borrowers with less than full documentation, lower credit scores and higher LTVs.

Assets in Custody – Consist largely of custodial and non-discretionary trust assets excluding brokerage assets administered for clients. Trust assets encompass a broad range of asset types including real estate, private company ownership interest, personal property and investments.

Assets Under Management (AUM) – The total market value of assets under the investment advisory and discretion of *GWIM* which generate asset management fees based on a percentage of the assets' market values. AUM reflects assets that are generally managed for institutional, high net-worth and retail clients, and are distributed through various investment products including mutual funds, other commingled vehicles and separate accounts.

Carrying Value (with respect to loans) – The amount at which a loan is recorded on the balance sheet. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held-for-sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For loans for which we have elected the fair value option, the carrying value is fair value.

Client Brokerage Assets – Include client assets which are held in brokerage accounts. This includes non-discretionary brokerage and fee-based assets which generate brokerage income and asset management fee revenue.

Committed Credit Exposure – Includes any funded portion of a facility plus the unfunded portion of a facility on which the lender is legally bound to advance funds during a specified period under prescribed conditions.

Core Net Interest Income – Net interest income on a FTE basis excluding the impact of market-based activities.

Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) – Legislation signed into law on May 22, 2009 that changes credit card industry practices including significantly restricting credit card issuers' ability to change interest rates and assess fees to reflect individual consumer risk, changes the way payments are applied and changes consumer credit card disclosures. The majority of the provisions became effective on February 22, 2010, while certain provisions became effective in the third quarter of 2010.

Credit Derivatives – Contractual agreements that provide protection against a credit event on one or more referenced obligations. The nature of a credit event is established by the protection purchaser and protection seller at the inception of the transaction, and such events generally include bankruptcy or insolvency of the referenced credit entity, failure to meet payment obligations when due, as well as acceleration of indebtedness and payment repudiation or moratorium. The purchaser of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event. A credit default swap is a type of a credit derivative.

Interest Rate Lock Commitment (IRLC) – Commitment with a loan applicant in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to credit approval.

Letter of Credit – A document issued on behalf of a customer to a third party promising to pay the third party upon presentation of specified documents. A letter of credit effectively substitutes the issuer's credit for that of the customer.

Loan-to-value (LTV) – A commonly used credit quality metric that is reported in terms of ending and average LTV. Ending LTV is calculated as the outstanding carrying value of the loan at the end of the period divided by the estimated value of the property securing the loan. Estimated property values are primarily determined by utilizing the Case-Schiller Home Index, a widely used index based on data from repeat sales of single family homes. Case-Schiller indices are updated quarterly and are reported on a three-month or one-quarter lag. An additional metric related to LTV is **combined loan-to-value (CLTV)** which is similar to the LTV metric, yet combines the outstanding balance on the residential mortgage loan and the outstanding carrying value on the home equity loan or available line of credit, both of which are secured by the same property, divided by the estimated value of the property. A LTV of 100 percent reflects a loan that is currently secured by a property valued at an amount exactly equal to the carrying value or available line of the loan. Under certain circumstances, estimated values can also be determined by utilizing an automated valuation method (AVM) or Mortgage Risk Assessment Corporation (MRAC) index. An AVM is a tool that estimates the value of a property by reference to large volumes of market data including sales of comparable properties and price trends specific to the MSA in which the property being valued is located. The MRAC index is similar to the Case-Schiller Home Index in that it is an index that is based on data from repeat sales of single family homes and is reported on a lag.

Mortgage Servicing Right (MSR) – The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

Net Interest Yield – Net interest income divided by average total interest-earning assets.

Nonperforming Loans and Leases – Includes loans and leases that have been placed on nonaccrual status, including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties (TDRs). Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming loans and leases. Consumer credit card loans, business card loans, consumer loans not secured by real estate, and consumer loans secured by real estate, which include loans insured by the FHA and individually insured long-term credit protection agreements with FNMA and FHLMC (fully-insured loan portfolio), are not placed on nonaccrual status and are, therefore, not reported as nonperforming loans and leases.

Purchased Credit-impaired (PCI) Loan – A loan purchased as an individual loan, in a portfolio of loans or in a business combination with evidence of deterioration in credit quality since origination for which it is probable, upon acquisition, that the investor will be unable to collect all contractually required payments. These loans are recorded at fair value upon acquisition.

Subprime Loans – Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, the Corporation defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors, such as low FICO scores, high debt to income ratios and inferior payment history.

Super Senior CDO Exposure – Represents the most senior class of commercial paper or notes that are issued by CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by CDO vehicles.

Tier 1 Common Capital – Tier 1 capital including any CES, less preferred stock, qualifying trust preferred securities, hybrid securities and qualifying noncontrolling interest in subsidiaries.

Troubled Debt Restructurings (TDRs) – Loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Certain consumer loans for which a binding offer to restructure has been extended are also classified as TDRs. Concessions could include a reduction in the interest rate to a rate that is below market on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. TDRs are generally reported as nonperforming loans and leases while on nonaccrual status. Nonperforming TDRs may be returned to accrual status when, among other criteria, payment in full of all amounts due under the restructured terms is expected and the borrower has demonstrated a sustained period of repayment performance, typically six months. TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which they are returned to accrual status. In addition, if accruing TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.

Value-at-Risk (VaR) – VaR represents the worst loss a portfolio is expected to experience based on historical trends with a given level of confidence, and depends on the volatility of the positions in the portfolio and on how strongly their risks are correlated. A VaR model is an effective tool in estimating ranges of potential gains and losses on our trading portfolios and is a key statistic used to measure and manage market risk.

Acronyms

ABS	Asset-backed securities
AFS	Available-for-sale
ALM	Asset and liability management
ALMRC	Asset Liability Market Risk Committee
ARM	Adjustable-rate mortgage
CDO	Collateralized debt obligation
CES	Common Equivalent Securities
CMBS	Commercial mortgage-backed securities
CRA	Community Reinvestment Act
CRC	Credit Risk Committee
DVA	Debit valuation adjustment
EAD	Exposure at default
EU	European Union
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHLMC	Freddie Mac
FICC	Fixed income, currencies and commodities
FICO	Fair Isaac Corporation (credit score)
FNMA	Fannie Mae
FTE	Fully taxable-equivalent
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
GRC	Global Markets Risk Committee
GSE	Government-sponsored enterprise
HFI	Held-for-investment
HPI	Home Price Index
HUD	U.S. Department of Housing and Urban Development
IPO	Initial public offering
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LHFS	Loans held-for-sale
LIBOR	London InterBank Offered Rate
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MI	Mortgage Insurance
MSA	Metropolitan statistical area
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
ORC	Operational Risk Committee
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
RMBS	Residential mortgage-backed securities
ROTE	Return on average tangible shareholders' equity
SBLCs	Standby letters of credit
SEC	Securities and Exchange Commission
TLGP	Temporary Liquidity Guarantee Program
VA	U.S. Department of Veterans Affairs

Financial Statements and Notes Contents

Report of Management on Internal Control Over Financial Reporting

Bank of America Corporation and Subsidiaries

The management of Bank of America Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2011, the Corporation's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

The Corporation's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011.

Brian T. Moynihan
Chief Executive Officer and President

Bruce R. Thompson
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

Bank of America Corporation and Subsidiaries

To the Board of Directors and Shareholders of Bank of America Corporation:

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statement of Income, Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows present fairly, in all material respects, the financial position of Bank of America Corporation and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Corporation's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 23, 2012

Consolidated Statement of Income

(Dollars in millions, except per share information)	2011	2010	2009
Interest income			
Loans and leases	$ 44,966	$ 50,996	$ 48,703
Debt securities	9,521	11,667	12,947
Federal funds sold and securities borrowed or purchased under agreements to resell	2,147	1,832	2,894
Trading account assets	5,961	6,841	7,944
Other interest income	3,641	4,161	5,428
Total interest income	66,236	75,497	77,916
Interest expense			
Deposits	3,002	3,997	7,807
Short-term borrowings	4,599	3,699	5,512
Trading account liabilities	2,212	2,571	2,075
Long-term debt	11,807	13,707	15,413
Total interest expense	21,620	23,974	30,807
Net interest income	44,616	51,523	47,109
Noninterest income			
Card income	7,184	8,108	8,353
Service charges	8,094	9,390	11,038
Investment and brokerage services	11,826	11,622	11,919
Investment banking income	5,217	5,520	5,551
Equity investment income	7,360	5,260	10,014
Trading account profits	6,697	10,054	12,235
Mortgage banking income (loss)	(8,830)	2,734	8,791
Insurance income	1,346	2,066	2,760
Gains on sales of debt securities	3,374	2,526	4,723
Other income (loss)	6,869	2,384	(14)
Other-than-temporary impairment losses on available-for-sale debt securities:			
Total other-than-temporary impairment losses	(360)	(2,174)	(3,508)
Less: Portion of other-than-temporary impairment losses recognized in other comprehensive income	61	1,207	672
Net impairment losses recognized in earnings on available-for-sale debt securities	(299)	(967)	(2,836)
Total noninterest income	48,838	58,697	72,534
Total revenue, net of interest expense	93,454	110,220	119,643
Provision for credit losses	13,410	28,435	48,570
Noninterest expense			
Personnel	36,965	35,149	31,528
Occupancy	4,748	4,716	4,906
Equipment	2,340	2,452	2,455
Marketing	2,203	1,963	1,933
Professional fees	3,381	2,695	2,281
Amortization of intangibles	1,509	1,731	1,978
Data processing	2,652	2,544	2,500
Telecommunications	1,553	1,416	1,420
Other general operating	21,101	16,222	14,991
Goodwill impairment	3,184	12,400	—
Merger and restructuring charges	638	1,820	2,721
Total noninterest expense	80,274	83,108	66,713
Income (loss) before income taxes	(230)	(1,323)	4,360
Income tax expense (benefit)	(1,676)	915	(1,916)
Net income (loss)	$ 1,446	$ (2,238)	$ 6,276
Preferred stock dividends and accretion	1,361	1,357	8,480
Net income (loss) applicable to common shareholders	$ 85	$ (3,595)	$ (2,204)
Per common share information			
Earnings (loss)	$ 0.01	$ (0.37)	$ (0.29)
Diluted earnings (loss)	0.01	(0.37)	(0.29)
Dividends paid	0.04	0.04	0.04
Average common shares issued and outstanding (in thousands)	10,142,625	9,790,472	7,728,570
Average diluted common shares issued and outstanding (in thousands)	10,254,824	9,790,472	7,728,570

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(Dollars in millions)	December 31 2011	2010
Assets		
Cash and cash equivalents	**$ 120,102**	$ 108,427
Time deposits placed and other short-term investments	**26,004**	26,433
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$87,453** and $78,599 measured at fair value)	**211,183**	209,616
Trading account assets (includes **$80,130** and $89,165 pledged as collateral)	**169,319**	194,671
Derivative assets (includes **$58,891** and $58,297 pledged as collateral)	**73,023**	73,000
Debt securities:		
Available-for-sale (includes **$69,021** and $99,925 pledged as collateral)	**276,151**	337,627
Held-to-maturity, at cost (fair value - **$35,442** and $427; **$24,009** pledged as collateral in 2011)	**35,265**	427
Total debt securities	**311,416**	338,054
Loans and leases (includes **$8,804** and $3,321 measured at fair value and **$73,463** and $91,730 pledged as collateral)	**926,200**	940,440
Allowance for loan and lease losses	**(33,783)**	(41,885)
Loans and leases, net of allowance	**892,417**	898,555
Premises and equipment, net	**13,637**	14,306
Mortgage servicing rights (includes **$7,378** and $14,900 measured at fair value)	**7,510**	15,177
Goodwill	**69,967**	73,861
Intangible assets	**8,021**	9,923
Loans held-for-sale (includes **$7,630** and $25,942 measured at fair value)	**13,762**	35,058
Customer and other receivables	**66,999**	85,704
Other assets (includes **$37,084** and $70,531 measured at fair value)	**145,686**	182,124
Total assets	**$ 2,129,046**	$ 2,264,909

Assets of consolidated VIEs included in total assets above (substantially all pledged as collateral)		
Trading account assets	**$ 8,595**	$ 19,627
Derivative assets	**1,634**	2,027
Available-for-sale debt securities	**—**	2,601
Loans and leases	**140,194**	145,469
Allowance for loan and lease losses	**(5,066)**	(8,935)
Loans and leases, net of allowance	**135,128**	136,534
Loans held-for-sale	**1,635**	1,953
All other assets	**4,769**	7,086
Total assets of consolidated VIEs	**$ 151,761**	$ 169,828

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet (continued)

(Dollars in millions)	December 31 2011	December 31 2010
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	**$ 332,228**	$ 285,200
Interest-bearing (includes **$3,297** and $2,732 measured at fair value)	**624,814**	645,713
Deposits in non-U.S. offices:		
Noninterest-bearing	**6,839**	6,101
Interest-bearing	**69,160**	73,416
Total deposits	**1,033,041**	1,010,430
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$34,235** and $37,424 measured at fair value)	**214,864**	245,359
Trading account liabilities	**60,508**	71,985
Derivative liabilities	**59,520**	55,914
Commercial paper and other short-term borrowings (includes **$6,558** and $7,178 measured at fair value)	**35,698**	59,962
Accrued expenses and other liabilities (includes **$15,743** and $33,229 measured at fair value and **$714** and $1,188 of reserve for unfunded lending commitments)	**123,049**	144,580
Long-term debt (includes **$46,239** and $50,984 measured at fair value)	**372,265**	448,431
Total liabilities	**1,898,945**	2,036,661
Commitments and contingencies (*Note 8 – Securitizations and Other Variable Interest Entities, Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 14 – Commitments and Contingencies)*		
Shareholders' equity		
Preferred stock, $0.01 par value; authorized – **100,000,000** shares; issued and outstanding – **3,689,084** and 3,943,660 shares	**18,397**	16,562
Common stock and additional paid-in capital, $0.01 par value; authorized – **12,800,000,000** shares; issued and outstanding – **10,535,937,957** and 10,085,154,806 shares	**156,621**	150,905
Retained earnings	**60,520**	60,849
Accumulated other comprehensive income (loss)	**(5,437)**	(66)
Other	**—**	(2)
Total shareholders' equity	**230,101**	228,248
Total liabilities and shareholders' equity	**$ 2,129,046**	$ 2,264,909

Liabilities of consolidated VIEs included in total liabilities above		
Commercial paper and other short-term borrowings (includes **$650** and $706 of non-recourse liabilities)	**$ 5,777**	$ 6,742
Long-term debt (includes **$44,976** and $66,309 of non-recourse debt)	**49,054**	71,013
All other liabilities (includes **$225** and $382 of non-recourse liabilities)	**1,116**	9,141
Total liabilities of consolidated VIEs	**$ 55,947**	$ 86,896

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

		Common Stock and Additional Paid-in Capital						
(Dollars in millions, shares in thousands)	Preferred Stock	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Shareholders' Equity	Comprehensive Income (Loss)
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				71	(71)			$ (71)
Net income				6,276			6,276	6,276
Net change in available-for-sale debt and marketable equity securities					3,593		3,593	3,593
Net change in derivatives					923		923	923
Employee benefit plan adjustments					550		550	550
Net change in foreign currency translation adjustments					211		211	211
Dividends paid:								
Common				(326)			(326)	
Preferred				(4,537)			(4,537)	
Issuance of preferred stock and warrants	26,800		3,200				30,000	
Repayment of preferred stock	(41,014)			(3,986)			(45,000)	
Issuance of Common Equivalent Securities	19,244						19,244	
Stock issued in acquisition	8,605	1,375,476	20,504				29,109	
Issuance of common stock		1,250,000	13,468				13,468	
Exchange of preferred stock	(14,797)	999,935	14,221	576				
Common stock issued under employee plans and related tax effects		7,397	575			308	883	
Other	669			(664)		(7)	(2)	
Balance, December 31, 2009	37,208	8,650,244	128,734	71,233	(5,619)	(112)	231,444	11,482
Cumulative adjustments for accounting changes:								
Consolidation of certain variable interest entities				(6,154)	(116)		(6,270)	(116)
Credit-related notes				(229)	229			229
Net loss				(2,238)			(2,238)	(2,238)
Net change in available-for-sale debt and marketable equity securities					5,759		5,759	5,759
Net change in derivatives					(701)		(701)	(701)
Employee benefit plan adjustments					145		145	145
Net change in foreign currency translation adjustments					237		237	237
Dividends paid:								
Common				(405)			(405)	
Preferred				(1,357)			(1,357)	
Common stock issued under employee plans and related tax effects		98,557	1,385			103	1,488	
Mandatory convertible preferred stock conversion	(1,542)	50,354	1,542					
Common Equivalent Securities conversion	(19,244)	1,286,000	19,244					
Other	140			(1)		7	146	
Balance, December 31, 2010	16,562	10,085,155	150,905	60,849	(66)	(2)	228,248	3,315
Net income				**1,446**			**1,446**	**1,446**
Net change in available-for-sale debt and marketable equity securities					**(4,270)**		**(4,270)**	**(4,270)**
Net change in derivatives					**(549)**		**(549)**	**(549)**
Employee benefit plan adjustments					**(444)**		**(444)**	**(444)**
Net change in foreign currency translation adjustments					**(108)**		**(108)**	**(108)**
Dividends paid:								
Common				**(413)**			**(413)**	
Preferred				**(1,325)**			**(1,325)**	
Issuance of preferred stock and warrants	**2,918**		**2,082**				**5,000**	
Common stock issued in exchange for preferred stock and trust preferred securities	**(1,083)**	**400,000**	**2,754**	**(36)**			**1,635**	
Common stock issued under employee plans and related tax effects		**50,783**	**880**			**2**	**882**	
Other				**(1)**			**(1)**	
Balance, December 31, 2011	**$ 18,397**	**10,535,938**	**$156,621**	**$ 60,520**	**$ (5,437)**	**$ —**	**$ 230,101**	**$ (3,925)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

(Dollars in millions)	2011	2010	2009
Operating activities			
Net income (loss)	$ 1,446	$ (2,238)	$ 6,276
Reconciliation of net income (loss) to net cash provided by operating activities:			
Provision for credit losses	13,410	28,435	48,570
Goodwill impairment	3,184	12,400	—
Gains on sales of debt securities	(3,374)	(2,526)	(4,723)
Depreciation and premises improvements amortization	1,976	2,181	2,336
Amortization of intangibles	1,509	1,731	1,978
Deferred income taxes	(1,949)	608	370
Net decrease in trading and derivative instruments	20,230	20,775	59,822
Net decrease in other assets	50,230	5,213	28,553
Net increase (decrease) in accrued expenses and other liabilities	(18,124)	14,069	(16,601)
Other operating activities, net	(4,048)	1,946	3,150
Net cash provided by operating activities	64,490	82,594	129,731
Investing activities			
Net (increase) decrease in time deposits placed and other short-term investments	105	(2,154)	19,081
Net (increase) decrease in federal funds sold and securities borrowed or purchased under agreements to resell	(1,567)	(19,683)	31,369
Proceeds from sales of available-for-sale debt securities	120,125	100,047	164,155
Proceeds from paydowns and maturities of available-for-sale debt securities	56,732	70,868	59,949
Purchases of available-for-sale debt securities	(99,536)	(199,159)	(185,145)
Proceeds from maturities of held-to-maturity debt securities	602	11	2,771
Purchases of held-to-maturity debt securities	(35,552)	(100)	(3,914)
Proceeds from sales of loans and leases	2,409	8,046	7,592
Other changes in loans and leases, net	(6,059)	(2,550)	21,257
Net purchases of premises and equipment	(1,307)	(987)	(2,240)
Proceeds from sales of foreclosed properties	2,532	3,107	1,997
Cash received upon acquisition, net	—	—	31,804
Cash received due to impact of adoption of consolidation guidance	—	2,807	—
Other investing activities, net	13,945	9,400	9,249
Net cash provided by (used in) investing activities	52,429	(30,347)	157,925
Financing activities			
Net increase in deposits	22,611	36,598	10,507
Net decrease in federal funds purchased and securities loaned or sold under agreements to repurchase	(30,495)	(9,826)	(62,993)
Net decrease in commercial paper and other short-term borrowings	(24,264)	(31,698)	(126,426)
Proceeds from issuance of long-term debt	26,001	52,215	67,744
Retirement of long-term debt	(101,814)	(110,919)	(101,207)
Proceeds from issuance of preferred stock and warrants	5,000	—	49,244
Repayment of preferred stock	—	—	(45,000)
Proceeds from issuance of common stock	—	—	13,468
Cash dividends paid	(1,738)	(1,762)	(4,863)
Other financing activities, net	3	5	(42)
Net cash used in financing activities	(104,696)	(65,387)	(199,568)
Effect of exchange rate changes on cash and cash equivalents	(548)	228	394
Net increase (decrease) in cash and cash equivalents	11,675	(12,912)	88,482
Cash and cash equivalents at January 1	108,427	121,339	32,857
Cash and cash equivalents at December 31	$ 120,102	$ 108,427	$ 121,339
Supplemental cash flow disclosures			
Interest paid	$ 25,207	$ 21,166	$ 37,602
Income taxes paid	1,653	1,465	2,964
Income taxes refunded	(781)	(7,783)	(31)

During 2011, the Corporation entered into an agreement with Assured Guaranty Ltd. and subsidiaries which resulted in non-cash increases to loans of $2.2 billion, other assets of $82 million and long-term debt of $2.3 billion.

During 2011, the Corporation exchanged preferred stock, with a carrying value of $1.1 billion, for 92 million common shares valued at $522 million and senior notes valued at $360 million.

During 2011, the Corporation exchanged trust preferred securities for 308 million common shares valued at $1.7 billion and senior notes valued at $2.0 billion. The trust preferred securities, and underlying junior subordinated notes and stock purchase agreements, with a carrying value of $5.2 billion, were immediately canceled.

During 2010 and 2009, the Corporation securitized $2.4 billion and $14.0 billion of residential mortgage loans into mortgage-backed securities which were retained by the Corporation. There were no residential mortgage loans securitized into mortgage-backed securities which were retained by the Corporation during 2011.

During 2010, the Corporation sold First Republic Bank in a non-cash transaction that reduced assets and liabilities by $19.5 billion and $18.1 billion.

During 2009, the Corporation exchanged $14.8 billion of preferred stock by issuing approximately 1.0 billion in shares of common stock valued at $11.5 billion.

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

The acquisition-date fair values of non-cash assets acquired and liabilities assumed in the Merrill Lynch & Co., Inc. (Merrill Lynch) acquisition were $619.1 billion and $626.8 billion.

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

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 Summary of Significant Accounting Principles

Bank of America Corporation (collectively with its subsidiaries, the Corporation), a financial holding company, provides a diverse range of financial services and products throughout the U.S. and in certain international markets. The term "the Corporation" as used herein may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation's subsidiaries or affiliates.

The Corporation conducts its activities through banking and nonbanking subsidiaries. The Corporation operates its banking activities primarily under two charters: Bank of America, National Association (Bank of America, N.A. or BANA) and FIA Card Services, National Association (FIA Card Services, N.A.).

Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority-owned subsidiaries, and those variable interest entities (VIEs) where the Corporation is the primary beneficiary. Intercompany accounts and transactions have been eliminated. Results of operations of acquired companies 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 and for which it has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting or at fair value under the fair value option. These investments are included in other assets. Equity method investments are subject to impairment testing and the Corporation's proportionate share of income or loss is included in equity investment income.

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

The Corporation evaluates subsequent events through the date of filing with the Securities and Exchange Commission (SEC). Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance on troubled debt restructurings (TDRs), including criteria to determine whether a loan modification represents a concession and whether the debtor is experiencing financial difficulties. This new accounting guidance was effective for the Corporation as of September 30, 2011 with retrospective application back to January 1, 2011. As a result of the retrospective application, the Corporation classified $1.1 billion of commercial loan modifications as TDRs that in previous periods had not been classified as TDRs. These loans were newly identified as TDRs typically because the Corporation was not able to demonstrate that the modified rate of interest, although significantly higher than the rate prior to modification, was a market rate of interest. These loans include $402 million of performing commercial loans that had an aggregate allowance for credit losses of $27 million at December 31, 2011. Also, as a result of the new accounting guidance, loans that are participating in or that have been offered a binding trial modification are classified as TDRs. At December 31, 2011, the Corporation classified an additional $2.6 billion of home loans, with an aggregate allowance for credit losses of $154 million, as TDRs that were participating in or had been offered a trial modification.

In April 2011, the FASB issued new accounting guidance that addresses effective control in repurchase agreements and eliminates the requirement for entities to consider whether the transferor/seller has the ability to repurchase the financial assets in a repurchase agreement. This new accounting guidance was effective, on a prospective basis, for new transactions or modifications to existing transactions on January 1, 2012. The adoption of this guidance will not have a material impact on the Corporation's consolidated financial position or results of operations.

In May 2011, the FASB issued amendments to the fair value accounting guidance. The amendments clarify the application of the highest and best use, and valuation premise concepts, preclude the application of blockage factors in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments additionally prescribe enhanced financial statement disclosures for Level 3 fair value measurements. The new amendments were effective on January 1, 2012. The adoption of this guidance will not have a material impact on the Corporation's consolidated financial position or results of operations.

In June 2011, the FASB issued new accounting guidance on the presentation of comprehensive income in financial statements. The new guidance requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This new accounting guidance is effective for the Corporation for the three months ended March 31, 2012.

In September 2011, the FASB issued new accounting guidance that simplifies goodwill impairment testing. The new guidance permits entities to make a qualitative assessment of whether it is likely that the fair value of a reporting unit is less than its carrying value. If, under this assessment, it is likely that the fair value of a reporting unit is less than the carrying amount, an entity is required to perform the two-step impairment test. The Corporation early adopted the new accounting guidance for certain goodwill impairment tests during the three months ended September 30, 2011.

In December 2011, the FASB issued new accounting guidance that requires additional disclosures on financial instruments and derivative instruments that are either offset in accordance with existing accounting guidance or are subject to an enforceable master netting arrangement or similar agreement. The new requirements do not change the accounting guidance on netting, but rather enhance the disclosures to more clearly show the impact of netting arrangements on a company's financial position. This new accounting guidance will be effective, on a retrospective basis for all comparative periods presented, beginning on January 1, 2013.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash items in the process of collection, and amounts due from correspondent banks and the Federal Reserve Bank.

Securities Financing Agreements

Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase (securities financing agreements) are treated as collateralized financing transactions. These agreements are recorded at the amounts at which the securities were acquired or sold plus accrued interest, except for certain securities financing agreements that the Corporation accounts for under the fair value option. Changes in the fair value of securities financing agreements that are accounted for under the fair value option are recorded in other income. For more information on securities financing agreements that the Corporation accounts for under the fair value option, see *Note 23 – Fair Value Option*.

The Corporation's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Corporation may require counterparties to deposit additional collateral or may return collateral pledged when appropriate. Securities financing agreements give rise to negligible credit risk as a result of these collateral provisions, and accordingly, no allowance for loan losses is considered necessary.

Substantially all repurchase and resale activities are transacted under legally enforceable master repurchase agreements that give the Corporation, in the event of default by the counterparty, the right to liquidate securities held and to offset receivables and payables with the same counterparty. The Corporation offsets repurchase and resale transactions with the same counterparty on the Consolidated Balance Sheet where it has such a legally enforceable master agreement and the transactions have the same maturity date.

In transactions where the Corporation acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Consolidated Balance Sheet at fair value, representing the securities received, and a liability for the same amount, representing the obligation to return those securities.

In repurchase transactions, typically, the termination date for a repurchase agreement is before the maturity date of the underlying security. However, in certain situations, the Corporation may enter into repurchase agreements where the termination date of the repurchase transaction is the same as the maturity date of the underlying security and these transactions are referred to as "repo-to-maturity" (RTM) transactions. In accordance with applicable accounting guidance, the Corporation accounts for RTM transactions as sales and purchases when the transferred securities are highly liquid. In instances where securities are considered sold or purchased, the Corporation removes or recognizes the securities from the Consolidated Balance Sheet and, in the case of sales recognizes a gain or loss in the Consolidated Statement of Income. At December 31, 2011 and 2010, the Corporation had no outstanding RTM transactions that had been accounted for as sales and an immaterial amount of transactions that had been accounted for as purchases.

Collateral

The Corporation accepts securities as collateral that it is permitted by contract or custom to sell or repledge. At December 31, 2011 and 2010, the fair value of this collateral was $393.9 billion and $401.7 billion of which $287.7 billion and $257.6 billion was sold or repledged. The primary sources of this collateral are repurchase agreements and securities borrowed. The Corporation also pledges firm-owned securities and loans as collateral in transactions that include repurchase agreements, securities loaned, public and trust deposits, U.S. Treasury tax and loan notes, and other short-term borrowings. This collateral, which in some cases can be sold or repledged by the counterparties to the transactions, is parenthetically disclosed on the Consolidated Balance Sheet.

In certain cases, the Corporation has transferred assets to consolidated VIEs where those restricted assets serve as collateral for the interests issued by the VIEs. These assets are disclosed on the Consolidated Balance Sheet as Assets of Consolidated VIEs.

In addition, the Corporation obtains collateral in connection with its derivative contracts. Required collateral levels vary depending on the credit risk rating and the type of counterparty. Generally, the Corporation accepts collateral in the form of cash, U.S. Treasury securities and other marketable securities. Based on provisions contained in legal netting agreements, the Corporation nets cash collateral against the applicable derivative fair value. The Corporation also pledges collateral on its own derivative positions which can be applied against derivative liabilities.

Trading Instruments

Financial instruments utilized in trading activities are carried at fair value. Fair value is generally based on quoted market prices or quoted market prices for similar assets and liabilities. If these market prices are not available, fair values are estimated based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques where the determination of fair value may require significant management judgment or estimation. Realized and unrealized gains and losses are recognized in trading account profits (losses).

Derivatives and Hedging Activities

Derivatives are entered into on behalf of customers, for trading, as economic hedges or as qualifying accounting hedges. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. Financial futures and forward settlement contracts are agreements to buy or sell a quantity of a financial instrument, index, currency or commodity at a predetermined future date, and rate or price. An option contract is an agreement that conveys to the purchaser the right, but not the obligation, to buy or sell a quantity of a financial instrument (including another derivative financial instrument), index, currency or commodity at a predetermined rate or price during a period or at a date in the future. Option agreements can be transacted on organized exchanges or directly between parties.

All derivatives are recorded on the Consolidated Balance Sheet at fair value, taking into consideration the effects of legally enforceable master netting agreements that allow the Corporation to settle positive and negative positions and offset cash collateral held with the same counterparty on a net basis. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Valuations of derivative assets and liabilities reflect the value of the instrument including counterparty credit risk. These values also take into account the Corporation's own credit standing, thus including in the valuation of the derivative instrument the value of the net credit differential between the counterparties to the derivative contract.

Trading Derivatives and Economic Hedges

Derivatives held for trading purposes are included in derivative assets or derivative liabilities with changes in fair value included in trading account profits (losses).

Derivatives used as economic hedges, because either they did not qualify for or were not designated as an accounting hedge, are also included in derivative assets or derivative liabilities. Changes in the fair value of derivatives that serve as economic hedges of mortgage servicing rights (MSRs), interest rate lock commitments (IRLCs) and first mortgage loans held-for-sale (LHFS) that are originated by the Corporation are recorded in mortgage banking income. Changes in the fair value of derivatives that serve as economic hedges of credit exposures, interest rate risk and foreign currency exposures are included in other income (loss). Credit derivatives used by the Corporation as economic hedges do not qualify as accounting hedges but can protect the Corporation from various credit exposures as economic hedges, and changes in the fair value of these derivatives are included in other income (loss).

Derivatives Used For Hedge Accounting Purposes (Accounting Hedges)

For accounting hedges, the Corporation formally documents at inception all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking various accounting hedges. Additionally, the Corporation primarily uses regression analysis at the inception of a hedge and for each reporting period thereafter to assess whether the derivative used in a hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of a hedged item. The Corporation discontinues hedge accounting when it is determined that a derivative is not expected to be or has ceased to be highly effective as a hedge, and then reflects changes in fair value of the derivative in earnings after termination of the hedge relationship.

The Corporation uses its accounting hedges as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The Corporation manages interest rate and foreign currency exchange rate sensitivity predominantly through the use of derivatives. Fair value hedges are used to protect against changes in the fair value of the Corporation's assets and liabilities that are attributable to interest rate or foreign exchange volatility. Cash flow hedges are used primarily to minimize the variability in cash flows of assets or liabilities, or forecasted transactions caused by interest rate or foreign exchange fluctuations. For terminated cash flow hedges, the maximum length of time over which forecasted transactions are hedged is approximately 25 years, with a substantial portion of the hedged transactions being less than 10 years. For open or future cash flow hedges, the maximum length of time over which forecasted transactions are or will be hedged is less than seven years.

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings, together and in the same income statement line item with changes in the fair value of the related hedged item. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (OCI) and are reclassified into the line item in the income statement in which the hedged item is recorded and in the same period the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings in the same income statement line item. The Corporation records changes in the fair value of derivatives used as hedges of the net investment in foreign operations, to the extent effective, as a component of accumulated OCI.

If a derivative instrument in a fair value hedge is terminated or the hedge designation removed, the previous adjustments to the carrying amount of the hedged asset or liability are subsequently accounted for in the same manner as other components of the carrying amount of that asset or liability. For interest-earning assets and interest-bearing liabilities, such adjustments are amortized to earnings over the remaining life of the respective asset or liability. If a derivative instrument in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated OCI are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. If it is probable that a forecasted transaction will not occur, any related amounts in accumulated OCI are reclassified into earnings in that period.

Interest Rate Lock Commitments

The Corporation enters into IRLCs in connection with its mortgage banking activities to fund residential mortgage loans at specified times in the future. IRLCs that relate to the origination of mortgage loans that will be held-for-sale are considered derivative instruments under applicable accounting guidance. As such, these IRLCs are recorded at fair value with changes in fair value recorded in mortgage banking income.

In estimating the fair value of an IRLC, the Corporation assigns a probability to the loan commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the commitments is derived from the fair value of related mortgage loans which is based on observable market data and includes the expected net future cash flows related to servicing of the loans. Changes to the fair value of IRLCs are recognized based on interest rate changes, changes in the probability that the commitment will be exercised and the passage of time. Changes from the expected future cash flows related to the customer relationship are excluded from the valuation of IRLCs.

Outstanding IRLCs expose the Corporation to the risk that the price of the loans underlying the commitments might decline from inception of the rate lock to funding of the loan. To protect against this risk, the Corporation utilizes forward loan sales commitments and other derivative instruments, including interest rate swaps and options, to economically hedge the risk of potential changes in the value of the loans that would result from the commitments. The changes in the fair value of these derivatives are recorded in mortgage banking income.

Securities

Debt securities are recorded on the Consolidated Balance Sheet as of their trade date. Debt securities bought principally with the intent to buy and sell in the short term as part of the Corporation's trading activities are reported at fair value in trading account assets with unrealized gains and losses included in trading account profits (losses). Debt securities purchased for longer term investment purposes, as part of asset and liability management (ALM) and other strategic activities, are reported at fair value with net unrealized gains and losses included in accumulated OCI and presented as available-for-sale (AFS) securities. Certain debt securities which management has the intent and ability to hold to maturity (HTM) are reported at amortized cost and presented as HTM securities. Other debt securities purchased as economic hedges are reported in other assets at fair value with unrealized gains and losses reported in the same line item in the Consolidated Statement of Income as unrealized gains and losses on the item being hedged are reported.

The Corporation regularly evaluates each AFS and HTM debt security where the value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. In determining whether an impairment is other-than-temporary, the Corporation considers the severity and duration of the decline in fair value, the length of time expected for recovery, the financial condition of the issuer, and other qualitative factors, as well as whether the Corporation either plans to sell the security or it is more-likely-than-not that it will be required to sell the security before recovery of its amortized cost. If the impairment of the AFS or HTM debt security is credit-related, an other-than-temporary impairment (OTTI) is recorded in earnings. For AFS debt securities, the non-credit-related impairment is recognized in accumulated OCI. If the Corporation intends to sell an AFS debt security or believes it will more-likely-than-not be required to sell a security, the Corporation records the full amount of the impairment as an OTTI.

Interest on debt securities, including amortization of premiums and accretion of discounts, is included in interest income. Realized gains and losses from the sales of debt securities, which are included in gains (losses) on sales of debt securities, are determined using the specific identification method.

Marketable equity securities are classified based on management's intention on the date of purchase and recorded on the Consolidated Balance Sheet as of the trade date. Marketable equity securities that are bought and held principally for the purpose of resale in the near term are classified as trading and are carried at fair value with unrealized gains and losses included in trading account profits (losses). Other marketable equity securities are accounted for as AFS and classified in other assets. All AFS marketable equity securities are carried at fair value with net unrealized gains and losses included in accumulated OCI on an after-tax basis. If there is an other-than-temporary decline in the fair value of any individual AFS marketable equity security, the cost basis is reduced and the Corporation reclassifies the associated net unrealized loss out of accumulated OCI with a corresponding charge to equity investment income. Dividend income on AFS marketable equity securities is included in equity investment income. Realized gains and losses on the sale of all AFS marketable equity securities, which are recorded in equity investment income, are determined using the specific identification method.

Certain equity investments held by Global Principal Investments (GPI), the Corporation's diversified equity investor in private equity, real estate and other alternative investments, are subject to investment company accounting under applicable accounting guidance, and accordingly, are carried at fair value with changes in fair value reported in equity investment income. These investments are included in other assets. Initially, the transaction price of the investment is generally considered to be the best indicator of fair value. Thereafter, valuation of direct investments is based on an assessment of each individual investment using methodologies that include 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, entry level multiples and discounted cash flows, and are subject to appropriate discounts for lack of liquidity or marketability. Certain factors that may influence changes in fair value include but are not limited to recapitalizations, subsequent rounds of financing and offerings in the equity or debt capital markets. For fund investments, the Corporation generally records the fair value of its proportionate interest in the fund's capital as reported by the funds' respective managers.

Other investments held by GPI are accounted for under either the equity method or at cost, depending on the Corporation's ownership interest, and are reported in other assets.

Loans and Leases

Loans measured at historical cost are reported at their outstanding principal balances net of any unearned income, charge-offs, unamortized deferred fees and costs on originated loans, and for purchased loans, net of any unamortized premiums or discounts. Loan origination fees and certain direct origination costs are deferred and recognized as adjustments to interest income over the lives of the related loans. Unearned income, discounts and premiums are amortized to interest income using a level yield methodology. The Corporation elects to account for certain loans under the fair value option with changes in fair value reported in other income for consumer and commercial loans.

Under applicable accounting guidance, for reporting purposes, the loan and lease portfolio is categorized by portfolio segment and, within each portfolio segment, by class of financing receivables. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine the allowance for credit losses, and a class of financing receivables is defined as the level of disaggregation of portfolio segments based on the initial measurement attribute, risk characteristics and methods for assessing risk. The Corporation's three portfolio segments are home loans, credit card and other consumer, and commercial. The classes within the home loans portfolio segment are core portfolio residential mortgage, Legacy Asset Servicing residential mortgage, Countrywide Financial Corporation (Countrywide) residential mortgage purchased credit-impaired (PCI), core portfolio home equity, Legacy Asset Servicing home equity, Countrywide home equity PCI, Legacy Asset Servicing discontinued real estate and Countrywide discontinued real estate PCI. The classes within the credit card and other consumer portfolio segment are U.S. credit card, non-U.S. credit card, direct/indirect consumer and other consumer. The classes within the commercial portfolio segment are U.S. commercial, commercial real estate, commercial lease financing, non-U.S. commercial and U.S. small business commercial.

Purchased Credit-impaired Loans

The Corporation purchases loans with and without evidence of credit quality deterioration since origination. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, refreshed borrower credit scores and refreshed loan-to-value (LTV) ratios, some of which are not immediately available as of the purchase date. Purchased loans with evidence of credit quality deterioration for which it is probable that the Corporation will not receive all contractually required payments receivable are accounted for as PCI loans. The excess of the cash flows expected to be collected on PCI loans, measured as of the acquisition date, over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan using a level yield methodology. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected is referred to as the nonaccretable difference. PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

The Corporation continues to estimate cash flows expected to be collected over the life of the loan 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 payment speeds. If, upon subsequent evaluation, the Corporation determines it is probable that the present value of the expected cash flows have decreased, the PCI loan is considered further impaired resulting in a charge to the provision for credit losses and a corresponding increase to a valuation allowance included in the allowance for loan and lease losses. If, upon subsequent evaluation, it is probable that there is an increase in the present value of the expected cash flows, the Corporation reduces any remaining valuation allowance. If there is no remaining valuation allowance, the Corporation recalculates the amount of accretable yield as the excess of the revised expected cash flows over the current carrying value resulting in a reclassification from nonaccretable difference to accretable yield. The present value of the expected cash flows is determined using the PCI loans' effective interest rate, adjusted for changes in the PCI loans' interest rate indexes.

Loan disposals, which may include sales of loans, receipt of payments in full from the borrower or foreclosure, result in removal of the loan from the PCI loan pool. Write-downs are not recorded on the PCI loan pool until actual losses exceed the remaining nonaccretable difference. To date, no write-downs have been recorded for any of the PCI loan pools.

Leases

The Corporation provides equipment financing to its customers through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property less unearned income. Leveraged leases, which are a form of financing leases, are carried net of nonrecourse debt. Unearned income on leveraged and direct financing leases is accreted to interest income over the lease terms using methods that approximate the interest method.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for loan and lease losses and the reserve for unfunded lending commitments, represents management's estimate of probable losses inherent in the Corporation's lending activities. The allowance for loan and lease losses and the reserve for unfunded lending commitments exclude amounts for loans and unfunded lending commitments accounted for under the fair value option as the fair values of these instruments reflect a credit component. The allowance for loan and lease losses does not include amounts related to accrued interest receivable other than billed interest and fees on credit card receivables as accrued interest receivable is reversed when a loan is placed on nonaccrual status. The allowance for loan and lease losses represents the estimated probable credit losses on funded consumer and commercial loans and leases while the reserve for unfunded lending commitments, including standby letters of credit (SBLCs) and binding unfunded loan commitments, represents estimated probable credit losses on these unfunded credit instruments based on utilization assumptions. Credit exposures deemed to be uncollectible, excluding derivative assets, trading account assets and loans carried at fair value, are charged against these accounts. Cash recovered on previously charged off amounts is recorded as a recovery to these accounts. Management evaluates the adequacy of the allowance for credit losses based on the combined total of the allowance for loan and lease losses and the reserve for unfunded lending commitments.

The Corporation performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios. The allowance on certain homogeneous consumer loan portfolios, which generally consist of consumer real estate within the home loans portfolio segment and credit card loans within the credit card and other consumer portfolio segment, is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these portfolios which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, bankruptcies, economic conditions and credit scores.

The Corporation's home loans portfolio segment is comprised primarily of large groups of homogeneous consumer loans secured by residential real estate. The amount of losses incurred in the homogeneous loan pools is estimated based upon how many of the loans will default and the loss in the event of default. Using statistically valid modeling methodologies, the Corporation estimates how many of the homogeneous loans will default based on the individual loans' attributes aggregated into pools of homogeneous loans with similar attributes. The attributes that are most significant to the probability of default and are used to estimate default include refreshed LTV or in the case of a subordinated lien, refreshed combined loan-to-value (CLTV), borrower credit score, months since origination (referred to as vintage) and geography, all of which are further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). This estimate is based on the Corporation's historical experience with the loan portfolio. The estimate is adjusted to reflect an assessment of environmental factors not yet reflected in the historical data underlying the loss estimates, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default on a loan is based on an analysis of the movement of loans with the measured attributes from either current, or any of the delinquency categories, to default over a twelve-month period. On home equity loans where the Corporation holds only a second-lien position and foreclosure is not the best alternative, the loss severity is estimated at 100 percent.

The allowance on certain commercial loans (except business card and certain small business loans) is calculated using loss rates delineated by risk rating and product type. Factors considered when assessing loss rates include the value of the underlying collateral, if applicable, the industry of the obligor, and the obligor's liquidity and other financial indicators along with certain qualitative factors. These statistical models are updated regularly for changes in economic and business conditions. Included in the analysis of consumer and commercial loan portfolios are reserves which are maintained to cover uncertainties that affect the Corporation's estimate of probable losses including domestic and global economic uncertainty and large single name defaults.

The remaining commercial portfolios, including nonperforming commercial loans, as well as consumer real estate loans modified in a TDR, renegotiated credit card, unsecured consumer and small business loans are reviewed in accordance with applicable accounting guidance on impaired loans and TDRs. If necessary, a specific allowance is established for these loans if they are deemed to be impaired. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due, including principal and/or interest, according to the contractual terms of the agreement, and once a loan has been identified as impaired, management measures impairment. Impaired loans and TDRs are primarily measured based on the present value of payments expected to be received, discounted at the loans' original effective contractual interest rates, or discounted at the portfolio average contractual annual percentage rate, excluding promotionally priced loans, in effect prior to restructuring for the renegotiated TDR portfolio. Impaired loans and TDRs may also be measured based on observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral less estimated costs to sell. If the recorded investment in impaired loans exceeds this amount, a specific allowance is established as a component of the allowance for loan and lease losses unless these are consumer real estate loans that are solely dependent on the collateral for repayment, in which case the initial amount that exceeds the fair value of the collateral is charged off.

Generally, when determining the fair value of the collateral securing consumer loans that are solely dependent on the collateral for repayment, prior to performing a detailed property valuation including a walk-through of a property, the Corporation initially estimates the fair value of the collateral securing consumer loans that are solely dependent on the collateral for repayment using an automated valuation method (AVM). An AVM is a tool that estimates the value of a property by reference to market data including sales of comparable properties and price trends specific to the Metropolitan Statistical Area in which the property being valued is located. In the event that an AVM value is not available, the Corporation utilizes publicized indices or if these methods provide less reliable valuations, the Corporation uses appraisals or broker price opinions to estimate the fair value of the collateral. While there is inherent imprecision in these valuations, the Corporation believes that they are representative of the portfolio in the aggregate.

In addition to the allowance for loan and lease losses, the Corporation also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. The reserve for unfunded lending commitments excludes commitments accounted for under the fair value option. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Corporation's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, utilization assumptions, current economic conditions, performance trends within the portfolio and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for credit losses related to the loan and lease portfolio is reported separately on the Consolidated Balance Sheet whereas the reserve for unfunded lending commitments is reported on the Consolidated Balance Sheet in accrued expenses and other liabilities. The provision for credit losses related to the loan and lease portfolio and unfunded lending commitments is reported in the Consolidated Statement of Income.

Nonperforming Loans and Leases, Charge-offs and Delinquencies

Nonperforming loans and leases generally include loans and leases that have been placed on nonaccrual status including nonaccruing loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. Loans accounted for under the fair value option, PCI loans and LHFS are not reported as nonperforming loans and leases.

In accordance with the Corporation's policies, credit card loans where the borrower is not deceased or in bankruptcy and unsecured consumer loans are charged off no later than the end of the month in which the account becomes 180 days past due. The outstanding balance of real estate-secured loans that is in excess of the estimated property value, less estimated costs to sell, is charged off no later than the end of the month in which the account becomes 180 days past due unless repayment of the loan is insured by the Federal Housing Administration (FHA) or through individually insured long-term standby agreements with Fannie Mae (FNMA) and Freddie Mac (FHLMC) (the fully-insured portfolio). The estimated property value, less estimated costs to sell, is determined using the same process as described for impaired loans in the Allowance for Credit Losses section of this Note on page 156. Personal property-secured loans are charged off no later than the end of the month in which the account becomes 120 days past due. Unsecured accounts associated with borrowers who became deceased or are in bankruptcy, including credit cards, are charged off 60 days after receipt of notification. For secured products, accounts in bankruptcy are written down to the collateral value, less costs to sell, by the end of the month in which the account becomes 60 days past due. Consumer credit card loans, consumer loans secured by personal property and unsecured consumer loans are not placed on nonaccrual status prior to charge-off and therefore are not reported as nonperforming loans. Real estate-secured loans are generally placed on nonaccrual status and classified as nonperforming at 90 days past due. However, consumer loans secured by real estate in the fully-insured portfolio are not placed on nonaccrual status, and therefore, are not reported as nonperforming loans. Accrued interest receivable is reversed when a consumer loan is placed on nonaccrual status. Interest collections on nonaccruing consumer loans for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to interest income when received. These loans may be restored to accrual 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.

Consumer loans whose contractual terms have been modified in a TDR and are current at the time of restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. Otherwise, the loans are placed on nonaccrual status and reported as nonperforming until there is sustained repayment performance for a reasonable period, generally six months. Consumer TDRs that are on accrual status are reported as performing TDRs through the end of the calendar year in which the restructuring occurred or the year in which the loans are returned to accrual status. In addition, if accruing consumer TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.

Commercial loans and leases, excluding business card loans, that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including loans that are individually identified as being impaired, are generally placed on nonaccrual status and classified as nonperforming unless well-secured and in the process of collection. Commercial loans and leases whose contractual terms have been modified in a TDR are typically placed on nonaccrual status and reported as nonperforming until the loans have performed for an adequate period of time under the restructured agreement, generally six months. If the borrower had demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the modified terms, the loans and leases may remain on accrual status. Accruing commercial TDRs are reported as performing TDRs through the end of the calendar year in which the loans are returned to accrual status. In addition, if accruing commercial TDRs bear less than a market rate of interest at the time of modification, they are reported as performing TDRs throughout their remaining lives unless and until they cease to perform in accordance with their modified contractual terms, at which time they would be placed on nonaccrual status and reported as nonperforming TDRs.

Accrued interest receivable is reversed when a commercial loan is placed on nonaccrual status. Interest collections on nonaccruing commercial loans and leases for which the ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when received. Commercial loans and leases may be restored to accrual 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. Business card loans are charged off no later than the end of the month in which the account becomes 180 days past due or 60 days after receipt of notification of death or bankruptcy filing. These loans are not placed on nonaccrual status prior to charge-off and therefore are not reported as nonperforming loans. Other commercial loans are generally charged off when all or a portion of the principal amount is determined to be uncollectible.

The entire balance of a consumer and commercial loan is contractually delinquent if the minimum payment is not received by the specified due date on the customer's billing statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

PCI loans are recorded at fair value at the acquisition date. Although the PCI loans may be contractually delinquent, the Corporation does not classify these loans as nonperforming as the loans were written down to fair value at the acquisition date and the accretable yield is recognized in interest income over the remaining life of the loan. In addition, reported net charge-offs exclude write-downs on PCI loan pools as the fair value already considers the estimated credit losses.

Loans Held-for-sale

Loans that are intended to be sold in the foreseeable future, including residential mortgages, loan syndications, and to a lesser degree, commercial real estate, consumer finance and other loans, are reported as LHFS and are carried at the lower of aggregate cost or fair value. The Corporation accounts for certain LHFS, including first mortgage LHFS, under the fair value option. Mortgage loan origination costs related to LHFS that the Corporation accounts for under the fair value option are recognized in noninterest expense when incurred. Mortgage loan origination costs for LHFS carried at the lower of cost or fair value are capitalized as part of the carrying amount of the loans and recognized as a reduction of mortgage banking income upon the sale of such loans. LHFS that are on nonaccrual status and are reported as nonperforming, as defined in the policy above, are reported separately from nonperforming loans and leases.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. Estimated lives range up to 40 years for buildings, up to 12 years for furniture and equipment, and the shorter of lease term or estimated useful life for leasehold improvements.

The Corporation capitalizes the costs associated with certain computer hardware, software and internally developed software, and amortizes the costs over the expected useful life. Direct project costs of internally developed software are capitalized when it is probable that the project will be completed and the software will be used for its intended function.

Mortgage Servicing Rights

The Corporation accounts for consumer-related MSRs at fair value with changes in fair value recorded in mortgage banking income, while commercial-related and residential reverse mortgage MSRs are accounted for using the amortization method (lower of amortized cost or fair value) with impairment recognized as a reduction in mortgage banking income. To reduce the volatility of earnings related to interest rate and market value fluctuations, U.S. Treasury securities, mortgage-backed securities (MBS) and derivatives such as options and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as accounting hedges. These economic hedges are carried at fair value with changes in fair value recognized in mortgage banking income.

The Corporation estimates the fair value of the consumer MSRs using a valuation model that calculates the present value of estimated future net servicing income. This is accomplished through an option-adjusted spread (OAS) valuation approach that 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. The OAS represents the spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price, therefore it is a measure of the extra yield over the reference discount factor that the Corporation expects to earn by holding the asset. These variables can, and generally do, change from quarter to quarter as market conditions and projected interest rates change, and could have an adverse impact on the value of the MSRs and could result in a corresponding reduction in mortgage banking income.

Goodwill and Intangible Assets

Goodwill is the purchase premium after adjusting for the fair value of net assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment, at the reporting unit level. A reporting unit, as defined under applicable accounting guidance, is a business segment or one level below a business segment. The goodwill impairment analysis is a two-step test. During 2011, the Corporation early adopted new accounting guidance that simplifies goodwill impairment testing by permitting entities to make a qualitative assessment of whether it is likely that the fair value of a reporting unit is less than its carrying value. For additional information, see New Accounting Pronouncements in this Note on page 152. The first step of the goodwill impairment test involves comparing the fair value of each reporting unit with its carrying amount including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step must be performed to measure potential impairment.

The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. Measurement of the fair values of the assets and liabilities of a reporting unit is consistent with the requirements of the fair value measurements accounting guidance, which defines fair value as an exit price, meaning the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the Consolidated Balance Sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. An impairment loss establishes a new basis in the goodwill and subsequent reversals of goodwill impairment losses are not permitted under applicable accounting guidance.

For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Variable Interest Entities

A VIE is an entity that lacks equity investors or whose equity investors do not have a controlling financial interest in the entity through their equity investments. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. The Corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. On a quarterly basis, the Corporation reassesses whether it has a controlling financial interest in and is the primary beneficiary of a VIE. The quarterly reassessment process considers whether the Corporation has acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether the Corporation has acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which the Corporation is involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively, with assets and liabilities of a newly consolidated VIE initially recorded at fair value. A gain or loss may be recognized upon deconsolidation of a VIE depending on the carrying amounts of deconsolidated assets and liabilities compared to the fair value of retained interests and ongoing contractual arrangements.

The Corporation primarily uses VIEs for its securitization activities, in which the Corporation transfers whole loans or debt securities into a trust or other vehicle such that the assets are legally isolated from the creditors of the Corporation. Assets held in a trust can only be used to settle obligations of the trust. The creditors of these trusts typically have no recourse to the Corporation except in accordance with the Corporation's obligations under standard representations and warranties.

When the Corporation is the servicer of whole loans held in a securitization trust, including non-agency residential mortgages, home equity loans, credit cards, automobile loans and student loans, the Corporation has the power to direct the most significant activities of the trust. The Corporation does not have the power to direct the most significant activities of a residential mortgage agency trust unless the Corporation holds substantially all of the issued securities and has the unilateral right to liquidate the trust. The power to direct the most significant activities of a commercial mortgage securitization trust is typically held by the special servicer or by the party holding specific subordinate securities which embody certain controlling rights. The Corporation consolidates a whole-loan securitization trust if it has the power to direct the most significant activities and also holds securities issued by the trust or has other contractual arrangements, other than standard representations and warranties, that could potentially be significant to the trust.

The Corporation may also transfer trading account securities and AFS securities into municipal bond or resecuritization trusts. The Corporation consolidates a municipal bond or resecuritization trust if it has control over the ongoing activities of the trust such as the remarketing of the trust's liabilities or, if there are no ongoing activities, sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains securities or has liquidity or other commitments that could potentially be significant to the trust. The Corporation does not consolidate a municipal bond or resecuritization trust if one or a limited number of third-party investors share responsibility for the design of the trust or have control over the significant activities of the trust through liquidation or other substantive rights.

Other VIEs used by the Corporation include collateralized debt obligations (CDOs), investment vehicles created on behalf of customers and other investment vehicles. The Corporation does not routinely serve as collateral manager for CDOs and, therefore, does not typically have the power to direct the activities that most significantly impact the economic performance of a CDO. However, following an event of default, if the Corporation is a majority holder of senior securities issued by a CDO and acquires the power to manage the assets of the CDO, the Corporation consolidates the CDO.

The Corporation consolidates a customer or other investment vehicle if it has control over the initial design of the vehicle or manages the assets in the vehicle and also absorbs potentially significant gains or losses through an investment in the vehicle, derivative contracts or other arrangements. The Corporation does not consolidate an investment vehicle if a single investor controlled the initial design of the vehicle or manages the assets in the vehicles or if the Corporation does not have a variable interest that could potentially be significant to the vehicle.

Retained interests in securitized assets are initially recorded at fair value. In addition, the Corporation may invest in debt securities issued by unconsolidated VIEs. Quoted market prices are primarily used to obtain fair values of these debt securities, which are AFS debt securities or trading account assets. Generally, quoted market prices for retained residual interests are not available, therefore, the Corporation estimates fair values based on the present value of the associated expected future cash flows. This may require management to estimate credit losses, prepayment speeds, forward interest yield curves, discount rates and other factors that impact the value of retained interests. Retained residual interests in unconsolidated securitization trusts are classified in trading account assets or other assets with changes in fair value recorded in income. The Corporation may also enter into derivatives with unconsolidated VIEs, which are carried at fair value with changes in fair value recorded in income.

Fair Value

The Corporation measures the fair values of its financial instruments in accordance with accounting guidance that requires an entity to base fair value on exit price, and maximize the use of observable inputs and minimize the use of unobservable inputs to determine the exit price. Under applicable accounting guidance, the Corporation categorizes its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as described below. Trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, MSRs and certain other assets are carried at fair value in accordance with applicable accounting guidance. The Corporation has also elected to account for certain assets and liabilities under the fair value option, including certain corporate loans and loan commitments, LHFS, other short-term borrowings, securities financing agreements, asset-backed secured financings, long-term deposits and long-term debt. The following describes the three-level hierarchy.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter (OTC) markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts where fair value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage loans and certain LHFS.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. This category generally includes certain private equity investments and other principal investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured, complex or long-dated derivative contracts, certain LHFS, IRLCs and certain

CDOs where independent pricing information cannot be obtained for a significant portion of the underlying assets.

Income Taxes

There are two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences in the bases of assets and liabilities as measured by tax laws and their bases as reported in the financial statements. Deferred tax assets are also recognized for tax attributes such as net operating loss carryforwards and tax credit carryforwards. Valuation allowances are recorded to reduce deferred tax assets to the amounts management concludes are more-likely-than-not to be realized.

Income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more-likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit (UTB). The Corporation records income tax-related interest and penalties, if applicable, within income tax expense.

Retirement Benefits

The Corporation has established retirement plans covering substantially all full-time and certain part-time employees. Pension expense under these plans is charged to current operations and consists of several components of net pension cost based on various actuarial assumptions regarding future experience under the plans.

In addition, the Corporation has established unfunded supplemental benefit plans and supplemental executive retirement plans (SERPs) for selected officers of the Corporation and its subsidiaries that provide benefits that cannot be paid from a qualified retirement plan due to Internal Revenue Code restrictions. The Corporation's current executive officers do not earn additional retirement income under SERPs. These plans are nonqualified under the Internal Revenue Code and assets used to fund benefit payments are not segregated from other assets of the Corporation; therefore, in general, a participant's or beneficiary's claim to benefits under these plans is as a general creditor. In addition, the Corporation has established several postretirement healthcare and life insurance benefit plans.

Accumulated Other Comprehensive Income

The Corporation records unrealized gains and losses on AFS debt and marketable equity securities, gains and losses on cash flow accounting hedges, unrecognized actuarial gains and losses, transition obligation and prior service costs on pension and postretirement plans, foreign currency translation adjustments and related hedges of net investments in foreign operations in accumulated OCI, net-of-tax. Unrealized gains and losses on AFS debt and marketable equity securities are reclassified to earnings as the gains or losses are realized upon sale of the securities. Unrealized losses on AFS securities deemed to represent OTTI are reclassified to earnings at the time of the impairment charge. For AFS debt securities that the Corporation does not intend to sell or it is not more-likely-than-not that it will be required to sell, only the credit component of an unrealized loss is reclassified to earnings. Gains or losses on derivatives accounted for as cash flow hedges are reclassified to earnings when the hedged transaction affects earnings. Translation gains or losses on foreign currency translation adjustments are reclassified to earnings upon the substantial sale or liquidation of investments in foreign operations.

Revenue Recognition

The following summarizes the Corporation's revenue recognition policies as they relate to certain noninterest income line items in the Consolidated Statement of Income.

Card income is derived from fees such as interchange, cash advance, annual, late, over-limit and other miscellaneous fees, which are recorded as revenue when earned, primarily on an accrual basis. Uncollected fees are included in the customer card receivables balances with an amount recorded in the allowance for loan and lease losses for estimated uncollectible card receivables. Uncollected fees are written off when a card receivable reaches 180 days past due.

Service charges include fees for insufficient funds, overdrafts and other banking services and are recorded as revenue when earned. Uncollected fees are included in outstanding loan balances with an amount recorded for estimated uncollectible service fees receivable. Uncollected fees are written off when a fee receivable reaches 60 days past due.

Investment and brokerage services revenue consists primarily of asset management fees and brokerage income that is recognized over the period the services are provided or when commissions are earned. Asset management fees consist primarily of fees for investment management and trust services and are generally based on the dollar amount of the assets being managed. Brokerage income is generally derived from commissions and fees earned on the sale of various financial products.

Investment banking income consists primarily of advisory and underwriting fees that are recognized in income as the services are provided and no contingencies exist. Revenues are generally recognized net of any direct expenses. Non-reimbursed expenses are recorded as noninterest expense.

Earnings Per Common Share

Earnings per common share (EPS) is computed by dividing net income (loss) allocated to common shareholders by the weighted-average common shares outstanding, except that it does not include unvested common shares subject to repurchase or cancellation. Net income (loss) allocated to common shareholders represents net income (loss) applicable to common shareholders which is net income (loss) adjusted for preferred stock dividends including dividends declared, accretion of discounts on preferred stock including accelerated accretion when preferred stock is repaid early, and cumulative dividends related to the current dividend period that have not been declared as of period end, less income allocated to participating securities (see below for additional information). Diluted EPS is computed by dividing income (loss) allocated to common shareholders plus dividends on dilutive convertible preferred stock and preferred stock that can be tendered to exercise warrants by the weighted-average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units (RSUs), outstanding warrants and the dilution resulting from the conversion of convertible preferred stock, if applicable. Certain warrants may be exercised, at the option of the holder, through tendering of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock) or cash. Because it is currently more economical for the warrant holder to tender the Series T preferred stock, the common shares underlying these warrants are considered outstanding and the dividends on the preferred stock are added back to income (loss) allocable to common shareholders in computing diluted EPS, unless the effect is antidilutive.

Unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities that are included in computing EPS using the two-class method. The two-class method is an earnings allocation formula under which EPS is calculated for common stock and participating securities according to dividends declared and participating rights in undistributed earnings. Under this method, all earnings, distributed and undistributed, are allocated to participating securities and common shares based on their respective rights to receive dividends.

In an exchange of non-convertible preferred stock, income allocated to common shareholders is adjusted for the difference between the carrying value of the preferred stock and the fair value of the consideration exchanged. In an induced conversion of convertible preferred stock, income allocated to common shareholders is reduced by the excess of the fair value of the consideration exchanged over the fair value of the common stock that would have been issued under the original conversion terms.

Foreign Currency Translation

Assets, liabilities and operations of foreign branches and subsidiaries are recorded based on the functional currency of each entity. For certain of the foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated, for consolidation purposes, from the local currency to the U.S. dollar reporting currency at period-end rates for assets and liabilities and generally at average rates for results of operations. The resulting unrealized gains or losses as well as gains and losses from certain hedges, are reported as a component of accumulated OCI on an after-tax basis. When the foreign entity's functional currency is determined to be the U.S. dollar, the resulting remeasurement currency gains or losses on foreign currency-denominated assets or liabilities are included in earnings.

Credit Card and Deposit Arrangements

Endorsing Organization Agreements

The Corporation contracts with other organizations to obtain their endorsement of the Corporation's loan and deposit products. This endorsement may provide to the Corporation exclusive rights to market to the organization's members or to customers on behalf of the Corporation. These organizations endorse the Corporation's loan and deposit products and provide the Corporation with their mailing lists and marketing activities. These agreements generally have terms that range from two to five years. The Corporation typically pays royalties in exchange for the endorsement. Compensation costs related to the credit card agreements are recorded as contra-revenue in card income.

Cardholder Reward Agreements

The Corporation offers reward programs that allow its cardholders to earn points that can be redeemed for a broad range of rewards including cash, travel and discounted products. The Corporation establishes a rewards liability based upon the points earned that are expected to be redeemed and the average cost per point redeemed. The points to be redeemed are estimated based on past redemption behavior, card product type, account transaction activity and other historical card performance. The liability is reduced as the points are redeemed. The estimated cost of the rewards programs is recorded as contra-revenue in card income.

Insurance Income and Insurance Expense

Property and casualty and credit life and disability premiums are generally recognized over the term of the policies on a pro-rata basis for all policies except for certain of the lender-placed auto insurance and the guaranteed auto protection (GAP) policies. For lender-placed auto insurance, premiums are recognized when collections become probable due to high cancellation rates experienced early in the life of the policy. For GAP insurance, revenue recognition is correlated to the exposure and accelerated over the life of the contract. Mortgage reinsurance premiums are recognized as earned. Insurance expense includes insurance claims, commissions and premium taxes, all of which are recorded in other general operating expense.

NOTE 2 Merger and Restructuring Activity

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and its most recent acquisitions. These charges represent costs associated with these activities and do not represent ongoing costs of the fully integrated combined organization. The merger and restructuring charges table presents the components of merger and restructuring charges.

Merger and Restructuring Charges

(Dollars in millions)	2011	2010	2009
Severance and employee-related charges	$ 226	$ 455	$ 1,351
Systems integrations and related charges	285	1,137	1,155
Other	127	228	215
Total merger and restructuring charges	$ 638	$ 1,820	$ 2,721

For 2011, all merger-related charges related to the Merrill Lynch & Co., Inc. (Merrill Lynch) acquisition. Included for 2010 and 2009 are merger-related charges of $1.6 billion and $1.8 billion related to the Merrill Lynch acquisition and $202 million and $940 million related to earlier acquisitions.

The restructuring reserves table presents the changes in restructuring reserves for 2011 and 2010. Restructuring reserves are established by a charge to merger and restructuring charges, and the restructuring charges are included in the merger and restructuring charges table. Substantially all of the amounts in the restructuring reserves table relate to the Merrill Lynch acquisition.

Restructuring Reserves

(Dollars in millions)	2011	2010
Balance, January 1	$ 336	$ 403
Exit costs and restructuring charges:		
Merrill Lynch	217	375
Other	—	54
Cash payments and other	(319)	(496)
Balance, December 31	$ 234	$ 336

Amounts added to the restructuring reserves in 2011 and 2010 related to severance and other employee-related costs. Payments associated with the Merrill Lynch acquisition are anticipated to continue into 2012.

NOTE 3 Trading Account Assets and Liabilities

The table below presents the components of trading account assets and liabilities at December 31, 2011 and 2010.

	December 31	
(Dollars in millions)	2011	2010
Trading account assets		
U.S. government and agency securities (1)	$ 52,613	$ 60,811
Corporate securities, trading loans and other	36,571	49,352
Equity securities	23,674	32,129
Non-U.S. sovereign debt	42,946	33,523
Mortgage trading loans and asset-backed securities	13,515	18,856
Total trading account assets	$ 169,319	$ 194,671
Trading account liabilities		
U.S. government and agency securities	$ 20,710	$ 29,340
Equity securities	14,594	15,482
Non-U.S. sovereign debt	17,440	15,813
Corporate securities and other	7,764	11,350
Total trading account liabilities	$ 60,508	$ 71,985

(1) Includes $27.3 billion and $29.7 billion of government-sponsored enterprise obligations at December 31, 2011 and 2010.

NOTE 4 Derivatives

Derivative Balances

Derivatives are entered into on behalf of customers, for trading, as economic hedges or as qualifying accounting hedges. For additional information on the Corporation's derivatives and hedging activities, see *Note 1 – Summary of Significant Accounting Principles*. The following tables identify derivative instruments included on the Corporation's Consolidated Balance Sheet in derivative assets and liabilities at December 31, 2011 and 2010. Balances are presented on a gross basis, prior to the application of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and have been reduced by the cash collateral applied.

	December 31, 2011						
		Gross Derivative Assets			Gross Derivative Liabilities		
(Dollars in billions)	Contract/ Notional [1]	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total	Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total
Interest rate contracts							
Swaps	$ 40,473.7	$ 1,490.7	$ 15.9	$ 1,506.6	$ 1,473.0	$ 12.3	$ 1,485.3
Futures and forwards	12,105.8	2.9	0.2	3.1	3.4	—	3.4
Written options	2,534.0	—	—	—	117.8	—	117.8
Purchased options	2,467.2	120.0	—	120.0	—	—	—
Foreign exchange contracts							
Swaps	2,381.6	48.3	2.6	50.9	58.9	2.2	61.1
Spot, futures and forwards	2,548.8	37.2	1.3	38.5	39.2	0.3	39.5
Written options	368.5	—	—	—	9.4	—	9.4
Purchased options	341.0	9.0	—	9.0	—	—	—
Equity contracts							
Swaps	75.5	1.5	—	1.5	1.7	—	1.7
Futures and forwards	52.1	1.8	—	1.8	1.5	—	1.5
Written options	367.1	—	—	—	17.7	—	17.7
Purchased options	360.2	19.6	—	19.6	—	—	—
Commodity contracts							
Swaps	73.8	4.9	0.1	5.0	5.9	—	5.9
Futures and forwards	470.5	5.3	—	5.3	3.2	—	3.2
Written options	142.3	—	—	—	9.5	—	9.5
Purchased options	141.3	9.5	—	9.5	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	1,944.8	95.8	—	95.8	13.8	—	13.8
Total return swaps/other	17.5	0.6	—	0.6	0.3	—	0.3
Written credit derivatives:							
Credit default swaps	1,885.9	14.1	—	14.1	90.5	—	90.5
Total return swaps/other	17.8	0.5	—	0.5	0.7	—	0.7
Gross derivative assets/liabilities		$ 1,861.7	$ 20.1	$ 1,881.8	$ 1,846.5	$ 14.8	$ 1,861.3
Less: Legally enforceable master netting agreements				(1,749.9)			(1,749.9)
Less: Cash collateral applied				(58.9)			(51.9)
Total derivative assets/liabilities				$ 73.0			$ 59.5

(1) Represents the total contract/notional amount of derivative assets and liabilities outstanding.
(2) Excludes $191 million of long-term debt designated as a hedge of foreign currency risk.

(Dollars in billions)	Contract/ Notional [1]	December 31, 2010 Gross Derivative Assets Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges	Total	Gross Derivative Liabilities Trading Derivatives and Economic Hedges	Qualifying Accounting Hedges [2]	Total
Interest rate contracts							
Swaps	$ 42,719.2	$ 1,193.9	$ 14.9	$ 1,208.8	$ 1,187.9	$ 2.2	$ 1,190.1
Futures and forwards	9,939.2	6.0	—	6.0	4.7	—	4.7
Written options	2,887.7	—	—	—	82.8	—	82.8
Purchased options	3,026.2	88.0	—	88.0	—	—	—
Foreign exchange contracts							
Swaps	630.1	26.5	3.7	30.2	28.5	2.1	30.6
Spot, futures and forwards	2,652.9	41.3	—	41.3	44.2	—	44.2
Written options	439.6	—	—	—	13.2	—	13.2
Purchased options	417.1	13.0	—	13.0	—	—	—
Equity contracts							
Swaps	42.4	1.7	—	1.7	2.0	—	2.0
Futures and forwards	78.8	2.9	—	2.9	2.1	—	2.1
Written options	242.7	—	—	—	19.4	—	19.4
Purchased options	193.5	21.5	—	21.5	—	—	—
Commodity contracts							
Swaps	90.2	8.8	0.2	9.0	9.3	—	9.3
Futures and forwards	413.7	4.1	—	4.1	2.8	—	2.8
Written options	86.3	—	—	—	6.7	—	6.7
Purchased options	84.6	6.6	—	6.6	—	—	—
Credit derivatives							
Purchased credit derivatives:							
Credit default swaps	2,184.7	69.8	—	69.8	34.0	—	34.0
Total return swaps/other	26.0	0.9	—	0.9	0.2	—	0.2
Written credit derivatives:							
Credit default swaps	2,133.5	33.3	—	33.3	63.2	—	63.2
Total return swaps/other	22.5	0.5	—	0.5	0.5	—	0.5
Gross derivative assets/liabilities		$ 1,518.8	$ 18.8	$ 1,537.6	$ 1,501.5	$ 4.3	$ 1,505.8
Less: Legally enforceable master netting agreements				(1,406.3)			(1,406.3)
Less: Cash collateral applied				(58.3)			(43.6)
Total derivative assets/liabilities				$ 73.0			$ 55.9

(1) Represents the total contract/notional amount of derivative assets and liabilities outstanding.
(2) Excludes $4.1 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 derivatives designated as qualifying 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, which are generally non-leveraged generic interest rate and basis swaps, options, futures and forwards, to minimize significant fluctuations in earnings that are caused by interest rate volatility. The Corporation's goal is to manage interest rate sensitivity and volatility so that movements in interest rates do not significantly adversely affect earnings or capital. As a result of interest rate fluctuations, hedged fixed-rate assets and liabilities appreciate or depreciate in fair value. Gains or losses on the derivative instruments that are linked to the hedged fixed-rate assets and liabilities are expected to substantially offset this unrealized appreciation or depreciation.

Interest rate and market risk can be substantial in the mortgage business. Market risk is the risk that values of mortgage assets or revenues will be adversely affected by changes in market conditions such as interest rate movements. To hedge interest rate risk in mortgage banking production income, the Corporation utilizes forward loan sale commitments and other derivative instruments including purchased options and certain debt securities. The Corporation also utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and Eurodollar futures as economic hedges of the fair value of MSRs. For additional information on MSRs, see *Note 25 – 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 non-U.S. subsidiaries. Foreign exchange contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate.

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

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

Derivatives Designated as Accounting Hedges

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

Fair Value Hedges

The table below summarizes certain information related to the Corporation's derivatives designated as fair value hedges for 2011, 2010 and 2009.

Fair Value Hedges

(Dollars in millions)	2011 Derivative	2011 Hedged Item	2011 Hedge Ineffectiveness
Derivatives designated as fair value hedges			
Interest rate risk on long-term debt [1]	**$ 4,384**	**$ (4,969)**	**$ (585)**
Interest rate and foreign currency risk on long-term debt [1]	**780**	**(1,057)**	**(277)**
Interest rate risk on available-for-sale securities [2]	**(11,386)**	**10,490**	**(896)**
Commodity price risk on commodity inventory [3]	**16**	**(16)**	**—**
Total	**$ (6,206)**	**$ 4,448**	**$ (1,758)**
	2010		
Derivatives designated as fair value hedges			
Interest rate risk on long-term debt [1]	$ 2,952	$ (3,496)	$ (544)
Interest rate and foreign currency risk on long-term debt [1]	(463)	130	(333)
Interest rate risk on available-for-sale securities [2]	(2,577)	2,667	90
Commodity price risk on commodity inventory [3]	19	(19)	—
Total	$ (69)	$ (718)	$ (787)
	2009		
Derivatives designated as fair value hedges			
Interest rate risk on long-term debt [1]	$ (4,858)	$ 4,082	$ (776)
Interest rate and foreign currency risk on long-term debt [1]	932	(858)	74
Interest rate risk on available-for-sale securities [2]	791	(1,141)	(350)
Commodity price risk on commodity inventory [3]	(51)	51	—
Total	$ (3,186)	$ 2,134	$ (1,052)

(1) Amounts are recorded in interest expense on long-term debt and in other income.
(2) Amounts are recorded in interest income on AFS securities.
(3) Amounts are recorded in trading account profits.

Cash Flow Hedges

The table below summarizes certain information related to the Corporation's derivatives designated as cash flow hedges and net investment hedges for 2011, 2010 and 2009. During the next 12 months, net losses in accumulated OCI of approximately $1.5 billion ($1.0 billion after-tax) on derivative instruments that qualify as cash flow hedges are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to primarily reduce net interest income related to the respective hedged items. Amounts related to commodity price risk reclassified from accumulated OCI are recorded in trading account profits with the underlying hedged item. Amounts related to price risk on restricted stock awards reclassified from accumulated OCI are recorded in personnel expense. Amounts related to price risk on equity investments included in AFS securities reclassified from accumulated OCI are recorded in equity investment income with the underlying hedged item.

Amounts related to foreign exchange risk recognized in accumulated OCI on derivatives exclude gains (losses) of $82 million, $192 million and $(387) million related to long-term debt designated as a net investment hedge for 2011, 2010 and 2009.

Cash Flow Hedges

(Dollars in millions, amounts pre-tax)	2011 Gains (losses) Recognized in Accumulated OCI on Derivatives	2011 Gains (losses) in Income Reclassified from Accumulated OCI	2011 Hedge Ineffectiveness and Amounts Excluded from Effectiveness Testing [1]
Derivatives designated as cash flow hedges			
Interest rate risk on variable rate portfolios [2]	$ (2,079)	$ (1,392)	$ (8)
Commodity price risk on forecasted purchases and sales	(3)	6	(3)
Price risk on restricted stock awards	(408)	(231)	—
Total	$ (2,490)	$ (1,617)	$ (11)
Net investment hedges			
Foreign exchange risk	$ 1,055	$ 384	$ (572)
	2010		
Derivatives designated as cash flow hedges			
Interest rate risk on variable rate portfolios	$ (1,876)	$ (410)	$ (30)
Commodity price risk on forecasted purchases and sales	32	25	11
Price risk on restricted stock awards	(97)	(33)	—
Price risk on equity investments included in available-for-sale securities	186	(226)	—
Total	$ (1,755)	$ (644)	$ (19)
Net investment hedges			
Foreign exchange risk	$ (482)	$ —	$ (315)
	2009		
Derivatives designated as cash flow hedges			
Interest rate risk on variable rate portfolios	$ 502	$ (1,293)	$ 71
Commodity price risk on forecasted purchases and sales	72	70	(2)
Price risk on equity investments included in available-for-sale securities	(332)	—	—
Total	$ 242	$ (1,223)	$ 69
Net investment hedges			
Foreign exchange risk	$ (2,997)	$ —	$ (142)

(1) Amounts related to derivatives designated as cash flow hedges represent hedge ineffectiveness and amounts related to net investment hedges represent amounts excluded from effectiveness testing.
(2) Losses reclassified from accumulated OCI to the Consolidated Statement of Income include $38 million, $0 and $44 million in 2011, 2010 and 2009 related to the discontinuance of certain cash flow hedges because it was no longer probable that the original forecasted transaction would occur.

The Corporation entered into equity total return swaps to hedge a portion of RSUs granted to certain employees as part of their compensation in prior periods. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances, and certain awards may be settled in cash. These RSUs are accrued as liabilities over the vesting period and adjusted to fair value based on changes in the share price of the Corporation's common stock. From time to time, the Corporation may enter into equity derivatives to minimize the change in the expense to the Corporation driven by fluctuations in the share price of the Corporation's common stock during the vesting period of any RSUs that may be granted, if any, subject to similar or other terms and conditions. Certain of these derivatives are designated as cash flow hedges of unrecognized unvested awards with the changes in fair value of the hedge recorded in accumulated OCI and reclassified into earnings in the same period as the RSUs affect earnings. The remaining derivatives are accounted for as economic hedges and changes in fair value are recorded in personnel expense. For more information on RSUs and related hedges, see *Note 20 – Stock-based Compensation Plans*.

Derivatives Accounted for as Economic Hedges

Derivatives accounted for as economic hedges, because either they did not qualify for or were not designated as accounting hedges, are used by the Corporation to reduce certain risk exposures. The table below presents gains (losses) on these derivatives for 2011, 2010 and 2009. These gains (losses) are largely offset by the income or expense that is recorded on the economically hedged item.

Economic Hedges

(Dollars in millions)	**2011**	2010	2009
Price risk on mortgage banking production income [1, 2]	**$ 2,852**	$ 9,109	$ 8,898
Interest rate risk on mortgage banking servicing income [1]	**3,612**	3,878	(4,264)
Credit risk on loans [3]	**30**	(121)	(515)
Interest rate and foreign currency risk on long-term debt and other foreign exchange transactions [4]	**(48)**	(2,080)	1,572
Other [5]	**(329)**	(109)	16
Total	**$ 6,117**	$ 10,677	$ 5,707

(1) Gains (losses) on these derivatives are recorded in mortgage banking income.
(2) Includes gains on interest rate lock commitments related to the origination of mortgage loans that are held-for-sale, which are considered derivative instruments, of $3.8 billion, $8.7 billion and $8.4 billion for 2011, 2010 and 2009, respectively.
(3) Gains (losses) on these derivatives are recorded in other income (loss).
(4) The majority of the balance is related to the revaluation of economic hedges on foreign currency-denominated debt which is recorded in other income (loss).
(5) Gains (losses) on these derivatives are recorded in other income (loss), and personnel expense for hedges of certain RSUs, for 2011 and 2010.

Sales and Trading Revenue

The Corporation enters into trading derivatives to facilitate client transactions, for principal trading purposes, and to manage risk exposures arising from trading account assets and liabilities. It is the Corporation's policy to include these derivative instruments in its trading activities which include derivatives and non-derivative cash instruments. The resulting risk from these derivatives is managed on a portfolio basis as part of the Corporation's *Global Banking & Markets* (*GBAM*) business segment. The related sales and trading revenue generated within *GBAM* is recorded in various income statement line items including trading account profits and net interest income as well as other revenue categories. However, the majority of income related to derivative instruments is recorded in trading account profits.

Sales and trading revenue includes changes in the fair value and realized gains and losses on the sales of trading and other assets, net interest income, and fees primarily from commissions on equity securities. Revenue is generated by the difference in the client price for an instrument and the price at which the trading desk can execute the trade in the dealer market. For equity securities, commissions related to purchases and sales are recorded in other income (loss) on the Consolidated Statement of Income. Changes in the fair value of these securities are included in trading account profits. For debt securities, revenue, with the exception of interest associated with the debt securities, is typically included in trading account profits. Unlike commissions for equity securities, the initial revenue related to broker/dealer services for debt securities is typically included in the pricing of the instrument rather than being charged through separate fee arrangements. Therefore, this revenue is recorded in trading account profits as part of the initial mark to fair value. For derivatives, all revenue is included in trading account profits. In transactions where the Corporation acts as agent, which includes exchange-traded futures and options, fees are recorded in other income (loss).

Gains (losses) on certain instruments, primarily loans, held in the *GBAM* business segment that are not considered trading instruments are excluded from sales and trading revenue in their entirety.

The table below, which includes both derivatives and non-derivative cash instruments, identifies the amounts in the respective income statement line items attributable to the Corporation's sales and trading revenue in *GBAM*, categorized by primary risk, for 2011, 2010 and 2009. The difference between total trading account profits in the table below and in the Consolidated Statement of Income relates to trading activities in business segments other than *GBAM*.

Sales and Trading Revenue

	2011			
(Dollars in millions)	Trading Account Profits	Other Income (Loss) [1, 2]	Net Interest Income	Total
Interest rate risk	$ 2,118	$ (40)	$ 923	$ 3,001
Foreign exchange risk	1,088	(65)	8	1,031
Equity risk	1,450	2,390	128	3,968
Credit risk	1,141	217	2,850	4,208
Other risk	630	(21)	(183)	426
Total sales and trading revenue	**$ 6,427**	**$ 2,481**	**$ 3,726**	**$ 12,634**
	2010			
Interest rate risk	$ 2,005	$ 81	$ 658	$ 2,744
Foreign exchange risk	903	(63)	—	840
Equity risk	1,670	2,469	15	4,154
Credit risk	4,652	224	3,826	8,702
Other risk	366	101	(169)	298
Total sales and trading revenue	$ 9,596	$ 2,812	$ 4,330	$ 16,738
	2009			
Interest rate risk	$ 3,143	$ (23)	$ 1,134	$ 4,254
Foreign exchange risk	950	(3)	26	973
Equity risk	1,989	2,509	247	4,745
Credit risk	4,486	(2,956)	4,883	6,413
Other risk	1,100	53	(534)	619
Total sales and trading revenue	$ 11,668	$ (420)	$ 5,756	$ 17,004

(1) Represents investment and brokerage services and other income recorded in *GBAM* that the Corporation includes in its definition of sales and trading revenue.
(2) Other income (loss) includes commissions and brokerage fee revenue of $2.3 billion and $2.4 billion for 2011 and 2010 included in equity risk.

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 pre-defined 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 where the Corporation is the seller of credit protection and their expiration at December 31, 2011 and 2010 are summarized in the table below. These instruments are classified as investment and non-investment grade based on the credit quality of the underlying reference obligation. The Corporation considers ratings of BBB- or higher as investment grade. Non-investment grade includes non-rated credit derivative instruments.

Credit Derivative Instruments

	December 31, 2011				
	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	$ 795	$ 5,011	$ 17,271	$ 7,325	$ 30,402
Non-investment grade	4,236	11,438	18,072	26,339	60,085
Total	5,031	16,449	35,343	33,664	90,487
Total return swaps/other					
Investment grade	—	—	30	1	31
Non-investment grade	522	2	33	128	685
Total	522	2	63	129	716
Total credit derivatives	**$ 5,553**	**$ 16,451**	**$ 35,406**	**$ 33,793**	**$ 91,203**
Credit-related notes [1]					
Investment grade	$ —	$ 5	$ 132	$ 1,925	$ 2,062
Non-investment grade	124	74	108	1,286	1,592
Total credit-related notes	**$ 124**	**$ 79**	**$ 240**	**$ 3,211**	**$ 3,654**
	Maximum Payout/Notional				
Credit default swaps					
Investment grade	$ 182,137	$ 401,914	$ 477,924	$ 127,570	$ 1,189,545
Non-investment grade	133,624	228,327	186,522	147,926	696,399
Total	315,761	630,241	664,446	275,496	1,885,944
Total return swaps/other					
Investment grade	—	—	9,116	—	9,116
Non-investment grade	305	2,023	4,918	1,476	8,722
Total	305	2,023	14,034	1,476	17,838
Total credit derivatives	**$ 316,066**	**$ 632,264**	**$ 678,480**	**$ 276,972**	**$ 1,903,782**

	December 31, 2010				
	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	$ 158	$ 2,607	$ 7,331	$ 14,880	$ 24,976
Non-investment grade	598	6,630	7,854	23,106	38,188
Total	756	9,237	15,185	37,986	63,164
Total return swaps/other					
Investment grade	—	—	38	60	98
Non-investment grade	1	2	2	415	420
Total	1	2	40	475	518
Total credit derivatives	$ 757	$ 9,239	$ 15,225	$ 38,461	$ 63,682
Credit-related notes [1, 2]					
Investment grade	$ —	$ 136	$ —	$ 3,525	$ 3,661
Non-investment grade	9	33	174	2,423	2,639
Total credit-related notes	$ 9	$ 169	$ 174	$ 5,948	$ 6,300
	Maximum Payout/Notional				
Credit default swaps					
Investment grade	$ 133,691	$ 466,565	$ 475,715	$ 275,434	$ 1,351,405
Non-investment grade	84,851	314,422	178,880	203,930	782,083
Total	218,542	780,987	654,595	479,364	2,133,488
Total return swaps/other					
Investment grade	—	10	15,413	4,012	19,435
Non-investment grade	113	78	951	1,897	3,039
Total	113	88	16,364	5,909	22,474
Total credit derivatives	$ 218,655	$ 781,075	$ 670,959	$ 485,273	$ 2,155,962

(1) For credit-related notes, maximum payout/notional is the same as carrying value.
(2) For December 31, 2010, total credit-related note amounts have been revised from $3.6 billion (as previously reported) to $6.3 billion to reflect collateralized debt obligations and collateralized loan obligations held by certain consolidated VIEs.

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

The Corporation economically hedges its market risk exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, the Corporation may purchase credit protection with identical underlying referenced names to offset its exposure. The carrying value and notional amount of written credit derivatives for which the Corporation held purchased credit derivatives with identical underlying referenced names and terms at December 31, 2011 was $48.0 billion and $1.0 trillion compared to $43.7 billion and $1.4 trillion at December 31, 2010.

Credit-related notes in the table on page 170 include investments in securities issued by CDO, collateralized loan obligation (CLO) and credit-linked note vehicles. These instruments are primarily classified as trading securities. The carrying value of these instruments equals the Corporation's maximum exposure to loss. The Corporation is not obligated to make any payments to the entities under the terms of the securities owned. The Corporation discloses internal categorizations of investment grade and non-investment grade consistent with how risk is managed for these instruments.

Credit-related Contingent Features and Collateral

The Corporation executes the majority of its derivative contracts in the OTC 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 rating downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty, where applicable, and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as previously discussed on page 164, 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.

A majority 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 netting agreements and credit support documentation that enhance the creditworthiness of these instruments compared to other obligations of the respective counterparty with whom the Corporation has transacted. These contingent features may be for the benefit of the Corporation as well as its counterparties with respect to changes in the Corporation's creditworthiness and the mark-to-market exposure under the derivative transactions. At December 31, 2011 and 2010, the Corporation held cash and securities collateral of $87.7 billion and $86.1 billion, and posted cash and securities collateral of $86.5 billion and $66.9 billion in the normal course of business under derivative agreements.

In connection with certain OTC derivative contracts and other trading agreements, the Corporation can be required to provide additional collateral or to terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of the Corporation or certain subsidiaries. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure.

At December 31, 2011, the amount of collateral, calculated based on the terms of the contracts, that the Corporation and certain subsidiaries could be required to post to counterparties but had not yet posted to counterparties was approximately $5.0 billion. That amount includes collateral that could be required to be posted as a result of the downgrades by the rating agencies in 2011.

Some counterparties are able to unilaterally terminate certain contracts, or the Corporation or certain subsidiaries may be required to take other action such as find a suitable replacement or obtain a guarantee. At December 31, 2011, the current liability recorded for these derivative contracts was $947 million, against which the Corporation and certain subsidiaries had posted $1.0 billion of collateral.

In addition, under the terms of certain OTC derivative contracts and other trading agreements, in the event of a further downgrade of the Corporation's or certain subsidiaries' credit ratings, counterparties to those agreements may require the Corporation or certain subsidiaries to provide additional collateral, terminate these contracts or agreements, or provide other remedies. At December 31, 2011, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the amount of additional collateral contractually required by derivative contracts and other trading agreements would have been approximately $1.6 billion comprised of $1.2 billion for BANA and approximately $375 million for Merrill Lynch and certain of its subsidiaries. If the agencies had downgraded their long-term senior debt ratings for these entities by a second incremental notch, approximately $1.1 billion in additional collateral comprised of $871 million for BANA and $269 million for Merrill Lynch and certain subsidiaries, would have been required.

Also, if the rating agencies had downgraded their long-term senior debt ratings for the Corporation or certain subsidiaries by one incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2011 was $2.9 billion, against which $2.7 billion of collateral has been posted. If the rating agencies had downgraded their long-term senior debt ratings for the Corporation and certain subsidiaries by a second incremental notch, the derivative liability that would be subject to unilateral termination by counterparties as of December 31, 2011 was an incremental $5.6 billion, against which $5.4 billion of collateral has been posted.

Derivative Valuation Adjustments

The Corporation records counterparty credit risk valuation adjustments on derivative assets in order to properly reflect the credit quality of the counterparties. 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 valuation adjustments are subsequently adjusted due to changes in the value of the derivative contract, collateral and creditworthiness of the counterparties. During 2011 and 2010, credit valuation gains (losses) of $(1.9) billion and $731 million ($(606) million and $(8) million, net of hedges) for counterparty credit risk related to derivative assets were recognized in trading account profits. These credit valuation adjustments were primarily related to the Corporation's monoline exposure. At December 31, 2011 and 2010, the cumulative counterparty credit risk valuation adjustment reduced the derivative assets balance by $2.8 billion and $6.8 billion.

In addition, the fair value of the Corporation's or its subsidiaries' derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During 2011 and 2010, the Corporation recorded DVA gains of $1.4 billion and $331 million ($1.0 billion and $262 million, net of interest rate and foreign exchange hedges) in trading account profits for changes in the Corporation's or its subsidiaries' credit risk. At December 31, 2011 and 2010, the Corporation's cumulative DVA reduced the derivative liabilities balance by $2.4 billion and $1.1 billion.

NOTE 5 Securities

The table below presents the amortized cost, gross unrealized gains and losses in accumulated OCI, and fair value of debt and marketable equity securities at December 31, 2011 and 2010.

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury and agency securities	**$ 43,433**	**$ 242**	**$ (811)**	**$ 42,864**
Mortgage-backed securities:				
Agency	**138,073**	**4,511**	**(21)**	**142,563**
Agency collateralized mortgage obligations	**44,392**	**774**	**(167)**	**44,999**
Non-agency residential (1)	**14,948**	**301**	**(482)**	**14,767**
Non-agency commercial	**4,894**	**629**	**(1)**	**5,522**
Non-U.S. securities	**4,872**	**62**	**(14)**	**4,920**
Corporate bonds	**2,993**	**79**	**(37)**	**3,035**
Other taxable securities, substantially all ABS	**12,889**	**49**	**(60)**	**12,878**
Total taxable securities	**266,494**	**6,647**	**(1,593)**	**271,548**
Tax-exempt securities	**4,678**	**15**	**(90)**	**4,603**
Total available-for-sale debt securities	**$ 271,172**	**$ 6,662**	**$ (1,683)**	**$ 276,151**
Held-to-maturity debt securities (2)	**35,265**	**181**	**(4)**	**35,442**
Total debt securities	**$ 306,437**	**$ 6,843**	**$ (1,687)**	**$ 311,593**
Available-for-sale marketable equity securities (3)	**$ 65**	**$ 10**	**$ (7)**	**$ 68**
Available-for-sale debt securities, December 31, 2010				
U.S. Treasury and agency securities	$ 49,413	$ 604	$ (912)	$ 49,105
Mortgage-backed securities:				
Agency	190,409	3,048	(2,240)	191,217
Agency collateralized mortgage obligations	36,639	401	(23)	37,017
Non-agency residential (1)	23,458	588	(929)	23,117
Non-agency commercial	6,167	686	(1)	6,852
Non-U.S. securities	4,054	92	(7)	4,139
Corporate bonds	5,157	144	(10)	5,291
Other taxable securities, substantially all ABS	15,514	39	(161)	15,392
Total taxable securities	330,811	5,602	(4,283)	332,130
Tax-exempt securities	5,687	32	(222)	5,497
Total available-for-sale debt securities	$ 336,498	$ 5,634	$ (4,505)	$ 337,627
Held-to-maturity debt securities (2)	427	—	—	427
Total debt securities	$ 336,925	$ 5,634	$ (4,505)	$ 338,054
Available-for-sale marketable equity securities (3)	$ 8,650	$ 10,628	$ (13)	$ 19,265

(1) At December 31, 2011 and 2010, includes approximately 89 percent and 90 percent prime bonds, nine percent and eight percent Alt-A bonds and two percent subprime bonds.
(2) Substantially all U.S. agency securities.
(3) Classified in other assets on the Corporation's Consolidated Balance Sheet.

At December 31, 2011, the accumulated net unrealized gains on AFS debt securities included in accumulated OCI were $3.1 billion, net of the related income tax expense of $1.9 billion. At December 31, 2011 and 2010, the Corporation had nonperforming AFS debt securities of $140 million and $44 million.

The Corporation recorded OTTI losses on AFS debt securities for 2011 and 2010 as presented in the table below. A debt security is impaired when its fair value is less than its amortized cost. If the Corporation intends or will more-likely-than-not be required to sell the debt securities prior to recovery, the entire impairment is recorded in the Consolidated Statement of Income. For debt securities the Corporation does not intend or will not more-likely-than-not be required to sell, an analysis is performed to determine if any of the impairment is due to credit or whether it is due to other factors (e.g., interest rate). Credit losses are considered unrecoverable and are recorded in the Consolidated Statement of Income with the remaining unrealized losses recorded in accumulated OCI. In certain instances, the credit loss on a debt security may exceed the total impairment, in which case, the portion of the credit loss that exceeds the total impairment is recorded as an unrealized gain in accumulated OCI. Balances in the table below exclude $9 million and $51 million of unrealized gains recorded in accumulated OCI related to these securities for 2011 and 2010.

Net Impairment Losses Recognized in Earnings

(Dollars in millions)	Non-agency Residential MBS	Non-agency Commercial MBS	Non-U.S. Securities	Corporate Bonds	Other Taxable Securities	Total
2011						
Total OTTI losses (unrealized and realized)	$ (348)	$ (10)	$ —	$ —	$ (2)	$ (360)
Unrealized OTTI losses recognized in accumulated OCI	61	—	—	—	—	61
Net impairment losses recognized in earnings	**$ (287)**	**$ (10)**	**$ —**	**$ —**	**$ (2)**	**$ (299)**
2010						
Total OTTI losses (unrealized and realized)	$ (1,305)	$ (19)	$ (276)	$ (6)	$ (568)	$ (2,174)
Unrealized OTTI losses recognized in accumulated OCI	817	15	16	2	357	1,207
Net impairment losses recognized in earnings	$ (488)	$ (4)	$ (260)	$ (4)	$ (211)	$ (967)
2009						
Total OTTI losses (unrealized and realized)	$ (2,240)	$ (6)	$ (360)	$ (87)	$ (815)	$ (3,508)
Unrealized OTTI losses recognized in accumulated OCI	672	—	—	—	—	672
Net impairment losses recognized in earnings	$ (1,568)	$ (6)	$ (360)	$ (87)	$ (815)	$ (2,836)

The Corporation's net impairment losses recognized in earnings consist of write-downs to fair value on AFS securities the Corporation has the intent to sell or will more-likely-than-not be required to sell and credit losses recognized on AFS and HTM securities the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell. The table below presents a rollforward of credit losses recognized in earnings on AFS debt securities these losses as of December 31, 2011 and 2010 that the Corporation does not have the intent to sell or will not more-likely-than-not be required to sell.

Rollforward of Credit Losses Recognized

(Dollars in millions)	2011	2010
Balance, January 1	**$ 2,148**	$ 3,155
Additions for credit losses recognized on debt securities that had no previous impairment losses	**72**	487
Additions for credit losses recognized on debt securities that had previously incurred impairment losses	**149**	421
Reductions for debt securities sold or intended to be sold	**(2,059)**	(1,915)
Balance, December 31	**$ 310**	$ 2,148

The Corporation estimates the portion of loss attributable to credit using a discounted cash flow model and estimates the expected cash flows of the underlying collateral using internal credit, interest rate and prepayment risk models that incorporate management's best estimate of current key assumptions such as default rates, loss severity and prepayment rates. Assumptions used can vary widely from loan to loan and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics and collateral type. The Corporation then determines how the underlying collateral cash flows will be distributed to each security issued from the structure. Expected principal and interest cash flows on an impaired AFS debt security are discounted using the effective yield of each individual impaired AFS debt security.

Significant assumptions used in the valuation of non-agency residential mortgage-backed securities (RMBS) were as follows at December 31, 2011.

Significant Valuation Assumptions

	Weighted-average	Range (1) 10th Percentile (2)	90th Percentile (2)
Prepayment speed	**10%**	**3%**	**22%**
Loss severity	**49**	**15**	**62**
Life default rate	**50**	**2**	**100**

(1) Represents the range of inputs/assumptions based upon the underlying collateral.
(2) The value of a variable below which the indicated percentile of observations will fall.

Additionally, annual constant prepayment speed and loss severity rates are projected considering collateral characteristics such as LTV, creditworthiness of borrowers as measured using FICO scores and geographic concentrations. The weighted-average severity by collateral type was 43 percent for prime bonds, 50 percent for Alt-A bonds and 60 percent for subprime bonds at December 31, 2011. Additionally, default rates are projected by considering collateral characteristics including, but not limited to

LTV, FICO and geographic concentration. Weighted-average life default rates by collateral type were 36 percent for prime bonds, 62 percent for Alt-A bonds and 72 percent for subprime bonds at December 31, 2011.

The table below presents the fair value and the associated gross unrealized losses on AFS securities with gross unrealized losses at December 31, 2011 and 2010, and whether these securities have had gross unrealized losses for less than twelve months or for twelve months or longer.

Temporarily impaired and Other-than-temporarily Impaired Securities

	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 at December 31, 2011						
U.S. Treasury and agency securities	**$ —**	**$ —**	**$ 38,269**	**$ (811)**	**$ 38,269**	**$ (811)**
Mortgage-backed securities:						
Agency	**4,679**	**(13)**	**474**	**(8)**	**5,153**	**(21)**
Agency collateralized mortgage obligations	**11,448**	**(134)**	**976**	**(33)**	**12,424**	**(167)**
Non-agency residential	**2,112**	**(59)**	**3,950**	**(350)**	**6,062**	**(409)**
Non-agency commercial	**55**	**(1)**	**—**	**—**	**55**	**(1)**
Non-U.S. securities	**1,008**	**(13)**	**165**	**(1)**	**1,173**	**(14)**
Corporate bonds	**415**	**(29)**	**111**	**(8)**	**526**	**(37)**
Other taxable securities	**4,210**	**(41)**	**1,361**	**(19)**	**5,571**	**(60)**
Total taxable securities	**$ 23,927**	**$ (290)**	**$ 45,306**	**$ (1,230)**	**$ 69,233**	**$ (1,520)**
Tax-exempt securities	**1,117**	**(25)**	**2,754**	**(65)**	**3,871**	**(90)**
Total temporarily impaired available-for-sale debt securities	**25,044**	**(315)**	**48,060**	**(1,295)**	**73,104**	**(1,610)**
Temporarily impaired available-for-sale marketable equity securities	**31**	**(1)**	**6**	**(6)**	**37**	**(7)**
Total temporarily impaired available-for-sale securities	**25,075**	**(316)**	**48,066**	**(1,301)**	**73,141**	**(1,617)**
Other-than-temporarily impaired available-for-sale debt securities [1]						
Non-agency residential mortgage-backed securities	**158**	**(28)**	**489**	**(45)**	**647**	**(73)**
Total temporarily impaired and other-than-temporarily impaired securities [2]	**$ 25,233**	**$ (344)**	**$ 48,555**	**$ (1,346)**	**$ 73,788**	**$ (1,690)**
Temporarily impaired available-for-sale debt securities at December 31, 2010						
U.S. Treasury and agency securities	$ 27,384	$ (763)	$ 2,382	$ (149)	$ 29,766	$ (912)
Mortgage-backed securities:						
Agency	85,517	(2,240)	—	—	85,517	(2,240)
Agency collateralized mortgage obligations	3,220	(23)	—	—	3,220	(23)
Non-agency residential	6,385	(205)	2,245	(274)	8,630	(479)
Non-agency commercial	47	(1)	—	—	47	(1)
Non-U.S. securities	—	—	70	(7)	70	(7)
Corporate bonds	465	(9)	22	(1)	487	(10)
Other taxable securities	3,414	(38)	46	(7)	3,460	(45)
Total taxable securities	$ 126,432	$ (3,279)	$ 4,765	$ (438)	$ 131,197	$ (3,717)
Tax-exempt securities	2,325	(95)	568	(119)	2,893	(214)
Total temporarily impaired available-for-sale debt securities	128,757	(3,374)	5,333	(557)	134,090	(3,931)
Temporarily impaired available-for-sale marketable equity securities	7	(2)	19	(11)	26	(13)
Total temporarily impaired available-for-sale securities	128,764	(3,376)	5,352	(568)	134,116	(3,944)
Other-than-temporarily impaired available-for-sale debt securities [1]						
Mortgage-backed securities:						
Non-agency residential	128	(11)	530	(439)	658	(450)
Other taxable securities	—	—	223	(116)	223	(116)
Tax-exempt securities	68	(8)	—	—	68	(8)
Total temporarily impaired and other-than-temporarily impaired securities [2]	$ 128,960	$ (3,395)	$ 6,105	$ (1,123)	$ 135,065	$ (4,518)

[1] Includes other-than-temporarily impaired AFS debt securities on which a portion of the OTTI loss remains in OCI.
[2] At December 31, 2011 and 2010, the amortized cost of approximately 3,800 and 8,500 AFS securities exceeded their fair value by $1.7 billion and $4.5 billion.

The amortized cost and fair value of the Corporation's investment in AFS and held-to-maturity debt securities from FNMA, the Government National Mortgage Association (GNMA), FHLMC and U.S. Treasury securities where the investment exceeded 10 percent of consolidated shareholders' equity at December 31, 2011 and 2010 are presented in the table below.

Selected Securities Exceeding 10 Percent of Shareholders' Equity

	December 31			
	2011		2010	
(Dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Fannie Mae	**$ 87,898**	**$ 89,243**	$ 123,662	$ 123,107
Government National Mortgage Association	**102,960**	**106,200**	72,863	74,305
Freddie Mac	**26,617**	**27,129**	30,523	30,822
U.S. Treasury securities	**39,946**	**39,164**	46,576	46,081

The expected maturity distribution of the Corporation's MBS and the contractual maturity distribution of the Corporation's other AFS debt securities, and the yields on the Corporation's AFS debt securities portfolio at December 31, 2011 are summarized in the table below. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

Debt Securities Maturities

	December 31, 2011									
	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)
Amortized cost of AFS debt securities										
U.S. Treasury and agency securities	$ 556	4.90%	$ 767	5.40%	$ 2,377	5.30%	$ 39,733	2.70%	$ 43,433	2.80%
Mortgage-backed securities:										
Agency	24	4.40	54,675	3.30	58,686	3.60	24,688	3.40	138,073	3.50
Agency-collateralized mortgage obligations	57	0.70	35,709	2.50	8,606	3.80	20	1.10	44,392	2.70
Non-agency residential	2,758	4.30	9,900	5.10	1,775	4.70	515	3.30	14,948	4.80
Non-agency commercial	227	4.90	4,484	6.80	64	6.80	119	7.60	4,894	6.80
Non-U.S. securities	2,271	0.50	2,429	4.80	172	2.50	—	—	4,872	4.70
Corporate bonds	586	1.70	1,353	2.10	901	2.40	153	1.20	2,993	2.10
Other taxable securities	2,228	1.20	7,364	1.30	1,811	1.90	1,486	1.10	12,889	1.40
Total taxable securities	8,707	2.37	116,681	3.25	74,392	3.65	66,714	2.93	266,494	3.29
Tax-exempt securities	54	2.40	1,046	1.80	857	2.40	2,721	0.30	4,678	1.04
Total amortized cost of AFS debt securities	**$ 8,761**	**2.37**	**$ 117,727**	**3.23**	**$ 75,249**	**3.63**	**$ 69,435**	**2.83**	**$ 271,172**	**3.25**
Total amortized cost of held-to-maturity debt securities (2)	**$ 9**	**3.00**	**$ 60**	**2.90**	**$ 9,199**	**2.90**	**$ 25,997**	**3.00**	**$ 35,265**	**3.00**
Fair value of AFS debt securities										
U.S. Treasury and agency securities	$ 558		$ 794		$ 2,580		$ 38,932		$ 42,864	
Mortgage-backed securities:										
Agency	25		56,084		61,170		25,284		142,563	
Agency-collateralized mortgage obligations	58		36,057		8,864		20		44,999	
Non-agency residential	2,736		9,851		1,698		482		14,767	
Non-agency commercial	229		5,079		72		142		5,522	
Non-U.S. securities	2,270		2,476		174		—		4,920	
Corporate bonds	590		1,354		945		146		3,035	
Other taxable securities	2,228		7,373		1,796		1,481		12,878	
Total taxable securities	8,694		119,068		77,299		66,487		271,548	
Tax-exempt securities	54		1,040		853		2,656		4,603	
Total fair value of AFS debt securities	**$ 8,748**		**$ 120,108**		**$ 78,152**		**$ 69,143**		**$ 276,151**	
Total fair value of held-to-maturity debt securities (2)	**$ 9**		**$ 60**		**$ 9,243**		**$ 26,130**		**$ 35,442**	

(1) Average yield is computed using the effective yield of each security at the end of the period, weighted based on the amortized cost of each security. The effective yield considers the contractual coupon, amortization of premiums and accretion of discounts and excludes the effect of related hedging derivatives.
(2) Substantially all U.S. agency securities.

The gross realized gains and losses on sales of AFS debt securities for 2011, 2010 and 2009 are presented in the table below.

Gains and Losses on Sales of AFS Debt Securities

(Dollars in millions)	2011	2010	2009
Gross gains	**$ 3,685**	$ 3,995	$ 5,047
Gross losses	**(311)**	(1,469)	(324)
Net gains on sales of AFS debt securities	**$ 3,374**	$ 2,526	$ 4,723
Income tax expense attributable to realized net gains on sales of AFS debt securities	**$ 1,248**	$ 935	$ 1,748

Certain Corporate and Strategic Investments

At December 31, 2011 and 2010, the Corporation owned 2.0 billion shares and 25.6 billion shares representing approximately one percent and 10 percent of China Construction Bank Corporation (CCB). During 2011, the Corporation sold shares of CCB and in connection therewith recorded gains of $6.5 billion. Sales restrictions on the remaining 2.0 billion CCB shares continue until August 2013 and accordingly these shares are carried at cost. At December 31, 2011 and 2010, the cost basis of the Corporation's total investment in CCB was $716 million and $9.2 billion, the carrying value was $716 million and $19.7 billion and the fair value was $1.4 billion and $20.8 billion. This investment is recorded in other assets. Dividend income on this investment is recorded in equity investment income and during 2011 and 2010, the Corporation recorded dividends of $836 million and $535 million from CCB. The strategic assistance agreement between the Corporation and CCB, which includes cooperation in specific business areas, remains in place.

During 2011, the Corporation sold its remaining ownership interest of approximately 13.6 million preferred shares, or seven percent of BlackRock, Inc. The investment was recorded in other assets at cost. In connection with the sale, the Corporation recorded a gain of $377 million.

During 2011, the Corporation recorded $1.1 billion of impairment charges on its investment in a merchant services joint venture. The joint venture had a carrying value of $3.4 billion and $4.7 billion at December 31, 2011 and 2010 with the reduction in carrying value primarily the result of the impairment charges. The impairment charges were based on the ongoing financial performance of the joint venture and updated forecasts of its long-term financial performance. For additional information, see *Note 14 – Commitments and Contingencies*.

NOTE 6 Outstanding Loans and Leases

The following tables present total outstanding loans and leases and an aging analysis at December 31, 2011 and 2010.

The Legacy Asset Servicing portfolio, as shown in the table below, is a separately managed legacy mortgage portfolio. Legacy Asset Servicing, which was created on January 1, 2011 in connection with the re-alignment of the *Consumer Real Estate Services (CRES)* business segment, is responsible for servicing loans on its balance sheet and for others including loans held in other business segments and *All Other*. This includes servicing and managing the runoff and exposures related to selected residential mortgages and home equity loans, including discontinued real estate products, Countrywide PCI loans and certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011. Since making the determination of the pool of loans to be included in the Legacy Asset Servicing portfolio, the criteria have not changed for this portfolio; however, the criteria will continue to be evaluated over time.

	December 31, 2011							
(Dollars in millions)	30-59 Days Past Due [1]	60-89 Days Past Due [1]	90 Days or More Past Due [2]	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due [3]	Purchased Credit-impaired [4]	Loans Accounted for Under the Fair Value Option	Total Outstandings
Home loans								
Core portfolio								
Residential mortgage [5]	$ 2,151	$ 751	$ 3,017	$ 5,919	$ 172,418	$ —		$ 178,337
Home equity	260	155	429	844	66,211	—		67,055
Legacy Asset Servicing portfolio								
Residential mortgage	3,195	2,174	32,167	37,536	36,451	9,966		83,953
Home equity	845	508	1,735	3,088	42,578	11,978		57,644
Discontinued real estate [6]	65	24	351	440	798	9,857		11,095
Credit card and other consumer								
U.S. credit card	981	772	2,070	3,823	98,468	—		102,291
Non-U.S. credit card	148	120	342	610	13,808	—		14,418
Direct/Indirect consumer [7]	805	338	779	1,922	87,791	—		89,713
Other consumer [8]	55	21	17	93	2,595	—		2,688
Total consumer loans	8,505	4,863	40,907	54,275	521,118	31,801		607,194
Consumer loans accounted for under the fair value option [9]							$ 2,190	2,190
Total consumer	8,505	4,863	40,907	54,275	521,118	31,801	2,190	609,384
Commercial								
U.S. commercial	272	83	2,249	2,604	177,344	—		179,948
Commercial real estate [10]	133	44	3,887	4,064	35,532	—		39,596
Commercial lease financing	78	13	40	131	21,858	—		21,989
Non-U.S. commercial	24	—	143	167	55,251	—		55,418
U.S. small business commercial	142	100	331	573	12,678	—		13,251
Total commercial loans	649	240	6,650	7,539	302,663	—		310,202
Commercial loans accounted for under the fair value option [9]							6,614	6,614
Total commercial	649	240	6,650	7,539	302,663	—	6,614	316,816
Total loans and leases	$ 9,154	$ 5,103	$ 47,557	$ 61,814	$ 823,781	$ 31,801	$ 8,804	$ 926,200
Percentage of outstandings	0.99%	0.55%	5.13%	6.67%	88.95%	3.43%	0.95%	

(1) Home loans includes $3.6 billion of fully-insured loans, $770 million of nonperforming loans and $119 million of TDRs that were removed from the Countrywide PCI loan portfolio prior to the adoption of accounting guidance on PCI loans effective January 1, 2010.

(2) Home loans includes $21.2 billion of fully-insured loans and $378 million of TDRs that were removed from the Countrywide PCI loan portfolio prior to the adoption of accounting guidance on PCI loans effective January 1, 2010.

(3) Home loans includes $1.8 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.

(4) PCI loan amounts are shown gross of the valuation allowance.

(5) Total outstandings includes non-U.S. residential mortgages of $85 million at December 31, 2011.

(6) Total outstandings includes $9.9 billion of pay option loans and $1.2 billion of subprime loans at December 31, 2011. The Corporation no longer originates these products.

(7) Total outstandings includes dealer financial services loans of $43.0 billion, consumer lending loans of $8.0 billion, U.S. securities-based lending margin loans of $23.6 billion, student loans of $6.0 billion, non-U.S. consumer loans of $7.6 billion and other consumer loans of $1.5 billion at December 31, 2011.

(8) Total outstandings includes consumer finance loans of $1.7 billion, other non-U.S. consumer loans of $929 million and consumer overdrafts of $103 million at December 31, 2011.

(9) Certain consumer loans are accounted for under the fair value option and include residential mortgage loans of $906 million and discontinued real estate loans of $1.3 billion at December 31, 2011. Certain commercial loans are accounted for under the fair value option and include U.S. commercial loans of $2.2 billion and non-U.S. commercial loans of $4.4 billion at December 31, 2011. See *Note 22 – Fair Value Measurements* and *Note 23 – Fair Value Option* for additional information.

(10) Total outstandings includes U.S. commercial real estate loans of $37.8 billion and non-U.S. commercial real estate loans of $1.8 billion at December 31, 2011.

(Dollars in millions)	30-59 Days Past Due [1]	60-89 Days Past Due [1]	90 Days or More Past Due [2]	Total Past Due 30 Days or More	Total Current or Less Than 30 Days Past Due [3]	Purchased Credit-impaired [4]	Loans Accounted for Under the Fair Value Option	Total Outstandings
	December 31, 2010							
Home loans								
Core portfolio								
Residential mortgage [5]	$ 1,160	$ 236	$ 1,255	$ 2,651	$ 164,276	$ —		$ 166,927
Home equity	186	12	105	303	71,216	—		71,519
Legacy Asset Servicing portfolio								
Residential mortgage	3,999	2,879	31,985	38,863	41,591	10,592		91,046
Home equity	1,096	792	2,186	4,074	49,798	12,590		66,462
Discontinued real estate [6]	68	39	419	526	930	11,652		13,108
Credit card and other consumer								
U.S. credit card	1,398	1,195	3,320	5,913	107,872	—		113,785
Non-U.S. credit card	439	316	599	1,354	26,111	—		27,465
Direct/Indirect consumer [7]	1,086	522	1,104	2,712	87,596	—		90,308
Other consumer [8]	65	25	50	140	2,690	—		2,830
Total consumer	9,497	6,016	41,023	56,536	552,080	34,834		643,450
Commercial								
U.S. commercial	432	222	3,689	4,343	171,241	2		175,586
Commercial real estate [9]	250	70	5,876	6,196	43,036	161		49,393
Commercial lease financing	82	18	135	235	21,707	—		21,942
Non-U.S. commercial	25	2	239	266	31,722	41		32,029
U.S. small business commercial	189	158	529	876	13,843	—		14,719
Total commercial loans	978	470	10,468	11,916	281,549	204		293,669
Commercial loans accounted for under the fair value option [10]							$ 3,321	3,321
Total commercial	978	470	10,468	11,916	281,549	204	3,321	296,990
Total loans and leases	$ 10,475	$ 6,486	$ 51,491	$ 68,452	$ 833,629	$ 35,038	$ 3,321	$ 940,440
Percentage of outstandings	1.11%	0.69%	5.48%	7.28%	88.64%	3.73%	0.35%	

(1) Home loans includes $2.4 billion of fully-insured loans, $818 million of nonperforming loans and $156 million of TDRs that were removed from the Countrywide PCI loan portfolio prior to the adoption of accounting guidance on PCI loans effective January 1, 2010.

(2) Home loans includes $16.8 billion of fully-insured loans and $372 million of TDRs that were removed from the Countrywide PCI loan portfolio prior to the adoption of accounting guidance on PCI loans effective January 1, 2010.

(3) Home loans includes $1.1 billion of nonperforming loans as all principal and interest are not current or the loans are TDRs that have not demonstrated sustained repayment performance.

(4) PCI loan amounts are shown gross of the valuation allowance and exclude $1.6 billion of PCI home loans from the Merrill Lynch acquisition which are included in their appropriate aging categories.

(5) Total outstandings includes non-U.S. residential mortgages of $90 million at December 31, 2010.

(6) Total outstandings includes $11.8 billion of pay option loans and $1.3 billion of subprime loans at December 31, 2010. The Corporation no longer originates these products.

(7) Total outstandings includes dealer financial services loans of $43.3 billion, consumer lending loans of $12.4 billion, U.S. securities-based lending margin loans of $16.6 billion, student loans of $6.8 billion, non-U.S. consumer loans of $8.0 billion and other consumer loans of $3.2 billion at December 31, 2010.

(8) Total outstandings includes consumer finance loans of $1.9 billion, other non-U.S. consumer loans of $803 million and consumer overdrafts of $88 million at December 31, 2010.

(9) Total outstandings includes U.S. commercial real estate loans of $46.9 billion and non-U.S. commercial real estate loans of $2.5 billion at December 31, 2010.

(10) Certain commercial loans are accounted for under the fair value option and include U.S. commercial loans of $1.6 billion, non-U.S. commercial loans of $1.7 billion and commercial real estate loans of $79 million at December 31, 2010. See *Note 22 – Fair Value Measurements* and *Note 23 – Fair Value Option* for additional information.

The Corporation mitigates a portion of its credit risk on the residential mortgage portfolio through the use of synthetic securitization vehicles. These vehicles issue long-term notes to investors, the proceeds of which are held as cash collateral. The Corporation pays a premium to the vehicles to purchase mezzanine loss protection on a portfolio of residential mortgages owned by the Corporation. Cash held in the vehicles is used to reimburse the Corporation in the event that losses on the mortgage portfolio exceed 10 basis points (bps) of the original pool balance, up to the remaining amount of purchased loss protection of $783 million and $1.1 billion at December 31, 2011 and 2010. The vehicles from which the Corporation purchases credit protection are VIEs. The Corporation does not have a variable interest in these vehicles. Accordingly, these vehicles are not consolidated by the Corporation. Amounts due from the vehicles are recorded in other income (loss) when the Corporation recognizes a reimbursable loss, as described above. Amounts are collected when reimbursable losses are realized through the sale of the underlying collateral. At December 31, 2011 and 2010, the Corporation had a receivable of $359 million and $722 million from these vehicles for reimbursement of losses, and principal of $23.9 billion and $53.9 billion of residential mortgage loans was referenced under these agreements. The Corporation records an allowance for credit losses on these loans without regard to the existence of the purchased loss protection as the protection does not represent a guarantee of individual loans.

In addition, the Corporation has entered into long-term credit protection agreements with FNMA and FHLMC on principal totaling $23.8 billion and $12.9 billion at December 31, 2011 and 2010, providing full protection on residential mortgage loans that become severely delinquent. All of these loans are individually insured and therefore the Corporation does not record an allowance for credit losses related to these loans.

Nonperforming Loans and Leases

The Credit Quality table presents the Corporation's nonperforming loans and leases including nonperforming TDRs and loans accruing past due 90 days or more at December 31, 2011 and 2010. Nonperforming loans and leases exclude performing TDRs and loans accounted for under the fair value option. Nonperforming LHFS are excluded from nonperforming loans and leases as they are recorded at either fair value or the lower of cost or fair value.

In addition, PCI loans, consumer credit card loans, business card loans and in general consumer loans not secured by real estate, including renegotiated loans, are not considered nonperforming and are therefore excluded from nonperforming loans and leases in the table below. Real estate-secured past due consumer fully-insured loans are reported as performing since the principal repayment is insured. See *Note 1 – Summary of Significant Accounting Principles* for further information on the criteria for classification as nonperforming.

Credit Quality

(Dollars in millions)	Nonperforming Loans and Leases December 31 2011	2010	Accruing Past Due 90 Days or More December 31 2011	2010
Home loans				
Core portfolio				
Residential mortgage [1]	**$ 2,414**	$ 1,510	**$ 883**	$ 16
Home equity	**439**	107	**—**	—
Legacy Asset Servicing portfolio				
Residential mortgage [1]	**13,556**	16,181	**20,281**	16,752
Home equity	**2,014**	2,587	**—**	—
Discontinued real estate	**290**	331	**—**	—
Credit card and other consumer				
U.S. credit card	**n/a**	n/a	**2,070**	3,320
Non-U.S. credit card	**n/a**	n/a	**342**	599
Direct/Indirect consumer	**40**	90	**746**	1,058
Other consumer	**15**	48	**2**	2
Total consumer	**18,768**	20,854	**24,324**	21,747
Commercial				
U.S. commercial	**2,174**	3,453	**75**	236
Commercial real estate	**3,880**	5,829	**7**	47
Commercial lease financing	**26**	117	**14**	18
Non-U.S. commercial	**143**	233	**—**	6
U.S. small business commercial	**114**	204	**216**	325
Total commercial	**6,337**	9,836	**312**	632
Total consumer and commercial	**$ 25,105**	$ 30,690	**$ 24,636**	$ 22,379

[1] Residential mortgage loans accruing past due 90 days or more are fully-insured loans. At December 31, 2011 and 2010, residential mortgage includes $17.0 billion and $8.3 billion of loans on which interest has been curtailed by the FHA, and therefore are no longer accruing interest, although principal is still insured, and $4.2 billion and $8.5 billion of loans on which interest is still accruing.

n/a = not applicable

Included in certain loan categories in nonperforming loans and leases in the table above are TDRs that are classified as nonperforming. At December 31, 2011 and 2010, the Corporation had $4.7 billion and $3.0 billion of residential mortgages, $539 million and $535 million of home equity, $97 million and $75 million of discontinued real estate, $531 million and $175 million of U.S. commercial, $1.1 billion and $770 million of commercial real estate and $38 million and $7 million of non-U.S. commercial loans that were TDRs and classified as nonperforming.

Credit Quality Indicators

The Corporation monitors credit quality within its three portfolio segments based on primary credit quality indicators. For more information on the portfolio segments, see *Note 1 – Summary of Significant Accounting Principles*. Within the home loans portfolio segment, the primary credit quality indicators are refreshed LTV and refreshed FICO score. Refreshed LTV measures the carrying value of the loan as a percentage of the value of property securing the loan, refreshed quarterly. Home equity loans are evaluated using CLTV which measures the carrying value of the combined loans that have liens against the property and the available line of credit as a percentage of the appraised value of the property securing the loan, refreshed quarterly. Refreshed FICO score measures the creditworthiness of the borrower based on the financial obligations of the borrower and the borrower's credit history. At a minimum, FICO scores are refreshed quarterly, and in many cases, more frequently. Refreshed FICO score is also a primary credit quality indicator for the credit card and other consumer portfolio segment and the business card portfolio within U.S. small business commercial. The Corporation's commercial loans are evaluated using the internal classifications of pass rated or reservable criticized as the primary credit quality indicators. The term reservable criticized refers to those commercial loans that are internally classified or listed by the Corporation as Special Mention, Substandard or Doubtful, which are asset categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not considered reservable criticized. In addition to these primary credit quality indicators, the Corporation uses other credit quality indicators for certain types of loans.

The following tables present certain credit quality indicators for the Corporation's home loans, credit card and other consumer loans, and commercial loan portfolio segments, by class of financing receivables, at December 31, 2011 and 2010.

Home Loans - Credit Quality Indicators [(1)]

	December 31, 2011							
(Dollars in millions)	Core Portfolio Residential Mortgage [(2)]	Legacy Asset Servicing Residential Mortgage [(2)]	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity [(2)]	Legacy Asset Servicing Home Equity [(2)]	Countrywide Home Equity PCI	Legacy Asset Servicing Discontinued Real Estate [(2)]	Countrywide Discontinued Real Estate PCI
Refreshed LTV [(3)]								
Less than 90 percent	$ 80,032	$ 20,450	$ 3,821	$ 46,646	$ 17,354	$ 2,253	$ 895	$ 5,953
Greater than 90 percent but less than 100 percent	11,838	5,847	1,468	6,988	4,995	1,077	122	1,191
Greater than 100 percent	17,673	22,630	4,677	13,421	23,317	8,648	221	2,713
Fully-insured loans [(4)]	68,794	25,060	—	—	—	—	—	—
Total home loans	$ 178,337	$ 73,987	$ 9,966	$ 67,055	$ 45,666	$ 11,978	$ 1,238	$ 9,857
Refreshed FICO score								
Less than 620	$ 7,020	$ 17,337	$ 3,749	$ 4,148	$ 8,990	$ 3,203	$ 548	$ 5,968
Greater than or equal to 620	102,523	31,590	6,217	62,907	36,676	8,775	690	3,889
Fully-insured loans [(4)]	68,794	25,060	—	—	—	—	—	—
Total home loans	$ 178,337	$ 73,987	$ 9,966	$ 67,055	$ 45,666	$ 11,978	$ 1,238	$ 9,857

(1) Excludes $2.2 billion of loans accounted for under the fair value option.
(2) Excludes Countrywide PCI loans.
(3) Refreshed LTV percentages for PCI loans are calculated using the carrying value gross of the related valuation allowance.
(4) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

Credit Card and Other Consumer - Credit Quality Indicators

	December 31, 2011			
(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [(1)]
Refreshed FICO score				
Less than 620	$ 8,172	$ —	$ 3,325	$ 802
Greater than or equal to 620	94,119	—	46,981	854
Other internal credit metrics [(2, 3, 4)]	—	14,418	39,407	1,032
Total credit card and other consumer	$ 102,291	$ 14,418	$ 89,713	$ 2,688

(1) 96 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.
(2) Other internal credit metrics may include delinquency status, geography or other factors.
(3) Direct/indirect consumer includes $31.1 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $6.0 billion of loans the Corporation no longer originates.
(4) Non-U.S. credit card represents the select European countries' credit card portfolios which are evaluated using internal credit metrics, including delinquency status. At December 31, 2011, 96 percent of this portfolio was current or less than 30 days past due, two percent was 30-89 days past due and two percent was 90 days or more past due.

Commercial - Credit Quality Indicators [(1)]

	December 31, 2011				
(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [(2)]
Risk Ratings					
Pass rated	$ 169,599	$ 28,602	$ 20,850	$ 53,945	$ 2,392
Reservable criticized	10,349	10,994	1,139	1,473	836
Refreshed FICO score [(3)]					
Less than 620					562
Greater than or equal to 620					4,674
Other internal credit metrics [(3, 4)]					4,787
Total commercial credit	$ 179,948	$ 39,596	$ 21,989	$ 55,418	$ 13,251

(1) Excludes $6.6 billion of loans accounted for under the fair value option.
(2) U.S. small business commercial includes $491 million of criticized business card and small business loans which are evaluated using FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2011, 97 percent of the balances where internal credit metrics are used were current or less than 30 days past due.
(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.
(4) Other internal credit metrics may include delinquency status, application scores, geography or other factors.

Home Loans - Credit Quality Indicators

(Dollars in millions)	Core Portfolio Residential Mortgage [1]	Legacy Asset Servicing Residential Mortgage [1]	Countrywide Residential Mortgage PCI	Core Portfolio Home Equity [1]	Legacy Asset Servicing Home Equity [1]	Countrywide Hone Equity PCI	Legacy Asset Servicing Discontinued Real Estate [1]	Countrywide Discontinued Real Estate PCI
	December 31, 2010							
Refreshed LTV [2]								
Less than 90 percent	$ 95,874	$ 21,357	$ 3,710	$ 51,555	$ 22,125	$ 2,313	$ 1,033	$ 6,713
Greater than 90 percent but less than 100 percent	11,581	8,234	1,664	7,534	6,504	1,215	155	1,319
Greater than 100 percent	14,047	29,043	5,218	12,430	25,243	9,062	268	3,620
Fully-insured loans [3]	45,425	21,820	—	—	—	—	—	—
Total home loans	$ 166,927	$ 80,454	$ 10,592	$ 71,519	$ 53,872	$ 12,590	$ 1,456	$ 11,652
Refreshed FICO score								
Less than 620	$ 5,193	$ 22,126	$ 4,016	$ 3,932	$ 11,562	$ 3,206	$ 663	$ 7,168
Greater than or equal to 620	116,309	36,508	6,576	67,587	42,310	9,384	793	4,484
Fully-insured loans [3]	45,425	21,820	—	—	—	—	—	—
Total home loans	$ 166,927	$ 80,454	$ 10,592	$ 71,519	$ 53,872	$ 12,590	$ 1,456	$ 11,652

(1) Excludes Countrywide PCI loans.
(2) Refreshed LTV percentages for PCI loans are calculated using the carrying value gross of the related valuation allowance.
(3) Credit quality indicators are not reported for fully-insured loans as principal repayment is insured.

Credit Card and Other Consumer - Credit Quality Indicators

(Dollars in millions)	U.S. Credit Card	Non-U.S. Credit Card	Direct/Indirect Consumer	Other Consumer [1]
	December 31, 2010			
Refreshed FICO score				
Less than 620	$ 14,159	$ 631	$ 6,748	$ 979
Greater than or equal to 620	99,626	7,528	48,209	961
Other internal credit metrics [2, 3, 4]	—	19,306	35,351	890
Total credit card and other consumer	$ 113,785	$ 27,465	$ 90,308	$ 2,830

(1) 96 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that the Corporation previously exited.
(2) Other internal credit metrics may include delinquency status, geography or other factors.
(3) Direct/indirect consumer includes $24.0 billion of securities-based lending which is overcollateralized and therefore has minimal credit risk and $7.4 billion of loans the Corporation no longer originates.
(4) Non-U.S. credit card represents the select European countries' credit card portfolios and a portion of the Canadian credit card portfolio which are evaluated using internal credit metrics, including delinquency status. At December 31, 2010, 95 percent of this portfolio was current or less than 30 days past due, three percent was 30-89 days past due and two percent was 90 days past due or more.

Commercial - Credit Quality Indicators [1]

(Dollars in millions)	U.S. Commercial	Commercial Real Estate	Commercial Lease Financing	Non-U.S. Commercial	U.S. Small Business Commercial [2]
	December 31, 2010				
Risk Ratings					
Pass rated	$ 160,154	$ 29,757	$ 20,754	$ 30,180	$ 3,139
Reservable criticized	15,432	19,636	1,188	1,849	988
Refreshed FICO score [3]					
Less than 620					888
Greater than or equal to 620					5,083
Other internal credit metrics [3, 4]					4,621
Total commercial credit	$ 175,586	$ 49,393	$ 21,942	$ 32,029	$ 14,719

(1) Includes $204 million of PCI loans in the commercial portfolio segment and excludes $3.3 billion of loans accounted for under the fair value option.
(2) U.S. small business commercial includes $690 million of criticized business card and small business loans which are evaluated using FICO scores or internal credit metrics, including delinquency status, rather than risk ratings. At December 31, 2010, 95 percent of the balances where internal credit metrics are used were current or less than 30 days past due.
(3) Refreshed FICO score and other internal credit metrics are applicable only to the U.S. small business commercial portfolio.
(4) Other internal credit metrics may include delinquency status, application scores, geography or other factors.

Impaired Loans and Troubled Debt Restructurings

A loan is considered impaired when, based on current information, 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, all TDRs, and the renegotiated credit card and other consumer TDR portfolio (the renegotiated credit card and other consumer TDR portfolio, collectively, the renegotiated TDR portfolio). Impaired loans exclude nonperforming consumer loans and nonperforming commercial leases unless they are classified as TDRs. Loans accounted for under the fair value option are also excluded. PCI loans are excluded and reported separately on page 188.

Home Loans

Impaired home loans within the home loans portfolio segment consist entirely of TDRs. Excluding PCI loans, substantially all modifications of home loans meet the definition of TDRs. Modifications of home loans are done in accordance with the government's Making Home Affordable Program (modifications under government programs) or the Corporation's proprietary programs (modifications under proprietary programs). These modifications are considered to be TDRs if concessions have been granted to borrowers experiencing financial difficulties. Concessions may include reductions in interest rates, capitalization of past due amounts, principal and/or interest forbearance, payment extensions, principal and/or interest forgiveness or combinations thereof.

Prior to permanently modifying a loan, the Corporation may enter into trial modifications with certain borrowers under both government and proprietary programs. Trial modifications generally represent a three- to four-month period during which the borrower makes monthly payments under the anticipated modified payment terms. Upon successful completion of the trial period, the Corporation and the borrower enter into a permanent modification. In accordance with new accounting guidance effective in 2011, a loan is classified as a TDR when a binding offer is extended to borrowers to enter into a trial modification. At December 31, 2011, the Corporation classified as TDRs $2.6 billion of home loans that were participating in or had been offered a binding trial modification. These home loans TDRs had an aggregate allowance of $154 million at December 31, 2011. Approximately 55 percent of all loans that entered into a trial modification during 2011 became permanent modifications as of December 31, 2011.

In accordance with applicable accounting guidance, home loans are not classified as impaired loans unless they have been designated as a TDR. Once such a loan has been designated as a TDR, it is then individually assessed for impairment. Home loan TDRs are measured primarily based on the net present value of the estimated cash flows discounted at the loan's original effective interest rate. If the carrying value of a TDR exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses. Alternatively, home loan TDRs that are considered to be dependent solely on the collateral for repayment (e.g., due to the lack of income verification) are measured based on the estimated fair value of the collateral and a charge-off is recorded if the carrying value exceeds the fair value of the collateral. Home loans that reached 180 days past due prior to modification would have been charged-off to their net realizable value before they were modified as TDRs in accordance with established policy. Therefore, the modification of home loans that are 180 or more days past due as TDRs does not have an impact on the allowance for credit losses nor are additional charge-offs required at the time of modification. Subsequent declines in the fair value of the collateral after a loan has reached 180 days past due are recorded as charge-offs. Fully-insured loans are protected against principal loss, and therefore, the Corporation does not record an allowance for credit losses on the outstanding principal balance, even after they have been modified in a TDR.

The net present value of the estimated cash flows is based on model-driven estimates of projected payments, prepayments, defaults and loss-given-default (LGD). Using statistical modeling methodologies, the Corporation estimates the probability that a loan will default prior to maturity based on the attributes of each loan. The factors that are most relevant to the probability of default are the refreshed LTV or in the case of a subordinated lien, refreshed CLTV, borrower credit score, months since origination (i.e., vintage) and geography. Each of these factors is further broken down by present collection status (whether the loan is current, delinquent, in default or in bankruptcy). Severity (or LGD) is estimated based on the refreshed LTV for the first mortgages or CLTV for subordinated liens. The estimates are based on the Corporation's historical experience, but are adjusted to reflect an assessment of environmental factors that may not be reflected in the historical data, such as changes in real estate values, local and national economies, underwriting standards and the regulatory environment. The probability of default models also incorporate recent experience with modification programs, a loan's default history prior to modification and the change in borrower payments post-modification.

At December 31, 2011 and 2010, remaining commitments to lend additional funds to debtors whose terms have been modified in a home loan TDR were immaterial. Home loan foreclosed properties totaled $2.0 billion and $1.2 billion at December 31, 2011 and 2010.

The table below presents impaired loans in the Corporation's home loans portfolio segment at December 31, 2011 and 2010. The impaired home loans table below includes primarily loans managed by Legacy Asset Servicing. Certain impaired home loans do not have a related allowance as the current valuation of these impaired loans exceeded the carrying value.

Impaired Loans – Home Loans

	December 31, 2011			2011	
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Allowance	Average Carrying Value	Interest Income Recognized [1]
With no recorded allowance					
Residential mortgage	$ 10,907	$ 8,168	n/a	$ 6,285	$ 233
Home equity	1,747	479	n/a	442	23
Discontinued real estate	421	240	n/a	222	8
With an allowance recorded					
Residential mortgage	$ 12,296	$ 11,119	$ 1,295	$ 9,379	$ 319
Home equity	1,551	1,297	622	1,357	34
Discontinued real estate	213	159	29	173	6
Total					
Residential mortgage	$ 23,203	$ 19,287	$ 1,295	$ 15,664	$ 552
Home equity	3,298	1,776	622	1,799	57
Discontinued real estate	634	399	29	395	14
	December 31, 2010			2010	
With no recorded allowance					
Residential mortgage	$ 5,493	$ 4,382	n/a	$ 4,429	$ 184
Home equity	1,411	437	n/a	493	21
Discontinued real estate	361	218	n/a	219	8
With an allowance recorded					
Residential mortgage	$ 8,593	$ 7,406	$ 1,154	$ 5,226	$ 196
Home equity	1,521	1,284	676	1,509	23
Discontinued real estate	247	177	41	170	7
Total					
Residential mortgage	$ 14,086	$ 11,788	$ 1,154	$ 9,655	$ 380
Home equity	2,932	1,721	676	2,002	44
Discontinued real estate	608	395	41	389	15

[1] Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.
n/a = not applicable

The table below presents the December 31, 2011 unpaid principal balance, carrying value, and average pre- and post-modification interest rates of home loans that were modified in TDRs during 2011, along with net charge-offs that were recorded during 2011. The table below consists primarily of TDRs managed by Legacy Asset Servicing.

Home Loans - TDRs Entered into During 2011

	December 31, 2011		2011		
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Pre-modification Interest Rate	Post-modification Interest Rate	Net Charge-offs
Residential mortgage	$ 10,293	$ 8,872	6.03%	5.28%	$ 188
Home equity	899	480	7.05	5.79	184
Discontinued real estate	89	59	7.42	5.94	3
Total	$ 11,281	$ 9,411	6.12	5.33	$ 375

The table below presents the December 31, 2011 carrying value for home loans which were modified in a TDR during 2011. The table below consists primarily of TDRs managed by Legacy Asset Servicing.

Home Loans - Modification Programs

	TDRs Entered into During 2011			
(Dollars in millions)	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs				
Contractual interest rate reduction	$ 969	$ 181	$ 9	$ 1,159
Principal and/or interest forbearance	179	36	2	217
Other modifications (1)	18	3	—	21
Total modifications under government programs	1,166	220	11	1,397
Modifications under proprietary programs				
Contractual interest rate reduction	3,441	83	20	3,544
Capitalization of past due amounts	381	1	2	384
Principal and/or interest forbearance	845	47	7	899
Other modifications (1)	405	33	1	439
Total modifications under proprietary programs	5,072	164	30	5,266
Trial modifications (2)	2,634	96	18	2,748
Total modifications	$ 8,872	$ 480	$ 59	$ 9,411

(1) Includes other modifications such as term or payment extensions and repayment plans.
(2) Includes $187 million of trial modifications that were considered TDRs prior to the application of new accounting guidance that was effective in 2011.

The table below presents the carrying value of loans that entered into payment default during 2011 and that were modified in a TDR during the 12 months preceding payment default. A payment default for home loan TDRs is recognized when a borrower has missed three monthly payments (not necessarily consecutively) since modification. Payment default on trial modification where the borrower has not yet met the terms of the agreement are included in the table below if the borrower is 90 days or more past due three months after the offer to modify is made.

Home Loans - Payment Default

	2011			
(Dollars in millions)	Residential Mortgage	Home Equity	Discontinued Real Estate	Total Carrying Value
Modifications under government programs	$ 348	$ 1	$ 2	$ 351
Modifications under proprietary programs	2,068	42	11	2,121
Trial modifications	1,011	15	5	1,031
Total modifications	$ 3,427	$ 58	$ 18	$ 3,503

Credit Card and Other Consumer

The credit card and other consumer portfolio segment includes impaired loans that have been modified as a TDR. The Corporation seeks to assist customers that are experiencing financial difficulty by modifying loans while ensuring compliance with federal laws and guidelines. Substantially all of the Corporation's credit card and other consumer loan modifications involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months, all of which are considered TDRs. In all cases, the customer's available line of credit is canceled. The Corporation makes loan modifications directly with borrowers for debt held only by the Corporation (internal programs). Additionally, the Corporation makes loan modifications for borrowers working with third-party renegotiation agencies which provide solutions to customers' entire unsecured debt structures (external programs).

All credit card and other consumer loans not secured by real estate, including modified loans, remain on accrual status until the loan is either charged-off or paid in full. The allowance for impaired credit card loans is based on the present value of projected cash flows discounted using the portfolio's average contractual interest rate, excluding promotionally priced loans, in effect prior to restructuring. Prior to modification, credit card and other consumer loans are included in homogeneous pools which are collectively evaluated for impairment. For these portfolios, loss forecast models are utilized that consider a variety of factors including but not limited to historical loss experience, delinquencies, economic trends and credit scores.

The table below provides information on the Corporation's renegotiated TDR portfolio. At December 31, 2011 and 2010, the renegotiated TDR portfolio was considered impaired and had a related allowance as shown in the table below.

Impaired Loans – Credit Card and Other Consumer – Renegotiated TDRs

	December 31, 2011			2011	
(Dollars in millions)	Unpaid Principal Balance	Carrying Value [1]	Related Allowance	Average Carrying Value	Interest Income Recognized [2]
With an allowance recorded					
U.S. credit card	**$ 5,272**	**$ 5,305**	**$ 1,570**	**$ 7,211**	**$ 433**
Non-U.S. credit card	**588**	**597**	**435**	**759**	**6**
Direct/Indirect consumer	**1,193**	**1,198**	**405**	**1,582**	**85**
	December 31, 2010			2010	
With an allowance recorded					
U.S. credit card	$ 8,680	$ 8,766	$ 3,458	$ 10,549	$ 621
Non-U.S. credit card	778	797	506	973	21
Direct/Indirect consumer	1,846	1,858	822	2,126	111

[1] Includes accrued interest and fees.
[2] Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio at December 31, 2011 and 2010.

Credit Card and Other Consumer – Renegotiated TDR Portfolio by Program Type

	Internal Programs		External Programs		Other [1]		Total		Percent of Balances Current or Less Than 30 Days Past Due	
	December 31		December 31		December 31		December 31		December 31	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
U.S. credit card	**$ 3,788**	$ 6,592	**$ 1,436**	$ 1,927	**$ 81**	$ 247	**$ 5,305**	$ 8,766	**78.97%**	77.66%
Non-U.S. credit card	**218**	282	**113**	176	**266**	339	**597**	797	**54.02**	58.86
Direct/Indirect consumer	**784**	1,222	**392**	531	**22**	105	**1,198**	1,858	**80.01**	78.81
Total renegotiated TDR loans	**$ 4,790**	$ 8,096	**$ 1,941**	$ 2,634	**$ 369**	$ 691	**$ 7,100**	$ 11,421	**77.05**	76.51

[1] Other programs include ineligible U.K. credit card and other consumer loans.

At December 31, 2011 and 2010, the Corporation had a renegotiated TDR portfolio of $7.1 billion and $11.4 billion of which $5.5 billion was current or less than 30 days past due under the modified terms at December 31, 2011. The renegotiated TDR portfolio is excluded from nonperforming loans as the Corporation generally does not classify consumer loans not secured by real estate as nonperforming. Instead, these loans are charged off no later than the end of the month in which the loan becomes 180 days past due.

The table below provides information on the Corporation's renegotiated TDR portfolio including the unpaid principal balance and carrying value of loans that were modified in TDRs during 2011, along with charge-offs that were recorded during 2011. The table also presents the average pre- and post-modification interest rate.

Credit Card and Other Consumer – Renegotiated TDRs Entered into During 2011

	December 31, 2011		2011		
(Dollars in millions)	Unpaid Principal Balance	Carrying Value [1]	Pre-modification Interest Rate	Post-modification Interest Rate	Net Charge-offs
U.S. credit card	$ 890	$ 902	19.04%	6.16%	$ 44
Non-U.S. credit card	305	322	26.32	1.04	126
Direct/Indirect consumer	198	199	15.63	5.22	10
Total	**$ 1,393**	**$ 1,423**	**20.20**	**4.87**	**$ 180**

[1] Includes accrued interest and fees.

The table below provides information on the Corporation's primary modification programs for the renegotiated TDR portfolio for loans that were modified in TDRs during 2011.

Credit Card and Other Consumer – Renegotiated TDRs by Program Type

	Renegotiated TDRs Entered into During 2011			
	December 31, 2011			
(Dollars in millions)	Internal Programs	External Programs	Other	Total
U.S. credit card	$ 492	$ 407	$ 3	$ 902
Non-U.S. credit card	163	158	1	322
Direct/Indirect consumer	112	87	—	199
Total renegotiated TDR loans	**$ 767**	**$ 652**	**$ 4**	**$ 1,423**

Credit card and other consumer loans are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows in the calculation of the allowance for loan losses for impaired credit card and other consumer loans. Loans that entered into payment default during 2011 and that had been modified in a TDR during the 12 months preceding payment default were $863 million for U.S. credit card, $409 million for non-U.S. credit card and $180 million for direct/indirect consumer.

Commercial Loans

Impaired commercial loans, which include nonperforming loans and TDRs (both performing and nonperforming) are primarily measured based on the present value of payments expected to be received, discounted at the loan's original effective interest rate. Commercial impaired loans may also be measured based on observable market prices or, for loans that are solely dependent on the collateral for repayment, the estimated fair value of collateral less estimated costs to sell. If the carrying value of a loan exceeds this amount, a specific allowance is recorded as a component of the allowance for loan and lease losses.

Modifications of loans to commercial borrowers that are experiencing financial difficulty are designed to reduce the Corporation's loss exposure while providing the borrower with an opportunity to work through financial difficulties, often to avoid foreclosure or bankruptcy. Each modification is unique and reflects the individual circumstances of the borrower. Modifications that result in a TDR may include extensions of maturity at a concessionary (below market) rate of interest, payment forbearances or other actions designed to benefit the customer while mitigating the Corporation's risk exposure. Reductions in interest rates are rare. Instead, the interest rates are typically increased, although the increased rate may not represent a market rate of interest. Infrequently, concessions may also include principal forgiveness in connection with foreclosure, short sale or other settlement agreements leading to termination or sale of the loan.

At the time of restructuring, the loans are remeasured to reflect the impact, if any, on projected cash flows, observable market prices or collateral value resulting from the modified terms. If there was no forgiveness of principal and the interest rate was not decreased, the modification may have little or no impact on the allowance established for the loan. If a portion of the loan is deemed to be uncollectible, a charge-off may be recorded at the time of restructuring. Alternatively, a charge-off may have already been recorded in a previous period such that no charge-off is required at the time of modification.

At December 31, 2011 and 2010, remaining commitments to lend additional funds to debtors whose terms have been modified in a commercial loan TDR were immaterial. Commercial foreclosed properties totaled $612 million and $725 million at December 31, 2011 and 2010.

The table below presents impaired loans in the Corporation's commercial loan portfolio at December 31, 2011 and 2010. Certain impaired commercial loans do not have a related allowance as the valuation of these impaired loans exceeded the carrying value, which is net of previously recorded charge-offs.

Impaired Loans – Commercial

	December 31, 2011			2011	
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Related Allowance	Average Carrying Value	Interest Income Recognized [1]
With no recorded allowance					
U.S. commercial	$ 1,482	$ 985	n/a	$ 774	$ 7
Commercial real estate	2,587	2,095	n/a	1,994	7
Non-U.S. commercial	216	101	n/a	101	—
U.S. small business commercial [2]	—	—	n/a	—	—
With an allowance recorded					
U.S. commercial	$ 2,654	$ 1,987	$ 232	$ 2,422	$ 13
Commercial real estate	3,329	2,384	135	3,309	19
Non-U.S. commercial	308	58	6	76	3
U.S. small business commercial [2]	531	503	172	666	23
Total					
U.S. commercial	$ 4,136	$ 2,972	$ 232	$ 3,196	$ 20
Commercial real estate	5,916	4,479	135	5,303	26
Non-U.S. commercial	524	159	6	177	3
U.S. small business commercial [2]	531	503	172	666	23
	December 31, 2010			**2010**	
With no recorded allowance					
U.S. commercial	$ 968	$ 441	n/a	$ 547	$ 3
Commercial real estate	2,655	1,771	n/a	1,736	8
Non-U.S. commercial	46	28	n/a	9	—
U.S. small business commercial [2]	—	—	n/a	—	—
With an allowance recorded					
U.S. commercial	$ 3,891	$ 3,193	$ 336	$ 3,389	$ 36
Commercial real estate	5,682	4,103	208	4,813	29
Non-U.S. commercial	572	217	91	190	—
U.S. small business commercial [2]	935	892	445	1,028	34
Total					
U.S. commercial	$ 4,859	$ 3,634	$ 336	$ 3,936	$ 39
Commercial real estate	8,337	5,874	208	6,549	37
Non-U.S. commercial	618	245	91	199	—
U.S. small business commercial [2]	935	892	445	1,028	34

(1) Interest income recognized includes interest accrued and collected on the outstanding balances of accruing impaired loans as well as interest cash collections on nonaccruing impaired loans for which the ultimate collectability of principal is not uncertain.

(2) Includes U.S. small business commercial renegotiated TDR loans and related allowance.

n/a = not applicable

The Commercial table below presents the December 31, 2011 unpaid principal balance and carrying value of commercial loans that were modified as TDRs during 2011, along with charge-offs that were recorded during 2011. As a result of the retrospective application of new accounting guidance on TDRs, the Corporation classified as TDRs $1.1 billion of commercial loan modifications. See *Note 1 – Summary of Significant Accounting Principles* for additional information.

Commercial - TDRs Entered into During 2011

	December 31, 2011		2011
(Dollars in millions)	Unpaid Principal Balance	Carrying Value	Net Charge-offs
U.S commercial	$ 1,381	$ 1,211	$ 74
Commercial real estate	1,604	1,333	152
Non-U.S. commercial	44	44	—
U.S. small business commercial	58	59	10
Total	$ 3,087	$ 2,647	$ 236

A commercial TDR is generally deemed to be in payment default when the loan is 90 days or more past due, including delinquencies that were not resolved as part of the modification. U.S. small business commercial TDRs are deemed to be in payment default during the quarter in which a borrower misses the second of two consecutive payments. Payment defaults are one of the factors considered when projecting future cash flows, along with observable market prices or fair value of collateral when measuring the allowance for loan losses. TDRs that were in payment default at December 31, 2011 had a carrying value of $164 million for U.S. commercial, $446 million for commercial real estate and $68 million for U.S. small business commercial.

Purchased Credit-impaired Loans

PCI loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at purchase date that the Corporation will be unable to collect all contractually required payments. PCI loans are pooled based on similar characteristics and evaluated for impairment on a pool basis. The Corporation estimates impairment on its PCI loan portfolio in accordance with applicable accounting guidance on contingencies which involves estimating the expected cash flows of each pool using internal credit risk, interest rate and prepayment risk models. The key assumptions used in the models include the Corporation's estimate of default rates, loss severity and prepayment speeds. The carrying value and valuation allowance for Countrywide consumer PCI loans are presented together with the allowance for loan and lease losses. See *Note 7 – Allowance for Credit Losses* for additional information.

The table below shows activity for the accretable yield on Countrywide consumer PCI loans. The $912 million reclassification from nonaccretable difference during 2011 is primarily due to an increase in the expected life of the PCI loans. The reclassification did not increase the annual yield but, as a result of estimated slower prepayment speeds, added additional interest periods to the expected cash flows.

Rollforward of Accretable Yield

(Dollars in millions)	
Accretable yield, January 1, 2010	$ 7,317
Accretion	(1,704)
Disposals/transfers	(124)
Reclassifications to nonaccretable difference	(8)
Accretable yield, December 31, 2010	5,481
Accretion	(1,285)
Disposals/transfers	(118)
Reclassifications from nonaccretable difference	912
Accretable yield, December 31, 2011	$ 4,990

Loans Held-for-Sale

The Corporation had LHFS of $13.8 billion and $35.1 billion at December 31, 2011 and 2010. Proceeds from sales, securitizations and paydowns of LHFS were $147.5 billion, $281.7 billion and $365.1 billion for 2011, 2010 and 2009. Proceeds used for originations and purchases of LHFS were $118.2 billion, $263.0 billion and $369.4 billion for 2011, 2010 and 2009.

NOTE 7 Allowance for Credit Losses

The table below summarizes the changes in the allowance for credit losses for 2011, 2010 and 2009.

	2011			
(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total Allowance
Allowance for loan and lease losses, January 1	$ 19,252	$ 15,463	$ 7,170	$ 41,885
Loans and leases charged off	(9,291)	(12,247)	(3,204)	(24,742)
Recoveries of loans and leases previously charged off	894	2,124	891	3,909
Net charge-offs	(8,397)	(10,123)	(2,313)	(20,833)
Provision for loan and lease losses	10,300	4,025	(696)	13,629
Other	(76)	(796)	(26)	(898)
Allowance for loan and lease losses, December 31	21,079	8,569	4,135	33,783
Reserve for unfunded lending commitments, January 1	—	—	1,188	1,188
Provision for unfunded lending commitments	—	—	(219)	(219)
Other	—	—	(255)	(255)
Reserve for unfunded lending commitments, December 31	—	—	714	714
Allowance for credit losses, December 31	$ 21,079	$ 8,569	$ 4,849	$ 34,497

	2010			Total Allowance	
	Home Loans	Credit Card and Other Consumer	Commercial	2010	2009
Allowance for loan and lease losses, January 1 [1]	$ 16,329	$ 22,243	$ 9,416	$ 47,988	$ 23,071
Loans and leases charged off	(10,915)	(20,865)	(5,610)	(37,390)	(35,483)
Recoveries of loans and leases previously charged off	396	2,034	626	3,056	1,795
Net charge-offs	(10,519)	(18,831)	(4,984)	(34,334)	(33,688)
Provision for loan and lease losses	13,335	12,115	2,745	28,195	48,366
Other	107	(64)	(7)	36	(549)
Allowance for loan and lease losses, December 31	19,252	15,463	7,170	41,885	37,200
Reserve for unfunded lending commitments, January 1	—	—	1,487	1,487	421
Provision for unfunded lending commitments	—	—	240	240	204
Other	—	—	(539)	(539)	862
Reserve for unfunded lending commitments, December 31	—	—	1,188	1,188	1,487
Allowance for credit losses, December 31	$ 19,252	$ 15,463	$ 8,358	$ 43,073	$ 38,687

[1] The 2010 balance includes $10.8 billion of allowance for loan and lease losses related to the adoption of new consolidation guidance. This includes $573 million for the home loans portfolio segment and $10.2 billion for the credit card and other consumer portfolio segment.

In 2011, for the PCI loan portfolio, the Corporation recorded $2.2 billion in provision for credit losses with a corresponding increase in the valuation allowance included as part of the allowance for loan and lease losses. This compared to $2.2 billion in 2010 and $3.5 billion in 2009. PCI loans that were acquired as part of the Merrill Lynch acquisition were excluded from current period PCI disclosures as the valuation allowance associated with these loans is no longer significant. The valuation allowance associated with the PCI loan portfolio was $8.5 billion, $6.4 billion and $3.9 billion at December 31, 2011, 2010 and 2009, respectively.

The “other” amount under allowance for loan and lease losses for 2011 includes a $449 million reduction in the allowance for loan and lease losses related to Canadian consumer card loans that were transferred to LHFS. The 2009 “other” amount includes a $750 million reduction in the allowance for loan and lease losses related to $8.5 billion of credit card loans that were exchanged for a $7.8 billion HTM debt security partially offset by a $340 million increase associated with the reclassification to other assets of the amount reimbursable under residential mortgage cash collateralized synthetic securitizations.

The “other” amount under the reserve for unfunded lending commitments for 2011 and 2010 primarily represents accretion of the Merrill Lynch purchase accounting adjustment and the impact of funding previously unfunded positions. The 2009 amount includes the remaining balance of the acquired Merrill Lynch reserve excluding those commitments accounted for under the fair value option, net of accretion, and the impact of funding previously unfunded positions.

The table below presents the allowance and the carrying value of outstanding loans and leases by portfolio segment at December 31, 2011 and 2010.

Allowance and Carrying Value by Portfolio Segment

(Dollars in millions)	Home Loans	Credit Card and Other Consumer	Commercial	Total
	December 31, 2011			
Impaired loans and troubled debt restructurings (1)				
Allowance for loan and lease losses (2)	**$ 1,946**	**$ 2,410**	**$ 545**	**$ 4,901**
Carrying value (3)	**21,462**	**7,100**	**8,113**	**36,675**
Allowance as a percentage of carrying value	**9.07%**	**33.94%**	**6.71%**	**13.36%**
Collectively evaluated for impairment				
Allowance for loan and lease losses	**$ 10,674**	**$ 6,159**	**$ 3,590**	**$ 20,423**
Carrying value (3, 4)	**344,821**	**202,010**	**302,089**	**848,920**
Allowance as a percentage of carrying value (4)	**3.10%**	**3.05%**	**1.19%**	**2.41%**
Purchased credit-impaired loans				
Valuation allowance	**$ 8,459**	**n/a**	**n/a**	**$ 8,459**
Carrying value gross of valuation allowance	**31,801**	**n/a**	**n/a**	**31,801**
Valuation allowance as a percentage of carrying value	**26.60%**	**n/a**	**n/a**	**26.60%**
Total				
Allowance for loan and lease losses	**$ 21,079**	**$ 8,569**	**$ 4,135**	**$ 33,783**
Carrying value (3, 4)	**398,084**	**209,110**	**310,202**	**917,396**
Allowance as a percentage of carrying value (4)	**5.30%**	**4.10%**	**1.33%**	**3.68%**
	December 31, 2010			
Impaired loans and troubled debt restructurings (1)				
Allowance for loan and lease losses (2)	$ 1,871	$ 4,786	$ 1,080	$ 7,737
Carrying value (3)	13,904	11,421	10,645	35,970
Allowance as a percentage of carrying value	13.46%	41.91%	10.15%	21.51%
Collectively evaluated for impairment				
Allowance for loan and lease losses	$ 10,964	$ 10,677	$ 6,078	$ 27,719
Carrying value (3, 4)	358,765	222,967	282,820	864,552
Allowance as a percentage of carrying value (4)	3.06%	4.79%	2.15%	3.21%
Purchased credit-impaired loans				
Valuation allowance	$ 6,417	n/a	$ 12	$ 6,429
Carrying value gross of valuation allowance	36,393	n/a	204	36,597
Valuation allowance as a percentage of carrying value	17.63%	n/a	5.76%	17.57%
Total				
Allowance for loan and lease losses	$ 19,252	$ 15,463	$ 7,170	$ 41,885
Carrying value (3, 4)	409,062	234,388	293,669	937,119
Allowance as a percentage of carrying value (4)	4.71%	6.60%	2.44%	4.47%

(1) Impaired loans include nonperforming commercial loans and all TDRs, including both commercial and consumer TDRs. Impaired loans exclude nonperforming consumer loans unless they are classified as TDRs, and all consumer and commercial loans accounted for under the fair value option.
(2) Commercial impaired allowance for loan and lease losses includes $172 million and $445 million at December 31, 2011 and 2010 related to U.S. small business commercial renegotiated TDR loans.
(3) Amounts are presented gross of the allowance for loan and lease losses.
(4) Outstanding loan and lease balances and ratios do not include loans accounted for under the fair value option of $8.8 billion and $3.3 billion at December 31, 2011 and 2010.
n/a = not applicable

NOTE 8 Securitizations and Other Variable Interest Entities

The Corporation utilizes VIEs in the ordinary course of business to support its own and its customers' financing and investing needs. The Corporation routinely securitizes loans and debt securities using VIEs as a source of funding for the Corporation and as a means of transferring the economic risk of the loans or debt securities to third parties. The Corporation also administers, structures or invests in other VIEs including CDOs, investment vehicles and other entities.

The following tables present the assets and liabilities of consolidated and unconsolidated VIEs at December 31, 2011 and 2010, in situations where the Corporation has continuing involvement with transferred assets or if the Corporation otherwise has a variable interest in the VIE. The tables also present the Corporation's maximum exposure to loss at December 31, 2011 and 2010 resulting from its involvement with consolidated VIEs and unconsolidated VIEs in which the Corporation holds a variable interest. The Corporation's maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Corporation's Consolidated Balance Sheet but also potential losses associated with off-balance sheet commitments such as unfunded liquidity commitments and other contractual arrangements. The Corporation's maximum exposure to loss does not include losses previously recognized through write-downs of assets.

The Corporation invests in ABS issued by third-party VIEs with which it has no other form of involvement. These securities are included in *Note 3 – Trading Account Assets and Liabilities* and *Note 5 – Securities.* In addition, the Corporation uses VIEs such as trust preferred securities trusts in connection with its funding activities as described in *Note 13 – Long-term Debt*. 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 uses VIEs, such as cash funds managed within *Global Wealth & Investment Management (GWIM)*, to provide investment opportunities for clients. These VIEs, which are not consolidated by the Corporation, are not included in the tables within this Note.

Except as described below, the Corporation did not provide financial support to consolidated or unconsolidated VIEs during 2011 or 2010 that it was not previously contractually required to provide, nor does it intend to do so.

Mortgage-related Securitizations

First-lien Mortgages

As part of its mortgage banking activities, the Corporation securitizes a portion of the first-lien residential mortgage loans it originates or purchases from third parties, generally in the form of MBS guaranteed by government-sponsored enterprises, FNMA and FHLMC (collectively the GSEs), or GNMA in the case of FHA-insured and U.S. Department of Veteran Affairs (VA)-guaranteed mortgage loans. Securitization usually occurs in conjunction with or shortly after loan closing or purchase. In addition, the Corporation may, from time to time, securitize commercial mortgages it originates or purchases from other entities. The Corporation typically services the loans it securitizes. Further, the Corporation may retain beneficial interests in the securitization trusts including senior and subordinate securities and equity tranches issued by the trusts. Except as described below and in *Note 9 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties.

The table below summarizes select information related to first-lien mortgage securitizations for 2011 and 2010.

First-lien Mortgage Securitizations

	Residential Mortgage								Commercial Mortgage	
			Non-Agency							
	Agency		Prime		Subprime		Alt-A			
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Cash proceeds from new securitizations [1]	**$ 142,910**	$ 243,901	**$ —**	$ —	**$ —**	$ —	**$ 36**	$ 7	**$ 4,468**	$ 4,227
Loss on securitizations, net of hedges [2]	**(373)**	(473)	**—**	—	**—**	—	**—**	—	**—**	—
Cash flows received on residual interests	**—**	—	**3**	18	**38**	58	**6**	2	**18**	20

(1) The Corporation sells residential mortgage loans to GSEs in the normal course of business and receives MBS in exchange which may then be sold into the market to third-party investors for cash proceeds.

(2) Substantially all of the first-lien residential mortgage loans securitized are initially classified as LHFS and accounted for under the fair value option. As such, gains are recognized on these LHFS prior to securitization. During 2011 and 2010, the Corporation recognized $2.9 billion and $5.1 billion of gains on these LHFS, net of hedges.

In addition to cash proceeds as reported in the table above, the Corporation received securities with an initial fair value of $545 million and $23.7 billion in connection with first-lien mortgage securitizations, principally residential agency securitizations, in 2011 and 2010. All of these securities were initially classified as Level 2 assets within the fair value hierarchy. During 2011 and 2010, there were no changes to the initial classification.

The Corporation recognizes consumer MSRs from the sale or securitization of first-lien mortgage loans. Servicing fee and ancillary fee income on consumer mortgage loans serviced, including securitizations where the Corporation has continuing involvement, were $5.8 billion and $6.4 billion in 2011 and 2010. Servicing advances on consumer mortgage loans, including securitizations where the Corporation has continuing involvement, were $26.0 billion and $24.3 billion at December 31, 2011 and 2010. The Corporation may have the option to repurchase delinquent loans out of securitization trusts, which reduces the amount of servicing advances it is required to make. During 2011 and 2010, $9.0 billion and $14.5 billion of loans were repurchased from first-lien securitization trusts as a result of loan delinquencies or in order to perform modifications. The majority of these loans repurchased were FHA-insured mortgages collateralizing GNMA securities. In addition, the Corporation has retained commercial MSRs from the sale or securitization of commercial mortgage loans. Servicing fee and ancillary fee income on commercial mortgage loans serviced, including securitizations where the

Corporation has continuing involvement, were a loss of $12 million and a gain of $21 million in 2011 and 2010. Servicing advances on commercial mortgage loans, including securitizations where the Corporation has continuing involvement, were $152 million and $156 million at December 31, 2011 and 2010. For additional information on MSRs, see *Note 25 – Mortgage Servicing Rights*.

The table below summarizes select information related to first-lien mortgage securitization trusts in which the Corporation held a variable interest at December 31, 2011 and 2010.

First-lien VIEs

	Residential Mortgage								Commercial Mortgage	
			Non-Agency							
	Agency		Prime		Subprime		Alt-A			
	December 31				December 31				December 31	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Unconsolidated VIEs										
Maximum loss exposure (1)	**$ 37,519**	$ 46,093	**$ 2,375**	$ 2,794	**$ 289**	$ 416	**$ 506**	$ 651	**$ 981**	$ 1,199
On-balance sheet assets										
Senior securities held (2):										
Trading account assets	**$ 8,744**	$ 10,693	**$ 94**	$ 147	**$ 3**	$ 126	**$ 343**	$ 645	**$ 21**	$ 146
AFS debt securities	**28,775**	35,400	**2,001**	2,593	**174**	234	**163**	—	**846**	984
Subordinate securities held (2):										
Trading account assets	**—**	—	**—**	—	**30**	12	**—**	—	**3**	8
AFS debt securities	**—**	—	**26**	39	**30**	35	**—**	6	**—**	—
Residual interests held	**—**	—	**8**	6	**9**	9	**—**	—	**43**	61
All other assets	**—**	—	**—**	9	**—**	—	**—**	—	**—**	—
Total retained positions	**$ 37,519**	$ 46,093	**$ 2,129**	$ 2,794	**$ 246**	$ 416	**$ 506**	$ 651	**$ 913**	$ 1,199
Principal balance outstanding (3)	**$ 1,198,766**	$ 1,297,159	**$ 61,207**	$ 75,762	**$ 73,949**	$ 92,710	**$101,622**	$116,233	**$ 76,645**	$ 73,597
Consolidated VIEs										
Maximum loss exposure (1)	**$ 50,648**	$ 32,746	**$ 450**	$ 46	**$ 419**	$ 42	**$ —**	$ —	**$ —**	$ —
On-balance sheet assets										
Loans and leases	**$ 50,159**	$ 32,563	**$ 1,298**	$ —	**$ 892**	$ —	**$ —**	$ —	**$ —**	$ —
Allowance for loan and lease losses	**(6)**	(37)	**—**	—	**—**	—	**—**	—	**—**	—
Loans held-for-sale	**—**	—	**—**	—	**622**	732	**—**	—	**—**	—
All other assets	**495**	220	**63**	46	**59**	16	**—**	—	**—**	—
Total assets	**$ 50,648**	$ 32,746	**$ 1,361**	$ 46	**$ 1,573**	$ 748	**$ —**	$ —	**$ —**	$ —
On-balance sheet liabilities										
Commercial paper and other short-term borrowings	**$ —**	$ —	**$ —**	$ —	**$ 650**	$ 706	**$ —**	$ —	**$ —**	$ —
Long-term debt	**—**	—	**1,360**	—	**911**	—	**—**	—	**—**	—
All other liabilities	**—**	3	**—**	9	**57**	62	**—**	—	**—**	—
Total liabilities	**$ —**	$ 3	**$ 1,360**	$ 9	**$ 1,618**	$ 768	**$ —**	$ —	**$ —**	$ —

(1) Maximum loss exposure excludes the liability for representations and warranties obligations and corporate guarantees and also excludes servicing advances and MSRs. For more information, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees* and *Note 25 – Mortgage Servicing Rights*.

(2) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During 2011 and 2010, there were no OTTI losses recorded on those securities classified as AFS debt securities.

(3) Principal balance outstanding includes loans the Corporation transferred with which the Corporation has continuing involvement, which may include servicing the loans.

As a result of a settlement agreement with Assured Guaranty Ltd. and its subsidiaries (Assured Guaranty) in 2011, the Corporation entered into a loss-sharing reinsurance arrangement involving 21 first-lien RMBS trusts. This obligation is a variable interest that could potentially be significant to the trusts. To the extent that the Corporation services all or a majority of the loans in any of the 21 trusts, the Corporation is the primary beneficiary. At December 31, 2011, 12 of these trusts were consolidated. Assets and liabilities of the consolidated trusts and the Corporation's maximum loss exposure to consolidated and unconsolidated trusts are included in the table above as non-agency prime and subprime trusts. For additional information, see *Note 9 – Representations and Warranties Obligations and Corporate Guarantees.*

Home Equity Loans

The Corporation retains interests in home equity securitization trusts to which it transferred home equity loans. These retained interests include senior and subordinate securities and residual interests. In addition, the Corporation may be obligated to provide subordinate funding to the trusts during a rapid amortization event. The Corporation also services the loans in the trusts. Except as described below and in *Note 9 – Representations and Warranties Obligations and Corporate Guarantees*, the Corporation does not provide guarantees or recourse to the securitization trusts other than standard representations and warranties. There were no securitizations of home equity loans during 2011 and 2010. All of the home equity trusts have entered the amortization phase and, accordingly, there were no collections reinvested in revolving period securitizations in 2011. Collections reinvested in revolving period securitizations were $21 million in 2010.

The table below summarizes select information related to home equity loan securitization trusts in which the Corporation held a variable interest at December 31, 2011 and 2010.

Home Equity Loan VIEs

	December 31					
	2011			2010		
(Dollars in millions)	Consolidated VIEs	Unconsolidated VIEs	Total	Consolidated VIEs	Unconsolidated VIEs	Total
Maximum loss exposure (1)	$ 2,672	$ 7,563	$ 10,235	$ 3,192	$ 9,132	$ 12,324
On-balance sheet assets						
Trading account assets (2, 3)	$ —	$ 5	$ 5	$ —	$ 209	$ 209
Available-for-sale debt securities (3, 4)	—	13	13	—	35	35
Loans and leases	2,975	—	2,975	3,529	—	3,529
Allowance for loan and lease losses	(303)	—	(303)	(337)	—	(337)
Total	$ 2,672	$ 18	$ 2,690	$ 3,192	$ 244	$ 3,436
On-balance sheet liabilities						
Long-term debt	$ 3,081	$ —	$ 3,081	$ 3,635	$ —	$ 3,635
All other liabilities	66	—	66	23	—	23
Total	$ 3,147	$ —	$ 3,147	$ 3,658	$ —	$ 3,658
Principal balance outstanding	$ 2,975	$ 14,422	$ 17,397	$ 3,529	$ 20,095	$ 23,624

(1) For unconsolidated VIEs, the maximum loss exposure includes outstanding trust certificates issued by trusts in rapid amortization, net of recorded reserves, and excludes the liability for representations and warranties obligations and corporate guarantees.
(2) At December 31, 2011 and 2010, $3 million and $204 million of the debt securities classified as trading account assets were senior securities and $2 million and $5 million were subordinate securities.
(3) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During 2011 and 2010, there were no OTTI losses recorded on those securities classified as AFS debt securities.
(4) At December 31, 2011 and 2010, $13 million and $35 million were subordinate debt securities.

Included in the table above are consolidated and unconsolidated home equity loan securitizations that have entered a rapid amortization period and for which the Corporation is obligated to provide subordinated funding. During this period, cash payments from borrowers are accumulated to repay outstanding debt securities and the Corporation continues to make advances to borrowers when they draw on their lines of credit. The Corporation then transfers the newly generated receivables into the securitization vehicles and is reimbursed only after other parties in the securitization have received all of the cash flows to which they are entitled. If loan losses requiring draws on monoline insurers' policies, which protect the bondholders in the securitization, exceed a certain level, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurers have priority for repayment. The Corporation evaluates each of these securitizations for potential losses due to non-recoverable advances by estimating the amount and timing of future losses on the underlying loans, the excess spread available to cover such losses and potential cash flow shortfalls during rapid amortization. This evaluation, which includes the number of loans still in revolving status, the amount of available credit and when those loans will lose revolving status, is also used to determine whether the Corporation has a variable interest that is more than insignificant and must consolidate the trust. A maximum funding obligation attributable to rapid amortization cannot be calculated as a home equity borrower has the ability to pay down and re-draw balances. At December 31, 2011 and 2010, home equity loan securitization transactions in rapid amortization for which the Corporation has a subordinate funding obligation, including both consolidated and unconsolidated trusts, had $10.7 billion and $12.5 billion of trust certificates outstanding. This amount is significantly greater than the amount the Corporation expects to fund. The charges that will ultimately be recorded as a result of the rapid amortization events depend on the undrawn available credit on the home equity lines, which totaled $460 million and $639 million at December 31, 2011 and 2010, as well as performance of the loans, the amount of subsequent draws and the timing of related cash flows. At December 31, 2011 and 2010, the reserve for losses on expected future draw obligations on the home equity loan securitizations in rapid amortization for which the Corporation has a subordinated funding obligation was $69 million and $131 million.

The Corporation has consumer MSRs from the sale or securitization of home equity loans. The Corporation recorded $62 million and $79 million of servicing fee income related to home equity securitizations during 2011 and 2010.

Credit Card Securitizations

The Corporation securitizes originated and purchased credit card loans. The Corporation's continuing involvement with the securitization trusts includes servicing the receivables, retaining an undivided interest (seller's interest) in the receivables, and holding certain retained interests including senior and subordinate securities, discount receivables, subordinate interests in accrued interest and fees on the securitized receivables, and cash reserve accounts. The seller's interest in the trusts, which is pari passu to the investors' interest, and the discount receivables are classified in loans and leases.

The table below summarizes select information related to credit card securitization trusts in which the Corporation held a variable interest at December 31, 2011 and 2010.

Credit Card VIEs

(Dollars in millions)	December 31 2011	December 31 2010
Consolidated VIEs		
Maximum loss exposure	**$ 38,282**	$ 36,596
On-balance sheet assets		
Derivative assets	**$ 788**	$ 1,778
Loans and leases [1]	**74,793**	92,104
Allowance for loan and lease losses	**(4,742)**	(8,505)
All other assets [2]	**723**	4,259
Total	**$ 71,562**	$ 89,636
On-balance sheet liabilities		
Long-term debt	**$ 33,076**	$ 52,781
All other liabilities	**204**	259
Total	**$ 33,280**	$ 53,040
Trust loans	**$ 74,793**	$ 92,104

[1] At December 31, 2011 and 2010, loans and leases included $28.7 billion and $20.4 billion of seller's interest and $1.0 billion and $3.8 billion of discount receivables.
[2] At December 31, 2011 and 2010, all other assets included restricted cash accounts and unbilled accrued interest and fees.

During 2010, $2.9 billion of new senior debt securities were issued to third-party investors from the credit card securitization trusts and none were issued in 2011.

During 2010, subordinate securities with a notional principal amount of $11.5 billion and a stated interest rate of zero percent were issued by certain credit card securitization trusts to the Corporation. In addition, the Corporation elected to designate a specified percentage of new receivables transferred to the trusts as "discount receivables" such that principal collections thereon are added to finance charges which increases the yield in the trust. Through the designation of newly transferred receivables as discount receivables, the Corporation has subordinated a portion of its seller's interest to the investors' interest. These actions, which were specifically permitted by the terms of the trust documents, were taken in an effort to address the decline in the excess spread of the U.S. and U.K. credit card securitization trusts. The U.S. election expired June 30, 2011. The issuance of subordinate securities and the discount receivables election had no impact on the Corporation's results of operations in 2011 and 2010.

Other Asset-backed Securitizations

Other asset-backed securitizations include resecuritization trusts, municipal bond trusts, and automobile and other securitization trusts. The table below summarizes select information related to other asset-backed securitizations in which the Corporation held a variable interest at December 31, 2011 and 2010.

Other Asset-backed VIEs

	Resecuritization Trusts		Municipal Bond Trusts		Automobile and Other Securitization Trusts	
	December 31		December 31		December 31	
(Dollars in millions)	**2011**	2010	**2011**	2010	**2011**	2010
Unconsolidated VIEs						
Maximum loss exposure	**$ 31,140**	$ 20,320	**$ 3,752**	$ 4,261	**$ 93**	$ 141
On-balance sheet assets						
Senior securities held [1, 2]:						
Trading account assets	**$ 2,595**	$ 1,219	**$ 228**	$ 255	**$ —**	$ —
AFS debt securities	**27,616**	17,989	**—**	—	**81**	109
Subordinate securities held [1, 2]:						
Trading account assets	**—**	2	**—**	—	**—**	—
AFS debt securities	**544**	1,036	**—**	—	**—**	—
Residual interests held [3]	**385**	74	**—**	—	**—**	—
All other assets	**—**	—	**—**	—	**12**	17
Total retained positions	**$ 31,140**	$ 20,320	**$ 228**	$ 255	**$ 93**	$ 126
Total assets of VIEs	**$ 60,459**	$ 39,830	**$ 5,964**	$ 6,108	**$ 668**	$ 774
Consolidated VIEs						
Maximum loss exposure	**$ —**	$ —	**$ 3,901**	$ 4,716	**$ 1,087**	$ 2,061
On-balance sheet assets						
Trading account assets	**$ —**	$ 68	**$ 3,901**	$ 4,716	**$ —**	$ —
Loans and leases	**—**	—	**—**	—	**4,923**	9,583
Allowance for loan and lease losses	**—**	—	**—**	—	**(7)**	(29)
All other assets	**—**	—	**—**	—	**168**	196
Total assets	**$ —**	$ 68	**$ 3,901**	$ 4,716	**$ 5,084**	$ 9,750
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	**$ —**	$ —	**$ 5,127**	$ 4,921	**$ —**	$ —
Long-term debt	**—**	68	**—**	—	**3,992**	7,681
All other liabilities	**—**	—	**—**	—	**90**	101
Total liabilities	**$ —**	$ 68	**$ 5,127**	$ 4,921	**$ 4,082**	$ 7,782

(1) As a holder of these securities, the Corporation receives scheduled principal and interest payments. During 2011 and 2010, there were no OTTI losses recorded on those securities classified as AFS debt securities.
(2) The retained senior and subordinate securities were valued using quoted market prices or observable market inputs (Level 2 of the fair value hierarchy).
(3) The retained residual interests are carried at fair value which was derived using model valuations (Level 2 of the fair value hierarchy).

Resecuritization Trusts

The Corporation transfers existing securities, typically MBS, into resecuritization vehicles at the request of customers seeking securities with specific characteristics. The Corporation may also enter into resecuritizations of securities within its investment portfolio for purposes of improving liquidity and capital, and managing credit or interest rate risk. Generally, there are no significant ongoing activities performed in a resecuritization trust and no single investor has the unilateral ability to liquidate the trust.

The Corporation resecuritized $33.6 billion of securities in 2011 compared to $97.7 billion in 2010. Net gains on sales totaled $909 million in 2011 compared to net losses of $144 million in 2010. The Corporation consolidates a resecuritization trust if it has sole discretion over the design of the trust, including the identification of securities to be transferred in and the structure of securities to be issued, and also retains a variable interest that could potentially be significant to the trust. If one or a limited number of third-party investors share responsibility for the design of the trust and purchase a significant portion of securities, including subordinate securities issued by non-agency trusts, the Corporation does not consolidate the trust.

Municipal Bond Trusts

The Corporation administers municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds. A majority of the bonds are rated AAA or AA and some benefit from insurance provided by third parties. 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 unless the bond's credit rating has declined below investment grade or there has been an event of default or bankruptcy of the issuer and insurer.

The Corporation also provides credit enhancement to investors in certain municipal bond trusts whereby the Corporation guarantees the payment of interest and principal on floating-rate certificates issued by these trusts in the event of default by the issuer of the underlying municipal bond. If a customer holds the residual interest in a trust, that customer typically has the unilateral ability to liquidate the trust at any time, while the

Corporation typically has the ability to trigger the liquidation of that trust if the market value of the bonds held in the trust declines below a specified threshold. This arrangement is designed to limit market losses to an amount that is less than the customer's residual interest, effectively preventing the Corporation from absorbing losses incurred on assets held within that trust.

During 2011 and 2010, the Corporation was the transferor of assets into unconsolidated municipal bond trusts and received cash proceeds from new securitizations of $733 million and $1.2 billion. At December 31, 2011 and 2010, the principal balance outstanding for unconsolidated municipal bond securitization trusts for which the Corporation was transferor was $2.5 billion and $2.2 billion.

The Corporation's liquidity commitments to unconsolidated municipal bond trusts, including those for which the Corporation was transferor, totaled $3.5 billion and $4.0 billion at December 31, 2011 and 2010. The weighted-average remaining life of bonds held in the trusts at December 31, 2011 was 10.0 years. There were no material write-downs or downgrades of assets or issuers during 2011.

Automobile and Other Securitization Trusts

The Corporation transfers automobile and other loans into securitization trusts, typically to improve liquidity or manage credit risk. At December 31, 2011, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $5.8 billion, including trusts collateralized by automobile loans of $3.9 billion, student loans of $1.2 billion, and other loans and receivables of $668 million. At December 31, 2010, the Corporation serviced assets or otherwise had continuing involvement with automobile and other securitization trusts with outstanding balances of $10.5 billion, including trusts collateralized by automobile loans of $8.4 billion, student loans of $1.3 billion, and other loans and receivables of $774 million.

Collateralized Debt Obligation Vehicles

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

The table below summarizes select information related to CDO vehicles in which the Corporation held a variable interest at December 31, 2011 and 2010.

CDO Vehicle VIEs

	December 31					
	2011			2010		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 1,695**	**$ 2,272**	**$ 3,967**	$ 2,971	$ 3,828	$ 6,799
On-balance sheet assets						
Trading account assets	**$ 1,392**	**$ 461**	**$ 1,853**	$ 2,485	$ 884	$ 3,369
Derivative assets	**452**	**678**	**1,130**	207	890	1,097
AFS debt securities	**—**	**—**	**—**	769	338	1,107
All other assets	**—**	**96**	**96**	24	123	147
Total	**$ 1,844**	**$ 1,235**	**$ 3,079**	$ 3,485	$ 2,235	$ 5,720
On-balance sheet liabilities						
Derivative liabilities	**$ —**	**$ 11**	**$ 11**	$ —	$ 58	$ 58
Long-term debt	**2,712**	**2**	**2,714**	3,162	—	3,162
Total	**$ 2,712**	**$ 13**	**$ 2,725**	$ 3,162	$ 58	$ 3,220
Total assets of VIEs	**$ 1,844**	**$ 32,903**	**$ 34,747**	$ 3,485	$ 43,476	$ 46,961

The Corporation's maximum loss exposure of $4.0 billion at December 31, 2011 included $336 million of super senior CDO exposure, $1.7 billion of exposure to CDO financing facilities and $2.0 billion of other non-super senior exposure. This exposure is calculated on a gross basis and does not reflect any benefit from insurance purchased from third parties. Net of this insurance but including securities retained from liquidations of CDOs, the Corporation's net exposure to super senior CDO-related positions was $152 million at December 31, 2011. The CDO financing facilities, which are consolidated, obtain funding from third parties for CDO positions which are principally classified in trading account assets on the Corporation's Consolidated Balance Sheet. The CDO financing facilities' long-term debt at December 31, 2011 totaled $2.6 billion, all of which has recourse to the general credit of the Corporation. The Corporation's maximum exposure to loss is significantly less than the total assets of the CDO vehicles in the table above because the Corporation typically has exposure to only a portion of the total assets.

At December 31, 2011, the Corporation had $2.4 billion of aggregate liquidity exposure to CDOs. This amount included $588 million of commitments to CDOs to provide funding for super senior exposures and $1.8 billion notional amount of derivative contracts with unconsolidated VIEs, principally CDO vehicles, which hold non-super senior CDO debt securities or other debt securities on the Corporation's behalf. See *Note 14 – Commitments and Contingencies* for additional information. The Corporation's liquidity exposure to CDOs at December 31, 2011 is included in the table above to the extent that the Corporation sponsored the

CDO vehicle or the liquidity exposure is more than insignificant compared to total assets of the CDO vehicle. Liquidity exposure included in the table is reported net of previously recorded losses.

Customer Vehicles

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

The table below summarizes select information related to customer vehicles in which the Corporation held a variable interest at December 31, 2011 and 2010.

Customer Vehicle VIEs

	December 31					
	2011			2010		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 3,264**	**$ 2,116**	**$ 5,380**	$ 4,449	$ 2,735	$ 7,184
On-balance sheet assets						
Trading account assets	**$ 3,302**	**$ 211**	**$ 3,513**	$ 3,458	$ 876	$ 4,334
Derivative assets	**—**	**905**	**905**	1	722	723
Loans held-for-sale	**907**	**—**	**907**	959	—	959
All other assets	**1,452**	**—**	**1,452**	1,429	—	1,429
Total	**$ 5,661**	**$ 1,116**	**$ 6,777**	$ 5,847	$ 1,598	$ 7,445
On-balance sheet liabilities						
Derivative liabilities	**$ 4**	**$ 42**	**$ 46**	$ 1	$ 23	$ 24
Commercial paper and other short-term borrowings	**—**	**—**	**—**	—	—	—
Long-term debt	**3,912**	**—**	**3,912**	3,457	—	3,457
All other liabilities	**1**	**448**	**449**	—	140	140
Total	**$ 3,917**	**$ 490**	**$ 4,407**	$ 3,458	$ 163	$ 3,621
Total assets of VIEs	**$ 5,661**	**$ 5,302**	**$ 10,963**	$ 5,847	$ 6,090	$ 11,937

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 CDSs or equity derivatives to synthetically create the credit or equity risk to pay the specified return on the notes. The Corporation is typically the counterparty for some or all of the credit and equity derivatives and, to a lesser extent, it may invest in securities issued by the vehicles. The Corporation may also enter into interest rate or foreign currency derivatives with the vehicles. The Corporation also had approximately $824 million of other liquidity commitments, including written put options and collateral value guarantees, with unconsolidated credit-linked and equity-linked note vehicles at December 31, 2011.

Repackaging vehicles issue notes that are designed to incorporate risk characteristics desired by customers. The vehicles hold debt instruments such as corporate bonds, convertible bonds or ABS with the desired credit risk profile. The Corporation enters into derivatives with the vehicles to change the interest rate or foreign currency profile of the debt instruments. If a vehicle holds convertible bonds and the Corporation retains the conversion option, the Corporation is deemed to have a controlling financial interest and consolidates the vehicle.

Asset acquisition vehicles acquire financial instruments, typically loans, at the direction of a single customer and obtain funding through the issuance of structured liabilities to the Corporation. At the time the vehicle acquires an asset, the Corporation enters into total return swaps with the customer such that the economic returns of the asset are passed through to the customer. The Corporation is exposed to counterparty credit risk if the asset declines in value and the customer defaults on its obligation to the Corporation under the total return swaps. The Corporation's risk may be mitigated by collateral or other arrangements. The Corporation consolidates these vehicles because it has the power to manage the assets in the vehicles and owns all of the structured liabilities issued by the vehicles.

The Corporation's maximum exposure to loss from customer vehicles includes the notional amount of the credit or equity derivatives to which the Corporation is a counterparty, net of losses previously recorded, and the Corporation's investment, if any, in securities issued by the vehicles. It has not been reduced to reflect the benefit of offsetting swaps with the customers or collateral arrangements.

Other Variable Interest Entities

Other consolidated VIEs primarily include investment vehicles, leveraged lease trusts and, at December 31, 2010, a collective investment fund and asset acquisition conduits. Other unconsolidated VIEs primarily include investment vehicles and real estate vehicles.

The table below summarizes select information related to other VIEs in which the Corporation held a variable interest at December 31, 2011 and 2010.

Other VIEs

	December 31					
	2011			2010		
(Dollars in millions)	Consolidated	Unconsolidated	Total	Consolidated	Unconsolidated	Total
Maximum loss exposure	**$ 7,429**	**$ 7,286**	**$ 14,715**	$ 19,248	$ 8,796	$ 28,044
On-balance sheet assets						
Trading account assets	**$ —**	**$ —**	**$ —**	$ 8,900	$ —	$ 8,900
Derivative assets	**394**	**440**	**834**	—	228	228
AFS debt securities	**—**	**62**	**62**	1,832	73	1,905
Loans and leases	**5,154**	**357**	**5,511**	7,690	1,122	8,812
Allowance for loan and lease losses	**(8)**	**(1)**	**(9)**	(27)	(22)	(49)
Loans held-for-sale	**106**	**598**	**704**	262	949	1,211
All other assets	**1,809**	**5,823**	**7,632**	937	6,440	7,377
Total	**$ 7,455**	**$ 7,279**	**$ 14,734**	$ 19,594	$ 8,790	$ 28,384
On-balance sheet liabilities						
Commercial paper and other short-term borrowings	**$ —**	**$ —**	**$ —**	$ 1,115	$ —	$ 1,115
Long-term debt	**10**	**—**	**10**	229	—	229
All other liabilities	**694**	**1,705**	**2,399**	8,683	1,666	10,349
Total	**$ 704**	**$ 1,705**	**$ 2,409**	$ 10,027	$ 1,666	$ 11,693
Total assets of VIEs	**$ 7,455**	**$ 11,055**	**$ 18,510**	$ 19,594	$ 13,416	$ 33,010

Investment Vehicles

The Corporation sponsors, invests in or provides financing to a variety of investment vehicles that hold loans, real estate, debt securities or other financial instruments and are designed to provide the desired investment profile to investors. At December 31, 2011 and 2010, the Corporation's consolidated investment vehicles had total assets of $2.6 billion and $5.6 billion. The Corporation also held investments in unconsolidated vehicles with total assets of $5.5 billion and $7.9 billion at December 31, 2011 and 2010. The Corporation's maximum exposure to loss associated with both consolidated and unconsolidated investment vehicles totaled $4.4 billion and $8.7 billion at December 31, 2011 and 2010 comprised primarily of on-balance sheet assets less non-recourse liabilities.

Collective Investment Funds

The Corporation is trustee for certain common and collective investment funds that provide investment opportunities for eligible clients of *GWIM*. These funds, which had total assets of $11.1 billion and $21.2 billion at December 31, 2011 and 2010, hold a variety of cash, debt and equity investments. At December 31, 2011, the Corporation did not have a variable interest in these funds. The Corporation consolidated a stable value collective investment fund with total assets of $8.1 billion at December 31, 2010, for which the Corporation had the unilateral ability to replace the fund's asset manager. The fund was liquidated during 2011.

Leveraged Lease Trusts

The Corporation's net investment in consolidated leveraged lease trusts totaled $4.8 billion and $5.2 billion at December 31, 2011 and 2010. The trusts hold long-lived equipment such as rail cars, power generation and distribution equipment, and commercial aircraft. The Corporation structures the trusts and holds a significant residual interest. 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 non-recourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

Asset Acquisition Conduits

The Corporation administered two asset acquisition conduits which acquired assets on behalf of the Corporation or its customers. These conduits had total assets of $640 million at December 31, 2010. The conduits were liquidated during 2011. Liquidation of the conduits did not impact the Corporation's results of operations.

Real Estate Vehicles

The Corporation held investments in unconsolidated real estate vehicles of $5.4 billion at both December 31, 2011 and 2010 which consisted of investments in unconsolidated limited partnerships that finance the construction and rehabilitation of affordable rental housing. An unrelated third party is typically the general partner and has control over the significant activities of the partnership. The Corporation earns a return primarily through the receipt of tax credits allocated to the affordable housing projects. The Corporation's risk of loss is mitigated by policies requiring that the project qualify for the expected tax credits prior to making its investment. The Corporation may from time to time be asked to invest additional amounts to support a troubled project. Such additional investments have not been and are not expected to be significant.

Other Asset-backed Financing Arrangements

The Corporation transferred pools of securities to certain independent third parties and provided financing for approximately 75 percent of the purchase price under asset-backed financing arrangements. At December 31, 2011 and 2010, the Corporation's maximum loss exposure under these financing arrangements was $4.7 billion and $6.5 billion, substantially all of which was classified as loans on the Corporation's Consolidated Balance Sheet. All principal and interest payments have been received when due in accordance with the contractual terms. These arrangements are not included in the Other VIEs table because the purchasers are not VIEs.

NOTE 9 Representations and Warranties Obligations and Corporate Guarantees

Background

The Corporation securitizes first-lien residential mortgage loans, generally in the form of MBS guaranteed by the GSEs or by GNMA in the case of FHA-insured, VA-guaranteed and Rural Housing Service-guaranteed mortgage loans. In addition, in prior years, legacy companies and certain subsidiaries sold pools of first-lien residential mortgage loans and home equity loans as private-label securitizations (in certain of these securitizations, monolines or financial guarantee providers insured all or some of the securities), or in the form of whole loans. In connection with these transactions, the Corporation or certain subsidiaries or legacy companies make or have made various representations and warranties. These representations and warranties, as set forth in the agreements, related to, among other things, the ownership of the loan, the validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, the process used to select the loan for inclusion in a transaction, the loan's compliance with any applicable loan criteria, including underwriting standards, and the loan's compliance with applicable federal, state and local laws. Breaches of these representations and warranties may result in the requirement to repurchase mortgage loans or to otherwise make whole or provide other remedies to the GSEs, U.S. Department of Housing and Urban Development (HUD) with respect to FHA-insured loans, VA, whole-loan buyers, securitization trusts, monoline insurers or other financial guarantors (collectively, repurchases). In such cases, the Corporation would be exposed to any credit loss on the repurchased mortgage loans after accounting for any mortgage insurance (MI) or mortgage guaranty payments that it may receive.

Subject to the requirements and limitations of the applicable sales and securitization agreements, these representations and warranties can be enforced by the GSEs, HUD, VA, the whole-loan buyer, the securitization trustee or others as governed by the applicable agreement or, in certain first-lien and home equity securitizations where monoline insurers or other financial guarantee providers have insured all or some of the securities issued, by the monoline insurer or other financial guarantor. In the case of loans sold to parties other than the GSEs or GNMA, the contractual liability to repurchase typically arises only if there is a breach of the representations and warranties that materially and adversely affects the interest of the investor, or investors, in the loan, or of the monoline insurer or other financial guarantor (as applicable). Contracts with the GSEs do not contain equivalent language, while GNMA generally limits repurchases to loans that are not insured or guaranteed as required. The Corporation believes that the longer a loan performs prior to default, the less likely it is that an alleged underwriting breach of representations and warranties had a material impact on the loan's performance. Historically, most demands for repurchase have occurred within the first several years after origination, generally after a loan has defaulted. However, the time horizon in which repurchase claims are typically brought has lengthened primarily due to a significant increase in GSE claims related to loans that had defaulted more than 18 months prior to the claim and to loans where the borrower made at least 25 payments.

The Corporation's credit loss would be reduced by any recourse it may have to organizations (e.g., correspondents) that, in turn, had sold such loans to the Corporation based upon its agreements with these organizations. When a loan is originated by a correspondent or other third party, the Corporation typically has the right to seek a recovery of related repurchase losses from that originator. Many of the correspondent originators of loans in 2004 through 2008 are no longer in business, or are in a weakened condition, and the Corporation's ability to recover on valid claims is therefore impacted, or eliminated accordingly. In the event a loan is originated and underwritten by a correspondent who obtains FHA insurance, even if they are no longer in business, any breach of FHA guidelines is the direct obligation of the correspondent, not the Corporation. At December 31, 2011, approximately 28 percent of the outstanding repurchase claims relate to loans purchased from correspondents or other parties compared to approximately 25 percent at December 31, 2010. During 2011, the Corporation experienced a decline in recoveries from correspondents and other parties; however, the actual recovery rate may vary from period to period based upon the underlying mix of correspondents and other parties.

The Corporation currently structures its operations to limit the risk of repurchase and accompanying credit exposure by seeking to ensure consistent production of mortgages in accordance with its underwriting procedures and by servicing those mortgages consistent with its contractual obligations. In addition, certain securitizations include guarantees written to protect certain purchasers of the loans from credit losses up to a specified amount. The fair value of the obligations to be absorbed under the representations and warranties and guarantees provided is recorded as an accrued liability when the loans are sold. This liability for probable losses is updated by accruing a representations and warranties provision in mortgage banking income. This is done throughout the life of the loan, as necessary when additional relevant information becomes available.

The methodology used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a variety of factors, which include, depending on the counterparty, actual defaults, estimated future defaults, historical loss experience, estimated home prices, other economic conditions, estimated probability that a repurchase claim will be received, including consideration of whether presentation thresholds will be met, number of payments made by the borrower prior to default and estimated probability that a loan will be required to be repurchased. The Corporation also considers bulk settlements when determining its estimated liability for representations and warranties. The estimate of the liability for representations and warranties is based upon currently available information, significant judgment, and a number of factors, including those set forth above, that are subject to change. Changes to any one of these factors could significantly impact the estimate of the liability and could have a material adverse impact on the Corporation's results of operations for any particular period. Given that these factors vary by counterparty, the Corporation analyzes representations and warranties obligations based on the specific counterparty, or type of counterparty, with whom the sale was made. Generally the volume of unresolved repurchase claims from the FHA and VA for loans in GNMA-guaranteed securities is not significant because the requests are limited in number and are typically resolved quickly.

Settlement Actions

The Corporation has vigorously contested any request for repurchase when it has concluded that a valid basis for repurchase does not exist and will continue to do so in the future. However, in an effort to resolve these legacy mortgage-related issues, the Corporation has reached bulk settlements, or agreements for bulk settlements, including settlement amounts which have been material, with counterparties in lieu of a loan-by-loan review process. The Corporation may reach other settlements in the future if opportunities arise on terms it believes to be advantageous to the Corporation. The following provides a summary of the larger bulk settlement actions beginning in the fourth quarter of 2010 followed by details of the Corporation's representations and warranties liability, including claims status.

Settlement with the Bank of New York Mellon, as Trustee

On June 28, 2011, the Corporation, BAC Home Loans Servicing, LP (BAC HLS, which was subsequently merged with and into BANA in July 2011), and its legacy Countrywide affiliates entered into a settlement agreement with the Bank of New York Mellon (BNY Mellon), as trustee (the Trustee), to resolve all outstanding and potential claims related to alleged representations and warranties breaches (including repurchase claims), substantially all historical loan servicing claims and certain other historical claims with respect to 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (the Covered Trusts) containing loans principally originated between 2004 and 2008 for which BNY Mellon acts as trustee or indenture trustee (the BNY Mellon Settlement). The Covered Trusts had an original principal balance of approximately $424 billion, of which $409 billion was originated between 2004 and 2008, and total outstanding principal and unpaid principal balance of loans that had defaulted (collectively unpaid principal balance) of approximately $220 billion at June 28, 2011, of which $217 billion was originated between 2004 and 2008. The BNY Mellon Settlement is supported by a group of 22 institutional investors (the Investor Group) and is subject to final court approval and certain other conditions.

The BNY Mellon Settlement provides for a cash payment of $8.5 billion (the Settlement Payment) to the Trustee for distribution to the Covered Trusts after final court approval of the BNY Mellon Settlement. In addition to the Settlement Payment, the Corporation is obligated to pay attorneys' fees and costs to the Investor Group's counsel as well as all fees and expenses incurred by the Trustee related to obtaining final court approval of the BNY Mellon Settlement and certain tax rulings, which are currently estimated at $100 million.

The BNY Mellon Settlement does not cover a small number of legacy Countrywide-issued first-lien non-GSE RMBS transactions with loans originated principally between 2004 and 2008 for various reasons, including for example, six legacy Countrywide-issued first-lien non-GSE RMBS transactions in which BNY Mellon is not the trustee. The BNY Mellon Settlement also does not cover legacy Countrywide-issued second-lien securitization transactions in which a monoline insurer or other financial guarantor provides financial guaranty insurance. In addition, because the settlement is with the Trustee on behalf of the Covered Trusts and releases rights under the governing agreements for the Covered Trusts, the settlement does not release investors' securities law or fraud claims based upon disclosures made in connection with their decision to purchase, sell or hold securities issued by the Covered Trusts. To date, various investors, including certain members of the Investor Group, are pursuing securities law or fraud claims related to one or more of the Covered Trusts. The Corporation is not able to determine whether any additional securities law or fraud claims will be made by investors in the Covered Trusts. For information about mortgage-related securities law or fraud claims, see Litigation and Regulatory Matters in *Note 14 – Commitments and Contingencies*. For those Covered Trusts where a monoline insurer or other financial guarantor has an independent right to assert repurchase claims directly, the BNY Mellon Settlement does not release such insurer's or guarantor's repurchase claims.

Under an order entered by the court in connection with the BNY Mellon Settlement, potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline; two of those groups or entities have subsequently withdrawn from the proceeding and one motion to intervene was denied. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both filed notices of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware, whose motions to intervene were granted. Parties who filed notices stating that they wished to obtain more information about the settlement include the Federal Deposit Insurance Corporation (FDIC) and the Federal Housing Finance Agency (FHFA). Bank of America is not a party to the proceeding.

Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement, including challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the Investor Group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the Covered Trusts, while other motions do not make substantive objections but state that they need more information about the settlement. An investor opposed to the settlement removed the proceeding to federal court. On October 19, 2011, the federal court denied BNY Mellon's motion to remand the proceeding to state court. BNY Mellon, as well as the investors that have intervened in support of the BNY Mellon Settlement, petitioned to appeal the denial of this motion. On November 4, 2011, the district court entered a written order setting a discovery schedule, and discovery is ongoing. On December 27, 2011, the U.S. Court of Appeals for the Second Circuit accepted the appeal and stated in an amended scheduling order that, pursuant to statute, it would rule on the appeal by February 27, 2012.

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

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

There can be no assurance that final court approval of the settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that the Corporation and legacy Countrywide will not determine to withdraw from the settlement. If final court approval is not obtained or if the Corporation and legacy Countrywide determine to withdraw from the BNY Mellon Settlement in accordance with its terms, the Corporation's future representations and warranties losses could be substantially different than existing accruals and the estimated range of possible loss over existing accruals described under Whole Loan Sales and Private-label Securitizations Experience on page 206.

Settlement with Assured Guaranty

On April 14, 2011, the Corporation, including its legacy Countrywide affiliates, entered into an agreement with Assured Guaranty, to resolve all of the monoline insurer's outstanding and potential repurchase claims related to alleged representations and warranties breaches involving 29 first- and second-lien RMBS trusts where Assured Guaranty provided financial guarantee insurance (the Assured Guaranty Settlement). The agreement also resolves historical loan servicing issues and other potential liabilities with respect to these trusts. The agreement covers 21 first-lien RMBS trusts and eight second-lien RMBS trusts, which had an original principal balance of approximately $35.8 billion and total unpaid principal balance of approximately $20.2 billion as of April 14, 2011. The agreement included cash payments totaling approximately $1.1 billion to Assured Guaranty, as well as a loss-sharing reinsurance arrangement that had an expected value of approximately $470 million at the time of the settlement, and other terms, including termination of certain derivative contracts. During 2011, the Corporation made cash payments of $1.0 billion with the remaining $57 million payable on March 31, 2012. The total cost recognized for the Assured Guaranty Settlement as of December 31, 2011 was approximately $1.6 billion. As a result of this agreement, the Corporation recorded $2.2 billion in consumer loans and the related trust debt on its Consolidated Balance Sheet at December 31, 2011, due to the establishment of reinsurance contracts at the time of the Assured Guaranty Settlement.

Government-sponsored Enterprise Agreements

On December 31, 2010, the Corporation reached agreements with the GSEs, under which the Corporation paid $2.8 billion to resolve repurchase claims involving first-lien residential mortgage loans sold directly to the GSEs by entities related to legacy Countrywide (the GSE Agreements). The agreement with FHLMC extinguished all outstanding and potential mortgage repurchase and make-whole claims arising out of any alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FHLMC through 2008, subject to certain exceptions. The agreement with FNMA substantially resolved the existing pipeline of repurchase claims outstanding as of September 20, 2010 arising out of alleged breaches of selling representations and warranties related to loans sold directly by legacy Countrywide to FNMA. The GSE Agreements did not cover outstanding and potential mortgage repurchase claims arising out of any alleged breaches of selling representations and warranties related to legacy Bank of America first-lien residential mortgage loans sold directly to the GSEs or other loans sold directly to the GSEs other than described above, loan servicing obligations, other contractual obligations or loans contained in private-label securitizations.

Outstanding Claims

The Outstanding Claims by Counterparty and Product table presents outstanding representations and warranties claims by counterparty and product type at December 31, 2011 and 2010. For additional information, see Whole Loan Sales and Private-label Securitizations Experience on page 206 of this Note and *Note 14 – Commitments and Contingencies*. These repurchase claims include $1.7 billion in demands from investors in the Covered Trusts received in 2010, but otherwise do not include any repurchase claims related to the Covered Trusts. During 2011, the Corporation received $17.5 billion in new repurchase claims, including $14.3 billion in new repurchase claims submitted by the GSEs for both legacy Countrywide originations not covered by the GSE Agreements and legacy Bank of America originations, and $3.2 billion in repurchase claims related to non-GSE transactions. During 2011, $14.1 billion in claims were resolved primarily with the GSEs and through the Assured Guaranty Settlement. Of the claims resolved, $7.5 billion were resolved through rescissions and $6.6 billion were resolved through mortgage repurchase and make-whole payments. Claims outstanding from the monolines declined as a result of the Assured Guaranty Settlement, and new claims from other monolines declined significantly during 2011, which the Corporation believes was due in part to the monolines focusing recent efforts towards litigation. Outstanding claims from whole loan, private-label securitization and other investors increased during 2011 primarily as a result of the increase in repurchase claims received from trustees in non-GSE transactions.

Outstanding Claims by Counterparty and Product

(Dollars in millions)	December 31 2011	2010
By counterparty [1]		
GSEs	$ 6,258	$ 2,821
Monolines	3,082	4,678
Whole loan and private-label securitization investors and other [2]	4,912	3,188
Total outstanding claims by counterparty	$ 14,252	$ 10,687
By product type [1]		
Prime loans	$ 3,928	$ 2,040
Alt-A	2,333	1,190
Home equity	2,872	3,658
Pay option	3,588	2,889
Subprime	891	734
Other	640	176
Total outstanding claims by product type	$ 14,252	$ 10,687

(1) Excludes certain MI rescission notices. However, includes $1.2 billion of repurchase requests received from the GSEs that have resulted solely from MI rescission notices. For additional information, see Mortgage Insurance Rescission Notices in this Note.

(2) Amounts for December 31, 2011 and 2010 included $1.7 billion in demands contained in correspondence from private-label securitizations investors in the Covered Trusts that do not have the right to demand repurchase of loans directly or the right to access loan files. For additional information, see Settlement with Bank of New York Mellon, as Trustee in this Note.

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

Mortgage Insurance Rescission Notices

In addition to repurchase claims, the Corporation receives notices from mortgage insurance companies of claim denials, cancellations, or coverage rescission (collectively, MI rescission notices) and the amount of such notices have remained elevated. When there is disagreement with the mortgage insurer as to the resolution of a MI rescission notice, meaningful dialogue and negotiation are generally necessary between the parties to reach a conclusion on an individual notice. The level of engagement of the mortgage insurance companies varies and on-going litigation involving some of the mortgage insurance companies over individual and bulk rescissions or claims for rescission limits the ability of the Corporation to engage in constructive dialogue leading to resolution. For loans sold to GSEs or private-label securitization trusts (including those wrapped by the monoline bond insurers), a MI rescission may give rise to a claim for breach of the applicable representations and warranties, depending on the governing sales contracts. In those cases where the governing contract contains a MI-related representation and warranty which upon rescission requires the Corporation to repurchase the affected loan or indemnify the investor for the related loss, the Corporation realizes the loss without the benefit of MI. If the Corporation is required to repurchase a loan or indemnify the investor as a result of a different breach of representations and warranties and there has been a MI rescission, or if the Corporation holds the loan for investment, it realizes the loss without the benefit of MI. In addition, mortgage insurance companies have in some cases asserted the ability to curtail MI payments, which in these cases would reduce the MI proceeds available to reduce the loss on the loan. While a legitimate MI rescission may constitute a valid basis for repurchase or other remedies under the GSE agreements and a small number of private-label MBS securitizations, and a MI rescission notice may result in a repurchase request, the Corporation believes MI rescission notices in and of themselves are not valid repurchase requests.

On June 30, 2011, FNMA issued an announcement requiring servicers to report, effective October 1, 2011, all MI rescissions, cancellations and claim denials (together, rescissions) with respect to loans sold to FNMA. The announcement also confirmed FNMA's view of its position that a mortgage insurance company's issuance of a MI rescission notice constitutes a breach of the lender's representations and warranties and permits FNMA to require the lender to repurchase the mortgage loan or promptly remit a make-whole payment covering FNMA's loss even if the lender is contesting the MI rescission notice. A related announcement included a ban on bulk settlements with mortgage insurers that provide for loss sharing in lieu of rescission. According to FNMA's announcement, through June 30, 2012, lenders have 90 days to appeal FNMA's repurchase request and 30 days (or such other time frame specified by FNMA) to appeal after that date. According to FNMA's announcement, in order to be successful in its appeal, a lender must provide documentation confirming reinstatement or continuation of coverage. This announcement could result in more repurchase requests from FNMA than the assumptions in the Corporation's estimated liability contemplate. The Corporation also expects that in many cases (particularly in the context of individual or bulk rescissions being contested through litigation), it will not be able to resolve MI rescission notices with the mortgage insurance companies before the expiration of the appeal period prescribed by the FNMA announcement. The Corporation has informed FNMA that it does not believe that the new policy is valid under its contracts with FNMA, and that it does not intend to repurchase loans under the terms set forth in the new policy. The Corporation's pipeline of outstanding repurchase claims from the GSEs resulting solely on MI rescission notices has increased during 2011 by $935 million to $1.2 billion at December 31, 2011. If it is required to abide by the terms of the new FNMA policy, the Corporation's representations and warranties liability will likely increase.

At December 31, 2011, the Corporation had approximately 90,000 open MI rescission notices compared to 72,000 at December 31, 2010. Through December 31, 2011, 26 percent of the MI rescission notices received have been resolved. Of those resolved, 24 percent were resolved through the Corporation's acceptance of the MI rescission, 46 percent were resolved through reinstatement of coverage or payment of the claim by the mortgage insurance company, and 30 percent were resolved on an aggregate basis through settlement, policy commutation or similar arrangement. As of December 31, 2011, 74 percent of the MI rescission notices the Corporation has received have not yet been resolved. Of those not yet resolved, 48 percent are implicated by ongoing litigation where no loan-level review is currently contemplated (nor required to preserve the Corporation's legal rights). In this litigation, the litigating mortgage insurance companies are also seeking bulk rescission of certain policies, separate and apart from loan-by-loan denials or rescissions. The Corporation is in the process of reviewing 11 percent of the remaining open MI rescission notices, and the Corporation has reviewed and is contesting the MI rescission with respect to 89 percent of these remaining open MI rescission notices. Of the remaining open MI rescission notices, 29 percent are also the subject of ongoing litigation although, at present, these MI rescissions are being processed in a manner generally consistent with those not affected by litigation.

Cash Settlements

As presented in the Loan Repurchases and Indemnification Payments table, during 2011 and 2010, the Corporation paid $5.2 billion and $5.2 billion to resolve $6.2 billion and $6.6 billion of repurchase claims through repurchase or reimbursement to the investor or securitization trust for losses they incurred, resulting in a loss on the related loans at the time of repurchase or reimbursement of $3.5 billion and $3.5 billion. Cash paid for loan repurchases includes the unpaid principal balance of the loan plus past due interest. The amount of loss for loan repurchases is reduced by the fair value of the underlying loan collateral. The repurchase of loans and indemnification payments related to first-lien and home equity repurchase claims generally resulted from material breaches of representations and warranties related to the loans' material compliance with the applicable underwriting standards, including borrower misrepresentation, credit exceptions without sufficient compensating factors and non-compliance with underwriting procedures. The actual representations and warranties made in a sales transaction and the resulting repurchase and indemnification activity can vary by transaction or investor. A direct relationship between the type of defect that causes the breach of representations and warranties and the severity of the realized loss has not been observed. Transactions to repurchase or indemnification payments related to first-lien residential mortgages primarily involved the GSEs while transactions to repurchase or indemnification payments for home equity loans primarily involved the monoline insurers. In addition to the amounts previously discussed, the Corporation paid $1.0 billion during 2011 to Assured Guaranty as part of the Assured Guaranty Settlement. The table below presents first-lien and home equity loan repurchases and indemnification payments for 2011 and 2010.

Loan Repurchases and Indemnification Payments

	December 31					
	2011			2010		
(Dollars in millions)	Unpaid Principal Balance	Cash Paid for Repurchases	Loss	Unpaid Principal Balance	Cash Paid for Repurchases	Loss
First-lien						
Repurchases	$ 2,713	$ 3,067	$ 1,346	$ 2,557	$ 2,799	$ 1,142
Indemnification payments	3,329	2,026	2,026	3,785	2,173	2,173
Total first-lien	6,042	5,093	3,372	6,342	4,972	3,315
Home equity						
Repurchases	28	28	14	78	86	44
Indemnification payments	99	99	99	149	146	146
Total home equity	127	127	113	227	232	190
Total first-lien and home equity	$ 6,169	$ 5,220	$ 3,485	$ 6,569	$ 5,204	$ 3,505

Liability for Representations and Warranties and Corporate Guarantees

The liability for representations and warranties and corporate guarantees is included in accrued expenses and other liabilities on the Consolidated Balance Sheet and the related provision is included in mortgage banking income (loss). The Representations and Warranties and Corporate Guarantees table presents a rollforward of the liability for representations and warranties and corporate guarantees.

Representations and Warranties and Corporate Guarantees

(Dollars in millions)	2011	2010
Liability for representations and warranties and corporate guarantees, beginning of year	$ 5,438	$ 3,507
Additions for new sales	20	30
Charge-offs	(5,191)	(4,803)
Provision	15,591	6,785
Other	—	(81)
Liability for representations and warranties and corporate guarantees, December 31	$ 15,858	$ 5,438

The liability for representations and warranties is established when those obligations are both probable and reasonably estimable. For 2011, the provision for representations and warranties and corporate guarantees was $15.6 billion compared to $6.8 billion in 2010. Of the $15.6 billion provision recorded in 2011, $8.6 billion was attributable to the BNY Mellon Settlement and $7.0 billion was related to other exposures. The BNY Mellon Settlement led to the determination that the Corporation has sufficient experience to record a liability related to its exposure on certain other private-label securitizations. This determination combined with higher estimated GSE repurchase rates were the primary drivers of the balance of the provision in 2011. GSE repurchase rates increased driven by higher than expected claims during 2011, including claims on loans that defaulted more than 18 months prior to the repurchase request and on loans where the borrower has made a significant number of payments (e.g., at least 25 payments), in each case in numbers that were not expected based on historical claims.

Estimated Range of Possible Loss

Government-sponsored Enterprises

The Corporation's estimated provision and liability at December 31, 2011, for obligations under representations and warranties given to the GSEs considers, among other things, and is necessarily dependent on and limited by, its historical claims experience with the GSEs. It includes the Corporation's understanding of its agreements with the GSEs and projections of future defaults as well as certain other assumptions and judgmental factors. The Corporation's estimate of the liability for these obligations has been accounted for in the recorded liability for representations and warranties for these loans. In recent periods, the Corporation has been experiencing elevated levels of new claims from the GSEs, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case in numbers that were not expected based on historical experience. The criteria by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to the Corporation. While the Corporation is seeking to resolve its differences with the GSEs concerning each party's interpretation of the requirements of the governing contracts, whether it will be able to achieve a resolution of these differences on acceptable terms and timing thereof, is subject to significant uncertainty. The Corporation intends repurchase loans to the extent required under the contracts and standards that govern its relationships with the GSEs.

The Corporation is not able to predict changes in the behavior of the GSEs based on the Corporation's past experiences. Therefore, it is not possible to reasonably estimate a possible loss or range of possible loss with respect to any such potential impact in excess of current accrued liabilities.

Counterparties other than Government-sponsored Enterprises

The population of private-label securitizations included in the BNY Mellon Settlement encompasses almost all legacy Countrywide first-lien private-label securitizations including loans originated principally in the 2004 through 2008 vintage. For the remainder of the population of private-label securitizations, the Corporation believes it is probable that other claimants in certain types of securitizations may come forward with claims that meet the requirements of the terms of the securitizations. The Corporation has seen an increased trend in requests for loan files from private-label securitization trustees and an increase in repurchase claims from private-label securitization trustees that meet required standards. The Corporation believes that the provisions recorded in connection with the BNY Mellon Settlement and the additional non-GSE representations and warranties provisions recorded in 2011 have provided for a substantial portion of the Corporation's non-GSE representations and warranties exposures. However, it is reasonably possible that future representations and warranties losses may occur in excess of the amounts recorded for these exposures. In addition, as discussed below, the Corporation has not recorded any representations and warranties liability for certain potential monoline exposures and certain potential whole-loan and other private-label securitization exposures. The Corporation currently estimates that the range of possible loss related to non-GSE representations and warranties exposure as of December 31, 2011, could be up to $5 billion over existing accruals. This estimated range of possible loss for non-GSE representations and warranties does not represent a probable loss, and is based on currently available information, significant judgment and a number of assumptions, including those set forth below, that are subject to change.

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

In addition, in the case of private-label securitizations, the methodology used to estimate the non-GSE representations and warranties liability and the corresponding range of possible loss considers the implied repurchase experience based on the BNY Mellon Settlement and assumes that the conditions to the BNY Mellon Settlement are satisfied. Since the non-GSE transactions that were included in the BNY Mellon Settlement differ from those that were not included in the BNY Mellon Settlement, the Corporation adjusted the experience implied in the settlement in order to determine the estimated non-GSE representations and warranties liability and the corresponding range of possible loss. The judgmental adjustments made include consideration of the differences in the mix of products in the securitizations, loan originator, likelihood of claims differences, the differences in the number of payments that the borrower has made prior to default and the sponsor of the securitization.

Future provisions and/or ranges of possible loss for non-GSE representations and warranties may be significantly impacted if actual experiences are different from the Corporation's assumptions in its predictive models, including, without limitation, those regarding the ultimate resolution of the BNY Mellon Settlement, estimated repurchase rates, economic conditions, home prices, consumer and counterparty behavior, and a variety of judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the liability for representations and warranties and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of loss. For example, if courts were to disagree with the Corporation's interpretation that the underlying agreements require a claimant to prove that the representations and warranties breach was the cause of the loss, it could significantly impact this estimated range of possible loss. For additional information, see *Note 14 – Commitments and Contingencies*. Additionally, if recent court rulings related to monoline litigation, including one related to the Corporation, that have allowed sampling of loan files instead of requiring a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative as compared to a loan-by-loan review. Finally, although the Corporation believes that the representations and warranties typically given in non-GSE transactions are less rigorous and actionable than those given in GSE transactions, the Corporation does not have significant loan-level experience in non-GSE transactions to measure the impact of these differences on the probability that a loan will be required to be repurchased.

The liability for obligations under representations and warranties with respect to GSE and non-GSE exposures and the corresponding estimated range of possible loss for non-GSE representations and warranties exposures does not include any losses related to litigation matters disclosed in *Note 14 – Commitments and Contingencies*, nor do they include any separate foreclosure costs and related costs, assessments and compensatory fees or any possible losses related to potential claims for breaches of performance of servicing obligations (except as such losses are included as potential costs of the BNY Mellon Settlement), potential securities law or fraud claims or potential indemnity or other claims against the Corporation, including claims related to loans insured by the FHA. The Corporation is not able to reasonably estimate the amount of any possible loss with respect to any such servicing, securities law (except to the extent reflected in the aggregate range of possible loss for litigation and regulatory matters disclosed in *Note 14 – Commitments and Contingencies*), fraud or other claims against the Corporation; however, such loss could be material.

Government-sponsored Enterprises Experience

The Corporation and its subsidiaries have an established history of working with the GSEs on repurchase claims. However, the GSEs' repurchase requests, standards for rescission of repurchase requests, and resolution processes have become increasingly inconsistent with GSEs' prior conduct and the Corporation's interpretation of its contractual obligations. Notably, in recent periods, the Corporation has been experiencing elevated levels of new claims, including claims on loans on which borrowers have made a significant number of payments (e.g., at least 25 payments) or on loans which had defaulted more than 18 months prior to the repurchase request, in each case, in numbers that were not expected based on historical experience. Additionally, the criteria and the processes by which the GSEs are ultimately willing to resolve claims have changed in ways that are unfavorable to the Corporation. These developments have resulted in an increase in claims outstanding from the GSEs. The Corporation intends to repurchase loans to the extent required under the contracts and standards that govern its relationship with the GSEs. For additional information, see Mortgage Insurance Rescission Notices in this Note on page 202.

Generally, the Corporation first becomes aware that a GSE is evaluating a particular loan for repurchase when the Corporation receives a request from a GSE to review the underlying loan file (file request). Upon completing its review, the GSE may submit a repurchase claim to the Corporation. As soon as practicable after receiving a repurchase claim from either of the GSEs, the Corporation evaluates the claim and takes appropriate action. Claim disputes are generally handled through loan-level negotiations with the GSEs and the Corporation seeks to resolve the repurchase claim within 90 to 120 days of the receipt of the claim although tolerances exist for claims that remain open beyond this timeframe. Disputes include reasonableness of stated income, occupancy, undisclosed liabilities, and the validity of MI claim rescissions in the vintages with the highest default rates.

Monoline Insurers Experience

Experience with most of the monoline insurers has been varied and the protocols and experience with these counterparties has not been predictable. The timetable for the loan file request, the repurchase claim, if any, response and resolution vary by monoline. Where a breach of representations and warranties given by the Corporation or subsidiaries or legacy companies is confirmed on a given loan, settlement is generally reached as to that loan within 60 to 90 days.

The Corporation generally reviews properly presented repurchase claims from the monolines on a loan-by-loan basis. As part of an ongoing claims process, if the Corporation does not believe a claim is valid, it will deny the claim and generally indicate the reason for the denial to facilitate meaningful dialogue with the counterparty although it is not contractually obligated to do so. When there is disagreement as to the resolution of a claim, meaningful dialogue and negotiation is generally necessary between the parties to reach conclusion on an individual claim. Although the Assured Guaranty Settlement does not cover all securitizations where Assured Guaranty and subsidiaries provided insurance, it covers the transactions that resulted in repurchase requests from this monoline. As a result, the on-going claims process with counterparties with a more consistent repurchase experience is substantially complete.

The remaining monolines have instituted litigation against legacy Countrywide and Bank of America. When claims from these counterparties are denied, the Corporation does not indicate its reason for denial as it is not contractually obligated to do so. In the Corporation's experience, the monolines have been generally unwilling to withdraw repurchase claims, regardless of whether and what evidence was offered to refute a claim.

The pipeline of unresolved monoline claims where the Corporation believes a valid defect has not been identified which would constitute an actionable breach of representations and warranties decreased during 2011 as a result of the Assured Guaranty Settlement. Through December 31, 2011, approximately 30 percent of monoline claims that the Corporation initially denied have subsequently been resolved through the Assured Guaranty Settlement, 10 percent through repurchase or make-whole payments and one percent through rescission. When a claim has been denied and there has not been communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution.

To the extent there are repurchase claims based on valid identified loan defects and for repurchase claims that are in the process of review, a liability for representations and warranties is established. For repurchase claims in the process of review, the liability is based on historical repurchase experience with specific monoline insurers to the extent such experience provides a reasonable basis on which to estimate incurred losses from repurchase activity. In prior periods, a liability was established for Assured Guaranty related to repurchase claims subject to negotiation and unasserted claims to repurchase current and future defaulted loans. The Assured Guaranty Settlement resolved this representations and warranties liability with the liability for the related loss sharing reinsurance arrangement being recorded in other accrued liabilities. With respect to the other monoline insurers, the Corporation has had limited experience in the repurchase process as these monoline insurers have instituted litigation against legacy Countrywide and Bank of America, which limits the Corporation's ability to enter into constructive dialogue with these monolines to resolve the open claims. For these monolines, in view of the inherent difficulty of predicting the outcome of those repurchase claims where a valid defect has not been identified or in predicting future claim requests and the related outcome in the case of unasserted claims to repurchase loans from the securitization trusts in which these monolines have insured all or some of the related bonds, the Corporation cannot reasonably estimate the eventual outcome through the repurchase process. In addition, the timing of the ultimate resolution or the eventual loss through the repurchase process, if any, related to those repurchase claims cannot be reasonably estimated. Thus, with respect to these monolines, a liability for representations and warranties has not been established related to repurchase claims where a valid defect has not been identified, or in the case of any unasserted claims to repurchase loans from the securitization trusts in which such monolines have insured all or some of the related bonds. For additional information related to the monolines, see *Note 14 – Commitments and Contingencies*.

Monoline Outstanding Claims

At December 31, 2011, for loans originated between 2004 and 2008, the unpaid principal balance of loans related to unresolved monoline repurchase claims was $3.1 billion, substantially all of which the Corporation has reviewed and declined to repurchase based on an assessment of whether a material breach exists. As noted above, a portion of the repurchase claims that are initially denied are ultimately resolved through bulk settlement, repurchase or make-whole payments, after additional dialogue and negotiation with the monoline insurer. At December 31, 2011, the unpaid principal balance of loans in these vintages for which the monolines had requested loan files for review but for which no repurchase claim had been received was $6.1 billion, excluding loans that had been paid in full and file requests for loans included in the trusts settled with Assured Guaranty. There will likely be additional requests for loan files in the future leading to repurchase claims. Such claims may relate to loans that are currently in securitization trusts or loans that have defaulted and are no longer included in the unpaid principal balance of the loans in the trusts. However, it is unlikely that a repurchase claim will be received for every loan in a securitization or every file requested or that a valid defect exists for every loan repurchase claim. In addition, amounts paid on repurchase claims from a monoline are paid to the securitization trust and are applied in accordance with the terms of the governing securitization documents which may include use by the securitization trust to repay any outstanding monoline advances or reduce future advances from the monolines. To the extent that a monoline has not advanced funds or does not anticipate that it will be required to advance funds to the securitization trust, the likelihood of receiving a repurchase claim from a monoline may be reduced as the monoline would receive limited or no benefit from the payment of repurchase claims. Moreover, some monolines are not currently performing their obligations under the financial guaranty policies they issued which may, in certain circumstances, impact their ability to present repurchase claims, although in those circumstances, investors may be able to bring claims if contractual thresholds are met.

Whole Loan Sales and Private-label Securitizations Experience

The majority of the repurchase claims that the Corporation has received outside of those from the GSEs and monolines are from third-party whole-loan investors. In connection with these transactions, the Corporation provided representations and warranties and the whole-loan investors may retain those rights even when the loans were aggregated with other collateral into private-label securitizations sponsored by the whole-loan investors. The Corporation reviews properly presented repurchase claims for these whole loans on a loan-by-loan basis. If, after the Corporation's review, it does not believe a claim is valid, it will deny the claim and generally indicate a reason for the denial. When the counterparty agrees with the Corporation's denial of the claim, the counterparty may rescind the claim. When there is disagreement as to the resolution of the claim, meaningful dialogue and negotiation between the parties is generally necessary to reach conclusion on an individual claim. Generally, a whole-loan sale claimant is engaged in the repurchase process and the Corporation and the claimant reach resolution, either through loan-by-loan negotiation or at times, through a bulk settlement. Through December 31, 2011, 25 percent of the whole-loan claims that the Corporation initially denied have subsequently been resolved through repurchase or make-whole payments and 50 percent have been resolved through rescission or repayment in full by the borrower. Although the timeline for resolution varies, once an actionable breach is identified on a given loan, settlement is generally reached as to that loan within 60 to 90 days. When a claim has been denied and the Corporation does not have communication with the counterparty for six months, the Corporation views these claims as inactive; however, they remain in the outstanding claims balance until resolution.

In private-label securitizations, certain presentation thresholds need to be met in order for any repurchase claim to be asserted by investors. In 2011, there was an increase in repurchase claims from private-label securitization trustees that meet the required standards. During 2011, the Corporation received $2.1 billion of such repurchase claims. In addition, there has been an increase in requests for loan files from private-label securitization trustees, as well as requests for tolling agreements to toll the applicable statutes of limitation relating to representations and warranties claims, and the Corporation believes it is likely that these requests will lead to an increase in repurchase claims from private-label securitization trustees that meet required standards. The representations and warranties, as governed by the private-label securitization agreements, generally require that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. While the Corporation believes the agreements for private-label securitizations generally contain less rigorous representations and warranties and place higher burdens on investors seeking repurchases than the express provisions of comparable agreements with the GSEs without regard to any variations that may have arisen as a result of dealings with the GSEs, the agreements generally include a representation that underwriting practices were prudent and customary.

During 2010, the Corporation received claim demands totaling $1.7 billion from private-label securitization investors in the Covered Trusts. Non-GSE investors generally do not have the contractual right to demand repurchase of the loans directly or the right to access loan files. The inclusion of the $1.7 billion in outstanding claims, as reflected in the table on page 202, does not mean that the Corporation believes these claims have satisfied the contractual thresholds required for the private-label securitization investors to direct the securitization trustee to take action or that these claims are otherwise procedurally or substantively valid. One of these claimants has filed litigation against the Corporation relating to certain of these claims; the claims in this litigation would be extinguished if there is final court approval of the BNY Mellon Settlement.

NOTE 10 Goodwill and Intangible Assets

Goodwill

The Goodwill table presents goodwill balances by business segment at December 31, 2011 and 2010. The reporting units utilized for goodwill impairment tests are the business segments or one level below. The majority of the decline in goodwill during 2011 was due to goodwill impairment charges as described in this Note.

Goodwill

	December 31	
(Dollars in millions)	2011	2010
Deposits	$ 17,875	$ 17,875
Card Services	10,014	10,014
Consumer Real Estate Services	—	2,796
Global Commercial Banking	20,668	20,668
Global Banking & Markets	10,672	10,672
Global Wealth & Investment Management	9,928	9,928
All Other	810	1,908
Total goodwill	**$ 69,967**	$ 73,861

International Consumer Card Businesses

In connection with the Corporation's announcement on August 15, 2011 of its intention to exit the international consumer card businesses, goodwill of approximately $1.9 billion was allocated, on a relative fair value basis, from *Card Services* to *All Other* as of September 30, 2011. Of the $1.9 billion of goodwill allocated to the international consumer card businesses, $526 million of goodwill was allocated, on a relative fair value basis, to the Canadian consumer card business which was sold on December 1, 2011.

During the three months ended December 31, 2011, a goodwill impairment test was performed for the European consumer card businesses reporting unit as it was likely that the carrying amount of the businesses exceeded the fair value due to a decrease in estimated future growth projections. The Corporation concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $581 million for the European consumer card businesses.

Consumer Real Estate Services

In connection with the sale of Balboa Insurance Company's lender-placed insurance business on June 1, 2011, the Corporation allocated, on a relative fair value basis, $193 million of *CRES* goodwill to the business in determining the gain on the sale.

During the three months ended June 30, 2011, as a consequence of the BNY Mellon Settlement entered into by the Corporation on June 28, 2011, the adverse impact of the incremental mortgage-related charges, and the continued economic slowdown in the mortgage business, the Corporation performed a goodwill impairment test for the *CRES* reporting unit. The Corporation concluded that the remaining balance of goodwill of $2.6 billion was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge to reduce the carrying value of the goodwill in *CRES* to zero.

2011 Annual Impairment Test

During the three months ended September 30, 2011, the Corporation completed its annual goodwill impairment test as of June 30, 2011 for all reporting units. Based on the results of step one of the annual goodwill impairment test, the Corporation determined that step two was not required for any of the reporting units as their fair value exceeded their carrying value indicating there was no impairment.

2010 Impairment Tests

In 2010, the Corporation performed a goodwill impairment test for *Card Services* due to the continued stress on the business and the uncertain debit card interchange provisions under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Financial Reform Act). The Corporation concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $10.4 billion to reduce the carrying value of the goodwill in *Card Services*.

During the three months ended December 31, 2010, the Corporation performed a goodwill impairment test for the *CRES* reporting unit as it was likely that there was a decline in its fair value as a result of increased uncertainties, including existing and potential litigation exposure and other related risks, higher servicing costs including those related to loss mitigation, foreclosure related issues and the redeployment of centralized sales resources. The Corporation concluded that goodwill was impaired, and accordingly, recorded a non-cash, non-tax deductible goodwill impairment charge of $2.0 billion in *CRES*.

Intangible Assets

The table below presents the gross carrying amounts and accumulated amortization related to intangible assets at December 31, 2011 and 2010.

Intangible Assets

	December 31			
	2011		2010	
(Dollars in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	**$ 5,938**	**$ 3,765**	$ 7,162	$ 4,085
Core deposit intangibles	**3,903**	**2,915**	5,394	4,094
Customer relationships	**4,081**	**1,532**	4,232	1,222
Affinity relationships	**1,551**	**948**	1,647	902
Other intangibles	**2,476**	**768**	3,087	1,296
Total intangible assets	**$ 17,949**	**$ 9,928**	$ 21,522	$ 11,599

Excluded from 2011 amounts are $3.2 billion of fully amortized intangible assets and $396 million of intangible assets sold as part of the consumer credit card portfolio sales that occurred during the year.

None of the intangible assets were impaired at December 31, 2011 or 2010. Amortization of intangibles expense was $1.5 billion, $1.7 billion and $2.0 billion in 2011, 2010 and 2009, respectively. The Corporation estimates aggregate amortization expense will be approximately $1.3 billion, $1.1 billion, $1.0 billion, $870 million and $770 million for 2012 through 2016, respectively.

NOTE 11 Deposits

The Corporation had U.S. certificates of deposit and other U.S. time deposits of $100 thousand or more totaling $50.8 billion and $60.5 billion at December 31, 2011 and 2010. Non-U.S. certificates of deposit and other non-U.S. time deposits of $100 thousand or more totaled $34.0 billion and $40.6 billion at December 31, 2011 and 2010. The table below presents the contractual maturities for time deposits of $100 thousand or more at December 31, 2011.

Time Deposits of $100 Thousand or More

(Dollars in millions)	Three months or Less	Over Three Months to Twelve Months	Thereafter	Total
U.S. certificates of deposit and other time deposits	$ 20,402	$ 21,321	$ 9,091	**$ 50,814**
Non-U.S. certificates of deposit and other time deposits	30,060	747	3,180	**33,987**

The scheduled contractual maturities for total time deposits at December 31, 2011 are presented in the table below.

Contractual Maturities of Total Time Deposits

(Dollars in millions)	U.S.	Non-U.S.	Total
Due in 2012	$ 92,621	$ 41,286	**$ 133,907**
Due in 2013	10,956	8	**10,964**
Due in 2014	3,254	10	**3,264**
Due in 2015	1,774	3,098	**4,872**
Due in 2016	1,155	67	**1,222**
Thereafter	3,197	—	**3,197**
Total time deposits	$ 112,957	$ 44,469	**$ 157,426**

NOTE 12 Federal Funds Sold, Securities Borrowed or Purchased Under Agreements to Resell and Short-term Borrowings

The table below presents federal funds sold and securities borrowed or purchased under agreements to resell and short-term borrowings which include federal funds purchased, securities loaned or sold under agreements to repurchase, commercial paper and other short-term borrowings.

	2011		2010		2009	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate
Federal funds sold and securities borrowed or purchased under agreements to resell						
At December 31	$ 211,183	0.76%	$ 209,616	0.85%	$ 189,933	0.78%
Average during year	245,069	0.88	256,943	0.71	235,764	1.23
Maximum month-end balance during year	270,473	n/a	314,932	n/a	271,321	n/a
Federal funds purchased						
At December 31	243	0.06	1,458	0.14	4,814	0.09
Average during year	1,658	0.08	4,718	0.15	4,239	0.05
Maximum month-end balance during year	4,133	n/a	8,320	n/a	4,814	n/a
Securities loaned or sold under agreements to repurchase						
At December 31	214,621	1.08	243,901	1.15	250,371	0.39
Average during year	270,718	1.31	348,936	0.74	365,624	0.96
Maximum month-end balance during year	293,519	n/a	458,532	n/a	407,967	n/a
Commercial paper						
At December 31	23	1.70	15,093	0.65	13,131	0.65
Average during year	8,897	0.53	25,923	0.56	26,697	1.03
Maximum month-end balance during year	21,212	n/a	36,236	n/a	37,025	n/a
Other short-term borrowings						
At December 31	35,675	2.35	44,869	2.02	56,393	1.72
Average during year	42,996	2.31	50,752	1.88	92,084	1.87
Maximum month-end balance during year	47,087	n/a	63,081	n/a	169,602	n/a

n/a = not applicable

Bank of America, N.A. maintains a global program to offer up to a maximum of $75 billion outstanding at any one time, of bank notes with fixed or floating rates and maturities of at least seven days from the date of issue. Short-term bank notes outstanding under this program totaled $1.4 billion and $14.6 billion at December 31, 2011 and 2010. These short-term bank notes, along with Federal Home Loan Bank (FHLB) advances, U.S. Treasury tax and loan notes, and term federal funds purchased, are included in commercial paper and other short-term borrowings on the Consolidated Balance Sheet. See *Note 13 – Long-term Debt* for information regarding the long-term notes that have been issued under the $75 billion bank note program.

NOTE 13 Long-term Debt

Long-term debt consists of borrowings having an original maturity of one year or more. The table below presents the balance of long-term debt at December 31, 2011 and 2010, and the related contractual rates and maturity dates at December 31, 2011.

	December 31	
(Dollars in millions)	2011	2010
Notes issued by Bank of America Corporation		
Senior notes:		
Fixed, with a weighted-average rate of 4.81%, ranging from 1.42% to 7.85%, due 2012 to 2043	**$ 95,199**	$ 85,157
Floating, with a weighted-average rate of 1.46%, ranging from 0.23% to 6.64%, due 2012 to 2041	**28,064**	36,162
Senior structured notes	**18,920**	18,796
Subordinated notes:		
Fixed, with a weighted-average rate of 5.39%, ranging from 1.80% to 10.20%, due 2012 to 2038	**24,509**	26,553
Floating, with a weighted-average rate of 2.02%, ranging from 0.12% to 5.06%, due 2016 to 2019	**704**	705
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 6.93%, ranging from 5.25% to 11.45%, due 2026 to 2055	**12,859**	15,709
Floating, with a weighted-average rate of 1.14%, ranging from 0.80% to 3.81%, due 2027 to 2056	**1,165**	3,514
Total notes issued by Bank of America Corporation	**181,420**	186,596
Notes issued by Merrill Lynch & Co., Inc. and subsidiaries		
Senior notes:		
Fixed, with a weighted-average rate of 5.64%, ranging from 1.10% to 17.61%, due 2012 to 2037	**41,103**	43,495
Floating, with a weighted-average rate of 1.77%, ranging from 0.03% to 5.18%, due 2012 to 2044	**18,480**	27,447
Senior structured notes	**27,578**	38,891
Subordinated notes:		
Fixed, with a weighted-average rate of 6.04%, ranging from 2.61% to 8.13%, due 2016 to 2038	**11,454**	9,423
Floating, with a weighted-average rate of 1.59%, ranging from 0.98% to 2.89%, due 2017 to 2026	**1,207**	1,935
Junior subordinated notes (related to trust preferred securities):		
Fixed, with a weighted-average rate of 6.91%, ranging from 6.45% to 7.38%, due 2048 to perpetual	**3,600**	3,576
Other long-term debt	**701**	986
Total notes issued by Merrill Lynch & Co., Inc. and subsidiaries	**104,123**	125,753
Notes issued by Bank of America, N.A. and other subsidiaries		
Senior notes:		
Fixed, with a weighted-average rate of 5.06%, ranging from 4.00% to 7.61%, due 2012 to 2027	**164**	169
Floating, with a weighted-average rate of 0.28%, ranging from 0.21% to 0.77%, due 2012 to 2051	**8,029**	12,562
Senior structured notes	**—**	1,319
Subordinated notes:		
Fixed, with a weighted-average rate of 5.68%, ranging from 5.30% to 6.10%, due 2016 to 2036	**5,273**	5,194
Floating, with a weighted-average rate of 0.83%, ranging from 0.37% to 0.85%, due 2016 to 2019	**1,401**	2,023
Total notes issued by Bank of America, N.A. and other subsidiaries	**14,867**	21,267
Other debt		
Senior structured notes	**1,187**	—
Subordinated notes:		
Fixed, with a weighted average rate of 6.87%, ranging from 6.63% to 7.13%, due 2012	**983**	—
Advances from Federal Home Loan Banks:		
Fixed, with a weighted-average rate of 3.42%, ranging from 0.95% to 7.72%, due 2012 to 2034	**18,798**	41,001
Other	**1,833**	2,801
Total other debt	**22,801**	43,802
Total long-term debt excluding consolidated VIEs	**323,211**	377,418
Long-term debt of consolidated VIEs	**49,054**	71,013
Total long-term debt	**$ 372,265**	$ 448,431

Bank of America Corporation, Merrill Lynch & Co., Inc. and subsidiaries, and Bank of America, N.A. maintain various U.S. and non-U.S. debt programs to offer both senior and subordinated notes. The notes may be denominated in U.S. dollars or foreign currencies. At December 31, 2011 and 2010, the amount of foreign currency-denominated debt translated into U.S. dollars included in total long-term debt was $117.0 billion and $145.9 billion. Foreign currency contracts are used to convert certain foreign currency-denominated debt into U.S. dollars.

At December 31, 2011, long-term debt of consolidated VIEs included credit card, automobile, home equity and other VIEs of $33.1 billion, $2.9 billion, $3.1 billion and $10.0 billion, respectively. Long-term debt of VIEs is collateralized by the assets of the VIEs. For more information, see *Note 8 – Securitizations and Other Variable Interest Entities.* The majority of the floating rates are based on three- and six-month LIBOR.

At December 31, 2011 and 2010, Bank of America Corporation had approximately $69.8 billion and $88.4 billion of authorized, but unissued corporate debt and other securities under its existing U.S. shelf registration statements. At December 31, 2011 and 2010, Bank of America, N.A. had approximately $67.3 billion and $53.3 billion of authorized, but unissued bank notes under its existing $75 billion bank note program. Long-term bank notes issued and outstanding under the program totaled $6.3 billion and $7.1 billion at December 31, 2011 and 2010. At both December 31, 2011 and 2010, Bank of America, N.A. had approximately $20.6 billion of authorized, but unissued mortgage notes under its $30.0 billion mortgage bond program.

The weighted-average effective interest rates for total long-term debt (excluding senior structured notes), total fixed-rate debt and total floating-rate debt, were 4.35 percent, 5.17 percent and 1.38 percent, respectively, at December 31, 2011 and 3.96 percent, 5.02 percent and 1.09 percent, respectively, at December 31, 2010. 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. The Corporation's goal is to manage interest rate sensitivity so that movements in interest rates do not significantly adversely affect earnings and capital. The above weighted-average rates are the contractual interest rates on the debt and do not reflect the impacts of derivative transactions.

The weighted-average interest rate for debt, excluding senior structured notes, issued by Merrill Lynch & Co., Inc. and subsidiaries was 4.74 percent and 4.11 percent at December 31, 2011 and 2010. As of December 31, 2011, the Corporation has not assumed or guaranteed the $105.6 billion of long-term debt that was issued or guaranteed by Merrill Lynch & Co., Inc. or its subsidiaries prior to the acquisition of Merrill Lynch by the Corporation. All existing Merrill Lynch & Co., Inc. guarantees of securities issued by certain Merrill Lynch subsidiaries under various non-U.S. securities offering programs will remain in full force and effect as long as those securities are outstanding, and the Corporation has not assumed any of those prior Merrill Lynch & Co., Inc. guarantees or otherwise guaranteed such securities.

Certain senior structured notes are accounted for under the fair value option. For more information on these senior structured notes, see *Note 23 – Fair Value Option.*

The table below represents the carrying value for aggregate annual maturities of long-term debt at December 31, 2011.

Long-term Debt by Maturity

(Dollars in millions)	2012	2013	2014	2015	2016	Thereafter	Total
Bank of America Corporation	$ 43,877	$ 9,967	$ 19,166	$ 13,895	$ 20,575	$ 73,940	**$ 181,420**
Merrill Lynch & Co., Inc. and subsidiaries	22,494	16,579	17,784	4,415	3,897	38,954	**104,123**
Bank of America, N.A. and other subsidiaries	5,776	—	29	—	1,134	7,928	**14,867**
Other debt	13,738	4,888	1,658	380	15	2,122	**22,801**
Total long-term debt excluding consolidated VIEs	85,885	31,434	38,637	18,690	25,621	122,944	**323,211**
Long-term debt of consolidated VIEs	11,530	14,353	9,201	1,330	2,898	9,742	**49,054**
Total long-term debt	**$ 97,415**	**$ 45,787**	**$ 47,838**	**$ 20,020**	**$ 28,519**	**$ 132,686**	**$ 372,265**

Included in the above table are certain structured notes that contain provisions whereby the borrowings are redeemable at the option of the holder (put options) at specified dates prior to maturity. Other structured notes have coupon or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities and the maturity may be accelerated based on the value of a referenced index or security. In both cases, the Corporation or a subsidiary may be required to settle the obligation for cash or other securities prior to the contractual maturity date. These borrowings are reflected in the above table as maturing at their earliest put or redemption date.

Trust Preferred and Hybrid Securities

Trust preferred securities (Trust Securities) are primarily issued by trust companies (the Trusts) that are not consolidated. These Trust Securities are mandatorily redeemable preferred security obligations of the Trusts. The sole assets of the Trusts generally are junior subordinated deferrable interest notes of the Corporation or its subsidiaries (the Notes). The Trusts generally are 100 percent-owned finance subsidiaries of the Corporation. Obligations associated with the Notes are included in the long-term debt table on page 210.

Certain of the Trust Securities were issued at a discount and may be redeemed prior to maturity at the option of the Corporation. The Trusts generally have invested the proceeds of such Trust Securities in the Notes. Each issue of the Notes has an interest rate equal to the corresponding Trust Securities distribution rate. The Corporation has the right to defer payment of interest on the Notes at any time or from time to time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the relevant Notes. During any such extension period, distributions on the Trust Securities will also be deferred and the Corporation's ability to pay dividends on its common and preferred stock will be restricted.

The Trust Securities generally are subject to mandatory redemption upon repayment of the related Notes at their stated maturity dates or their earlier redemption at a redemption price equal to their liquidation amount plus accrued distributions to the date fixed for redemption and the premium, if any, paid by the Corporation upon concurrent repayment of the related Notes.

Periodic cash payments and payments upon liquidation or redemption with respect to Trust Securities are guaranteed by the Corporation or its subsidiaries to the extent of funds held by the Trusts (the Preferred Securities Guarantee). The Preferred Securities Guarantee, when taken together with the Corporation's other obligations including its obligations under the Notes, generally will constitute a full and unconditional guarantee, on a subordinated basis, by the Corporation of payments due on the Trust Securities.

Hybrid Income Term Securities (HITS) totaling $1.6 billion were issued by the Trusts to institutional investors during 2007. The BAC Capital Trust XIII Floating-Rate Preferred HITS had a distribution rate of three-month LIBOR plus 40 bps and the BAC Capital Trust XIV Fixed-to-Floating Rate Preferred HITS had an initial distribution rate of 5.63 percent. Both series of HITS represent beneficial interests in the assets of the respective capital trust, which consist of a series of the Corporation's junior subordinated notes and a stock purchase contract for a specified series of the Corporation's preferred stock. The Corporation will remarket the junior subordinated notes underlying each series of HITS on or about the five-year anniversary of the issuance to obtain sufficient funds for the capital trusts to buy the Corporation's preferred stock under the stock purchase contracts. Following the successful remarketing of the notes and the subsequent purchase of the Corporation's preferred stock under the stock purchase contracts, the preferred stock will constitute the sole asset of the applicable trust.

In connection with the HITS, the Corporation entered into two replacement capital covenants for the benefit of investors in certain series of the Corporation's long-term indebtedness (Covered Debt). As of December 31, 2011, the Corporation's 6.625% Junior Subordinated Notes due 2036 constitute the Covered Debt under the covenant corresponding to the Floating-Rate Preferred HITS and the Corporation's 5.625% Junior Subordinated Notes due 2035 constitute the Covered Debt under the covenant corresponding to the Fixed-to-Floating Rate Preferred HITS. These covenants generally restrict the ability of the Corporation and its subsidiaries to redeem or purchase the HITS and related securities unless the Corporation has obtained the prior approval of the Federal Reserve if required under the Federal Reserve's capital guidelines, the redemption or purchase price of the HITS does not exceed the amount received by the Corporation from the sale of certain qualifying securities, and such replacement securities qualify as Tier 1 capital and are not "restricted core capital elements" under the Federal Reserve's guidelines.

In 2011, as part of the exchange agreements described in *Note 15 – Shareholders' Equity*, the Corporation issued 282 million shares of common stock valued at $1.6 billion and senior notes valued at $1.5 billion in exchange for $3.8 billion aggregate liquidation amount of previously issued Trust Securities. Upon the exchange, the Corporation immediately surrendered the Trust Securities to the unconsolidated Trusts for cancellation, resulting in the cancellation of an equal amount of junior subordinated notes that had a carrying value of $4.3 billion, resulting in a gain on extinguishment of debt of $1.2 billion. In addition, the Corporation issued 26 million shares of common stock valued at $138 million and senior notes valued at $505 million in exchange for $917 million aggregate liquidation amount of HITS. Upon the exchange, the Corporation immediately surrendered the HITS to the unconsolidated Trusts for cancellation, resulting in the cancellation of an equal amount of junior subordinated notes that had a carrying value of $915 million, and the cancellation of a corresponding amount of the underlying stock purchase contract, resulting in a $12 million loss on extinguishment of debt and an increase to additional paid-in capital of $284 million. For additional information regarding these exchanges, see *Note 15 – Shareholders' Equity*.

The table below lists each series of Trust Securities or HITS, and the corresponding aggregate liquidation preference covered by the Exchange Agreements.

Negotiated Exchanges

(Dollars in millions)	Aggregate Liquidation Amount Exchanged
HITS	
Trust XIII	$ 559
Trust XIV	358
Trust Securities	
BAC Capital Trust I	1
BAC Capital Trust II	2
BAC Capital Trust III	1
BAC Capital Trust IV	8
BAC Capital Trust V	4
BAC Capital Trust VI	823
BAC Capital Trust VII (1)	1,114
BAC Capital Trust VIII	4
BAC Capital Trust X	9
BAC Capital Trust XI	198
BAC Capital Trust XV	446
NB Capital Trust II	76
NB Capital Trust III	269
NB Capital Trust IV	73
Fleet Capital Trust II	47
Bank of America Capital III	226
Fleet Capital Trust V	142
BankBoston Capital Trust III	136
BankBoston Capital Trust IV	95
MBNA Capital B	165
Total exchanged	**$ 4,756**

(1) Notes were denominated in British Pound. Presentation currency is U.S. Dollar.

The Trust Securities Summary table details the outstanding Trust Securities, HITS and the related Notes previously issued which remained outstanding at December 31, 2011, as originated by Bank of America Corporation and its predecessor companies and subsidiaries, after consideration of the exchange agreements. For additional information on Trust Securities for regulatory capital purposes, see *Note 18 – Regulatory Requirements and Restrictions*.

Trust Securities Summary

(Dollars in millions)

Issuer	Issuance Date	Aggregate Principal Amount of Trust Securities	Aggregate Principal Amount of the Notes	Stated Maturity of the Notes	Per Annum Interest Rate of the Notes	Interest Payment Dates	Redemption Period
Bank of America							
Capital Trust I	December 2001	$ 574	$ **592**	December 2031	7.00%	3/15,6/15,9/15,12/15	On or after 12/15/06
Capital Trust II	January 2002	898	**926**	February 2032	7.00	2/1,5/1,8/1,11/1	On or after 2/01/07
Capital Trust III	August 2002	500	**516**	August 2032	7.00	2/15,5/15,8/15,11/15	On or after 8/15/07
Capital Trust IV	April 2003	367	**379**	May 2033	5.88	2/1,5/1,8/1,11/1	On or after 5/01/08
Capital Trust V	November 2004	514	**530**	November 2034	6.00	2/3,5/3,8/3,11/3	On or after 11/03/09
Capital Trust VI	March 2005	177	**208**	March 2035	5.63	3/8,9/8	Any time
Capital Trust VII [(1)]	August 2005	260	**258**	August 2035	5.25	2/10,8/10	Any time
Capital Trust VIII	August 2005	526	**542**	August 2035	6.00	2/25,5/25,8/25,11/25	On or after 8/25/10
Capital Trust X	March 2006	891	**919**	March 2055	6.25	3/29,6/29,9/29,12/29	On or after 3/29/11
Capital Trust XI	May 2006	802	**833**	May 2036	6.63	5/23,11/23	Any time
Capital Trust XII	August 2006	863	**890**	August 2055	6.88	2/2,5/2,8/2,11/2	On or after 8/02/11
Capital Trust XIII	February 2007	141	**141**	March 2043	3-mo. LIBOR +40 bps	3/15,6/15,9/15,12/15	On or after 3/15/17
Capital Trust XIV	February 2007	492	**492**	March 2043	5.63	3/15,9/15	On or after 3/15/17
Capital Trust XV	May 2007	54	**54**	June 2056	3-mo. LIBOR +80 bps	3/1,6/1,9/1,12/1	On or after 6/01/37
NationsBank							
Capital Trust II	December 1996	289	**300**	December 2026	7.83	6/15,12/15	On or after 12/15/06
Capital Trust III	February 1997	231	**246**	January 2027	3-mo. LIBOR +55 bps	1/15,4/15,7/15,10/15	On or after 1/15/07
Capital Trust IV	April 1997	427	**442**	April 2027	8.25	4/15,10/15	On or after 4/15/07
BankAmerica							
Institutional Capital A	November 1996	450	**464**	December 2026	8.07	6/30,12/31	On or after 12/31/06
Institutional Capital B	November 1996	300	**309**	December 2026	7.70	6/30,12/31	On or after 12/31/06
Capital II	December 1996	450	**464**	December 2026	8.00	6/15,12/15	On or after 12/15/06
Capital III	January 1997	174	**186**	January 2027	3-mo. LIBOR +57 bps	1/15,4/15,7/15,10/15	On or after 1/15/02
Barnett							
Capital III	January 1997	250	**258**	February 2027	3-mo. LIBOR +62.5 bps	2/1,5/1,8/1,11/1	On or after 2/01/07
Fleet							
Capital Trust II	December 1996	203	**211**	December 2026	7.92	6/15,12/15	On or after 12/15/06
Capital Trust V	December 1998	108	**116**	December 2028	3-mo. LIBOR +100 bps	3/18,6/18,9/18,12/18	On or after 12/18/03
Capital Trust VIII	March 2002	534	**550**	March 2032	7.20	3/15,6/15,9/15,12/15	On or after 3/08/07
Capital Trust IX	July 2003	175	**180**	August 2033	6.00	2/1,5/1,8/1,11/1	On or after 7/31/08
BankBoston							
Capital Trust III	June 1997	114	**122**	June 2027	3-mo. LIBOR +75 bps	3/15,6/15,9/15,12/15	On or after 6/15/07
Capital Trust IV	June 1998	155	**163**	June 2028	3-mo. LIBOR +60 bps	3/8,6/8,9/8,12/8	On or after 6/08/03
Progress							
Capital Trust I	June 1997	9	**9**	June 2027	10.50	6/1,12/1	On or after 6/01/07
Capital Trust II	July 2000	6	**6**	July 2030	11.45	1/19,7/19	On or after 7/19/10
Capital Trust III	November 2002	10	**10**	November 2032	3-mo. LIBOR +335 bps	2/15,5/15,8/15,11/15	On or after 11/15/07
Capital Trust IV	December 2002	5	**5**	January 2033	3-mo. LIBOR +335 bps	1/7,4/7,7/7,10/7	On or after 1/07/08
MBNA							
Capital Trust A	December 1996	250	**258**	December 2026	8.28	6/1,12/1	On or after 12/01/06
Capital Trust B	January 1997	115	**124**	February 2027	3-mo. LIBOR +80 bps	2/1,5/1,8/1,11/1	On or after 2/01/07
Capital Trust D	June 2002	300	**309**	October 2032	8.13	1/1,4/1,7/1,10/1	On or after 10/01/07
Capital Trust E	November 2002	200	**206**	February 2033	8.10	2/15,5/15,8/15,11/15	On or after 2/15/08
ABN AMRO North America							
Series I	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	2/15,5/15,8/15,11/15	On or after 11/08/12
Series II	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	3/15,6/15,9/15,12/15	On or after 11/08/12
Series III	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	1/15,4/15,7/15,10/15	On or after 11/08/12
Series IV	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	2/28,5/30,8/30,11/30	On or after 11/08/12
Series V	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	3/30,6/30,9/30,12/30	On or after 11/08/12
Series VI	May 2001	77	**77**	Perpetual	3-mo. LIBOR +175 bps	1/30,4/30,7/30,10/30	On or after 11/08/12
Series VII	May 2001	88	**88**	Perpetual	3-mo. LIBOR +175 bps	3/15,6/15,9/15,12/15	On or after 11/08/12
Series IX	June 2001	70	**70**	Perpetual	3-mo. LIBOR +175 bps	3/5,6/5,9/5,12/5	On or after 11/08/12
Series X	June 2001	53	**53**	Perpetual	3-mo. LIBOR +175 bps	3/12,6/12,9/12,12/12	On or after 11/08/12
Series XI	June 2001	27	**27**	Perpetual	3-mo. LIBOR +175 bps	3/26,6/26,9/26,12/26	On or after 11/08/12
Series XII	June 2001	80	**80**	Perpetual	3-mo. LIBOR +175 bps	1/10,4/10,7/10,10/10	On or after 11/08/12
Series XIII	June 2001	70	**70**	Perpetual	3-mo. LIBOR +175 bps	1/24,4/24,7/24,10/24	On or after 11/08/12
LaSalle							
Series I	August 2000	491	**491**	Perpetual	3-mo. LIBOR +105.5 bps thereafter	3/15,6/15,9/15,12/15	On or after 9/15/10
Series J	September 2000	94	**94**	Perpetual	3-mo. LIBOR +105.5 bps thereafter	3/15,6/15,9/15,12/15	On or after 9/15/10
Countrywide							
Capital III	June 1997	200	**206**	June 2027	8.05	6/15,12/15	Only under special event
Capital IV	April 2003	500	**515**	April 2033	6.75	1/1,4/1,7/1,10/1	On or after 4/11/08
Capital V	November 2006	1,495	**1,496**	November 2036	7.00	2/1,5/1,8/1,11/1	On or after 11/01/11
Merrill Lynch							
Preferred Capital Trust III	January 1998	750	**900**	Perpetual	7.00	3/30,6/30,9/30,12/30	On or after 3/08
Preferred Capital Trust IV	June 1998	400	**480**	Perpetual	7.12	3/30,6/30,9/30,12/30	On or after 6/08
Preferred Capital Trust V	November 1998	850	**1,021**	Perpetual	7.28	3/30,6/30,9/30,12/30	On or after 9/08
Capital Trust I	December 2006	1,050	**1,051**	December 2066	6.45	3/15,6/15,9/15,12/15	On or after 12/11
Capital Trust II	May 2007	950	**951**	June 2062	6.45	3/15,6/15,9/15,12/15	On or after 6/12
Capital Trust III	August 2007	750	**751**	September 2062	7.375	3/15,6/15,9/15,12/15	On or after 9/12
Total		$ 20,194	$ **21,024**				

(1) Notes were denominated in British Pound. Presentation currency is U.S. Dollar.

NOTE 14 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, SBLC and commercial letters of credit to meet the financing needs of its customers. The table below includes the notional amount of unfunded legally binding lending commitments net of amounts distributed (e.g., syndicated) to other financial institutions of $27.1 billion and $23.3 billion at December 31, 2011 and 2010. At December 31, 2011, the carrying amount of these commitments, excluding commitments accounted for under the fair value option, was $741 million, including deferred revenue of $27 million and a reserve for unfunded lending commitments of $714 million. At December 31, 2010, the comparable amounts were $1.2 billion, $29 million and $1.2 billion, respectively. The carrying amount of these commitments is classified in accrued expenses and other liabilities on the Consolidated Balance Sheet.

The table below also includes the notional amount of commitments of $25.7 billion and $27.3 billion at December 31, 2011 and 2010 that are accounted for under the fair value option. However, the table below excludes fair value adjustments of $1.2 billion and $866 million on these commitments, which are classified in accrued expenses and other liabilities. For information regarding the Corporation's loan commitments accounted for under the fair value option, see *Note 23 – Fair Value Option.*

Credit Extension Commitments

(Dollars in millions)	Expire in One Year or Less	Expire After One Year Through Three Years	Expire After Three Years Through Five Years	Expire After Five Years	Total
	December 31, 2011				
Notional amount of credit extension commitments					
Loan commitments	**$ 96,291**	**$ 85,413**	**$ 120,770**	**$ 15,009**	**$ 317,483**
Home equity lines of credit	**1,679**	**7,765**	**20,963**	**37,066**	**67,473**
Standby letters of credit and financial guarantees (1)	**26,965**	**18,932**	**6,433**	**5,505**	**57,835**
Letters of credit	**2,828**	**27**	**5**	**383**	**3,243**
Legally binding commitments	**127,763**	**112,137**	**148,171**	**57,963**	**446,034**
Credit card lines (2)	**449,097**	**—**	**—**	**—**	**449,097**
Total credit extension commitments	**$ 576,860**	**$ 112,137**	**$ 148,171**	**$ 57,963**	**$ 895,131**
	December 31, 2010				
Notional amount of credit extension commitments					
Loan commitments	$ 152,926	$ 144,461	$ 43,465	$ 16,172	$ 357,024
Home equity lines of credit	1,722	4,290	18,207	55,886	80,105
Standby letters of credit and financial guarantees (1)	35,275	18,940	4,144	5,897	64,256
Letters of credit (3)	3,698	110	—	874	4,682
Legally binding commitments	193,621	167,801	65,816	78,829	506,067
Credit card lines (2)	497,068	—	—	—	497,068
Total credit extension commitments	$ 690,689	$ 167,801	$ 65,816	$ 78,829	$ 1,003,135

(1) The notional amounts of SBLCs 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 $39.2 billion and $17.8 billion at December 31, 2011 and $41.1 billion and $22.4 billion at December 31, 2010. Amount includes consumer SBLCs of $859 million at December 31, 2011.

(2) Includes business card unused lines of credit.

(3) Amount includes $849 million of consumer letters of credit and $3.8 billion of commercial letters of credit at December 31, 2010.

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 borrower's ability to pay.

Other Commitments

Global Principal Investments and Other Equity Investments

At December 31, 2011 and 2010, the Corporation had unfunded equity investment commitments of $772 million and $1.5 billion. In light of proposed Basel regulatory capital changes related to unfunded commitments over the past two years, the Corporation has actively reduced these commitments in a series of sale transactions involving its private equity fund investments.

Other Commitments

At December 31, 2011 and 2010, the Corporation had commitments to purchase loans (e.g., residential mortgage and commercial real estate) of $2.5 billion and $2.6 billion which upon settlement will be included in loans or LHFS.

At December 31, 2011 and 2010, the Corporation had commitments to enter into forward-dated resale and securities borrowing agreements of $67.0 billion and $39.4 billion. In addition, the Corporation had commitments to enter into forward-dated repurchase and securities lending agreements of $42.0 billion and $33.5 billion. All of these commitments expire within the next 12 months.

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases are approximately $3.0 billion, $2.6 billion, $2.0 billion, $1.6 billion and $1.3 billion for 2012 through 2016, respectively, and $6.1 billion in the aggregate for all years thereafter.

The Corporation has entered into agreements with providers of market data, communications, systems consulting and other office-related services. At December 31, 2011 and 2010, the minimum fee commitments over the remaining terms of these agreements totaled $1.9 billion and $2.1 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. In addition, investment parameters of the underlying portfolio are restricted. 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 recorded as derivatives and carried at fair value in the trading portfolio. At both December 31, 2011 and 2010, the notional amount of these guarantees totaled $15.8 billion and the Corporation's maximum exposure related to these guarantees totaled $5.1 billion and $5.0 billion with estimated maturity dates between 2030 and 2040. As of December 31, 2011, the Corporation had not made a payment under these products. The possibility of surrender or other payment associated with these guarantees exists. The net fair value of the liability associated with these guarantees was $48 million and $78 million at December 31, 2011 and 2010 and reflects the probability of surrender as well as the multiple structural protection features in the contracts.

Employee Retirement Protection

The Corporation sells products that offer book value protection primarily to plan sponsors of the 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 recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2011 and 2010, the notional amount of these guarantees totaled $28.8 billion and $33.8 billion with estimated maturity dates up to 2015 if the exit option is exercised on all deals. As of December 31, 2011, the Corporation had not made a payment under these products.

Indemnifications

In the ordinary course of business, the Corporation enters into various agreements that contain indemnifications, such as tax indemnifications, whereupon payment may become due if certain external events occur, such as a change in tax law. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business based on an assessment that the risk of loss would be remote. These agreements typically contain an early termination clause that permits the Corporation to exit the agreement upon these events. The maximum potential future payment under indemnification agreements is difficult to assess for several reasons, including the occurrence of an external event, the inability to predict future changes in tax and other laws, the difficulty in determining how such laws would apply to parties in contracts, the absence of exposure limits contained in standard contract language and the timing of the early termination clause. Historically, any payments made under these guarantees have been de minimis. The Corporation has assessed the probability of making such payments in the future as remote.

Merchant Services

During 2009, the Corporation contributed its merchant services business to a joint venture in exchange for a 46.5 percent ownership interest in the joint venture. In 2010, the joint venture purchased the interest held by one of the three initial investors bringing the Corporation's ownership interest up to 49 percent. For additional information on the joint venture agreement, see *Note 5 – Securities*.

In accordance with credit and debit card association rules, the Corporation sponsors merchant processing servicers that process credit and debit card transactions on behalf of various merchants. 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. If the merchant defaults on its obligation to reimburse the cardholder, the cardholder, through its issuing bank, generally has until six months after the date of the transaction to present a chargeback to the merchant processor, which is primarily liable for any losses on covered transactions. However, if the merchant processor fails to meet its obligation to reimburse the cardholder for disputed transactions, then the Corporation, as the sponsor, could be held liable for the disputed amount. In 2011 and 2010, the sponsored entities processed and settled $460.4 billion and $339.4 billion of transactions and recorded losses of $11 million and $17 million. At December 31, 2011 and 2010, the Corporation held as collateral $238 million and $25 million of merchant escrow deposits which may be used to offset amounts due from the individual merchants.

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, MasterCard and Discover for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of December 31, 2011 and 2010, the maximum potential exposure for sponsored transactions totaled approximately $236.0 billion and $139.5 billion. The Corporation does not expect to make material payments in connection with these guarantees.

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 VIEs that are not consolidated on the Corporation's Consolidated Balance Sheet. At December 31, 2011 and 2010, the total notional amount of these derivative contracts was approximately $3.2 billion and $4.3 billion with commercial banks and $1.8 billion and $1.7 billion with VIEs. The underlying securities are senior securities and substantially all of the Corporation's exposures are insured. Accordingly, the Corporation's exposure to loss consists principally of counterparty risk to the insurers. 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 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 between the proceeds of the liquidated assets and the purchase price of the zero-coupon bonds at the preset future date. These guarantees are recorded as derivatives and carried at fair value in the trading portfolio. At December 31, 2011 and 2010, the notional amount of these guarantees totaled $300 million and $666 million. These guarantees have various maturities ranging from two to five years. As of December 31, 2011 and 2010, 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 and commitments, including lease-end obligation agreements, partial credit guarantees on certain leases, real estate joint venture guarantees, sold risk participation swaps, divested business commitments and sold put options that require gross settlement. The maximum potential future payment under these agreements was approximately $3.7 billion and $3.4 billion at December 31, 2011 and 2010. The estimated maturity dates of these obligations extend up to 2033. The Corporation has made no material payments under these guarantees.

In the normal course of business, the Corporation periodically guarantees the obligations of its affiliates in a variety of transactions including ISDA-related transactions and non ISDA-related transactions such as commodities trading, repurchase agreements, prime brokerage agreements and other transactions.

Payment Protection Insurance Claims Matter

In the U.K., the Corporation sells payment protection insurance (PPI) through its international card services business to credit card customers and has previously sold this insurance to consumer loan customers. PPI covers a consumer's loan for debt repayment if certain events occur such as loss of job or illness. In response to an elevated level of customer complaints of misleading sales tactics across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Services Authority (FSA) investigated and raised concerns about the way some companies have handled complaints relating to the sale of these insurance policies. In August 2010, the FSA issued a policy statement (the FSA Policy Statement) on the assessment and remediation of PPI claims that is applicable to the Corporation's U.K. consumer businesses and is intended to address concerns among consumers and regulators regarding the handling of PPI complaints across the industry. The FSA Policy Statement sets standards for the sale of PPI that apply to current and prior sales, and in the event a company does not or did not comply with the standards, it is alleged that the insurance was incorrectly sold, giving the customer rights to remedies. The FSA Policy Statement also requires companies to review their sales practices and to proactively remediate non-complaining customers if evidence of a systematic breach of the newly articulated sales standards is discovered, which could include refunding premiums paid.

In October 2010, the British Bankers' Association (BBA), on behalf of its members, including the Corporation, challenged the provisions of the FSA Policy Statement and its retroactive application to sales of PPI to U.K. consumers through a judicial review process against the FSA and the U.K. Financial Ombudsman Service. On April 20, 2011, the U.K. court issued a judgment upholding the FSA Policy Statement as promulgated and dismissing the BBA's challenge. The BBA did not appeal the decision. Following the conclusion of the judicial review and the subsequent completion of the detailed root cause analysis as required by the FSA Policy Statement, the Corporation reassessed its reserve for PPI claims during 2010. The total accrued liability was $476 million and $700 million at December 31, 2011 and 2010.

Litigation and Regulatory Matters

In the ordinary course of business, the Corporation and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of consumer protection, securities, environmental, banking, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Corporation and its subsidiaries.

In the ordinary course of business, the Corporation and its subsidiaries are also subject to regulatory examinations, information gathering requests, inquiries and investigations. Certain subsidiaries of the Corporation are registered broker/dealers or investment advisors and are subject to regulation by the SEC, the Financial Industry Regulatory Authority, the New York Stock Exchange, the FSA and other domestic, international and state securities regulators. In connection with formal and informal inquiries by those agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities.

In view of the inherent difficulty of predicting the outcome of such litigation and regulatory matters, particularly where the claimants seek very large or indeterminate damages or where the matters present novel legal theories or involve a large number of parties, the Corporation generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

In accordance with applicable accounting guidance, the Corporation establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Corporation does not establish an accrued liability. As a litigation or regulatory matter develops, the Corporation, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. Once the loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Corporation will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Corporation continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Excluding expenses of internal or external legal service providers, litigation-related expense of $5.6 billion was recognized for 2011 compared to $2.6 billion for 2010.

For a limited number of the matters disclosed in this Note for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the Corporation is able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Corporation reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. These may include information learned through the discovery process, rulings on dispositive motions, settlement discussions, and other rulings by courts, arbitrators or others. In cases in which the Corporation possesses sufficient appropriate information to develop an estimate of loss or range of possible loss, that estimate is aggregated and disclosed below. There may be other disclosed matters for which a loss is probable or reasonably possible but such an estimate may not be possible. For those matters where an estimate is possible, management currently estimates the aggregate range of possible loss is $0 to $3.6 billion in excess of the accrued liability (if any) related to those matters. This estimated range of possible loss is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate. Those matters for which an estimate is not possible are not included within this estimated range. Therefore, this estimated range of possible loss represents what the Corporation believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Corporation's maximum loss exposure. Information is provided below regarding the nature of all of these contingencies and, where specified, the amount of the claim associated with these loss contingencies. Based on current knowledge, management does not believe that loss contingencies arising from pending matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Corporation. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Corporation's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Corporation's results of operations or cash flows for any particular reporting period.

Auction Rate Securities Litigation

Since October 2007, the Corporation, Merrill Lynch and certain affiliates have been named as defendants in a variety of lawsuits and other proceedings brought by customers and both individual and institutional investors regarding auction rate securities (ARS). These actions generally allege that defendants: (i) misled plaintiffs into believing that there was a deeply liquid market for ARS, and (ii) failed to adequately disclose their or their affiliates' practice of placing their own bids to support ARS auctions. Plaintiffs assert that ARS auctions started failing from August 2007 through February 2008 when defendants and other broker/dealers stopped placing those "support bids." In addition to the matters described in more detail below, numerous arbitrations and individual lawsuits have been filed against the Corporation, Merrill Lynch and certain affiliates by parties who purchased ARS and are seeking relief that includes compensatory and punitive damages totaling in excess of $1.2 billion, as well as rescission, among other relief.

Securities Actions

The Corporation and Merrill Lynch face a number of civil actions relating to the sales of ARS and management of ARS auctions, including two putative class action lawsuits in which plaintiffs seek to recover the alleged losses in market value of ARS securities purportedly caused by defendants' actions. Plaintiffs also seek unspecified damages, including rescission, other compensatory and consequential damages, costs, fees and interest. The first action, *In Re Merrill Lynch Auction Rate Securities Litigation*, is the result of the consolidation of two class action suits in the U.S. District Court for the Southern District of New York. These suits were brought by two Merrill Lynch customers on behalf of all persons who purchased ARS in auctions managed by Merrill Lynch, against Merrill Lynch and Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S). On March 31, 2010, the U.S. District Court for the Southern District of New York granted Merrill Lynch's motion to dismiss. Plaintiffs appealed and on November 14, 2011, the U.S. Court of Appeals for the Second Circuit affirmed the district court's dismissal. Plaintiffs' time to seek a writ of certiorari to the U.S. Supreme Court expired on February 13, 2012, and, as a result, this action is now concluded. The second action, *Bondar v. Bank of America Corporation*, was brought by a putative class of ARS purchasers against the Corporation and Banc of America Securities, LLC (BAS). On February 24, 2011, the U.S. District Court for the Northern District of California dismissed the amended complaint and directed plaintiffs to state whether they will file a further amended complaint or appeal the court's dismissal. Following the Second Circuit's decision in *In Re Merrill Lynch Auction Rate Securities Litigation*, plaintiffs voluntarily dismissed their action on January 4, 2012. The dismissal is subject to the district court's approval.

Antitrust Actions

The Corporation, Merrill Lynch and other financial institutions were also named in two putative antitrust class actions in the U.S. District Court for the Southern District of New York. Plaintiffs in both actions assert federal antitrust claims under Section 1 of the Sherman Act based on allegations that defendants conspired to restrain trade in ARS by placing support bids in ARS auctions, only to collectively withdraw those bids in February 2008, which allegedly caused ARS auctions to fail. In the first action, *Mayor and City Council of Baltimore, Maryland v. Citigroup, Inc., et al.*, plaintiff seeks to represent a class of issuers of ARS that defendants underwrote between May 12, 2003 and February 13, 2008. This issuer action seeks to recover, among other relief, the alleged above-market interest payments that ARS issuers allegedly have had to make after defendants allegedly stopped placing "support bids" in ARS auctions. In the second action, *Mayfield, et al. v. Citigroup, Inc., et al.*, plaintiff seeks to represent a class of investors that purchased ARS from defendants and held those securities when ARS auctions failed on February 13, 2008. Plaintiff seeks to recover, among other relief, unspecified damages for losses in the ARS' market value, and rescission of the investors' ARS purchases. Both actions also seek treble damages and attorneys' fees under the Sherman Act's private civil remedy. On January 25, 2010, the court dismissed both actions with prejudice and plaintiffs' respective appeals are currently pending in the U.S. Court of Appeals for the Second Circuit.

Checking Account Overdraft Litigation

Bank of America, N.A. (BANA) is currently a defendant in several consumer suits challenging certain deposit account-related business practices. Four suits are part of a multi-district litigation proceeding (the MDL) involving approximately 65 individual cases against 30 financial institutions assigned by the Judicial Panel on Multi-district Litigation (JPML) to the U.S. District Court for the Southern District of Florida. The four cases: *Tornes v. Bank of America, N.A.; Yourke, et al. v. Bank of America, N.A., et al.*; *Knighten v. Bank of America, N.A.;* and *Phillips, et al. v. Bank of America, N.A.;* allege that BANA improperly and unfairly increased the number of overdraft fees it assessed on consumer deposit accounts by various means. The cases challenge the practice of reordering debit card transactions to post high-to-low and BANA's failure to notify customers at the point of sale that the transaction may result in an overdraft charge. The cases also allege that BANA's disclosures and advertising regarding the posting of debit card transactions are false, deceptive and misleading. These cases assert claims including breach of the implied covenant of good faith and fair dealing, conversion, unjust enrichment and violation of the unfair and deceptive practices statutes of various states. Plaintiffs generally seek restitution of all overdraft fees paid to BANA as a result of BANA's allegedly wrongful business practices, as well as disgorgement, punitive damages, injunctive relief, pre-judgment interest and attorneys' fees. Omnibus motions to dismiss many of the complaints involved in the MDL, including *Tornes, Yourke* and *Knighten*, were denied on March 12, 2010.

Knighten was dismissed without prejudice on February 4, 2011. On November 22, 2011, the MDL court granted final approval of a settlement of all the remaining class matters in the MDL (including *Tornes, Yourke and Phillips*), providing for a payment by the Corporation of $410 million (which amount was fully accrued by the Corporation, as of December 31, 2011) in exchange for a complete release of claims asserted against the Corporation in the MDL. Several MDL settlement class members have appealed to the U.S. Court of Appeals for the Eleventh Circuit from the judgment granting final approval to the settlement.

Countrywide Bond Insurance Litigation

The Corporation, Countrywide Financial Corporation (CFC) and other Countrywide entities are subject to claims from several monoline bond insurance companies. These claims generally relate to bond insurance policies provided by the insurers on securitized pools of home equity lines of credit (HELOC) and fixed-rate second-lien mortgage loans. Plaintiffs in these cases generally allege that they have paid claims as a result of defaults in the underlying loans and assert that these defaults are the result of improper underwriting by defendants.

Ambac

The Corporation, CFC and other Countrywide entities are named as defendants in an action filed by Ambac Assurance Corporation (Ambac) entitled *Ambac Assurance Corporation and The Segregated Account of Ambac Assurance Corporation v. Countrywide Home Loans, Inc., et al.* This action, currently pending in New York Supreme Court, New York County, relates to bond insurance policies provided by Ambac on certain securitized pools of HELOC and fixed-rate second-lien mortgage loans. On September 8, 2011, plaintiffs filed an amended complaint, which asserts claims involving five additional securitizations of first- and second-lien mortgage loans and alleges fraudulent inducement, breach of contract as well as other claims set forth in the initial complaint. The amended complaint also reasserts a claim that the Corporation is jointly and severally liable as the successor to Countrywide. The amended complaint seeks unspecified actual and punitive damages and equitable relief.

FGIC

The Corporation, CFC and other Countrywide entities are named as defendants in an action filed by Financial Guaranty Insurance Company (FGIC) entitled *Financial Guaranty Insurance Co. v. Countrywide Home Loans, Inc*. This action, currently pending in New York Supreme Court, New York County, relates to bond insurance policies provided by FGIC on securitized pools of HELOC and fixed-rate second-lien mortgage loans. In June 2010, the court entered an order that granted in part and denied in part the Countrywide defendants' motion to dismiss. On April 30, 2010, FGIC filed an amended complaint reasserting claims set forth in the initial complaint and asserting a claim that the Corporation is jointly and severally liable as the successor to Countrywide. In October 2011, following the appellate court's June 30, 2011 order on the cross-appeals in *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.*, the parties entered a joint stipulated order withdrawing cross-appeals from the court's June 2010 order.

On March 24, 2010, CFC and other Countrywide entities filed a separate but related action against FGIC in New York Supreme Court seeking monetary damages of at least $100 million against FGIC in connection with FGIC's failure to pay claims under certain bond insurance policies. The same day, CFC and the other Countrywide entities filed an action to enjoin the instruction of the New York State Department of Financial Services (NYSDFS) to FGIC to suspend payments claimed under various insurance agreements or its approval of FGIC's plan to do so. This action is currently being voluntarily deferred at the request of the NYSDFS.

MBIA

The Corporation, CFC and other Countrywide entities are named as defendants in two actions filed by MBIA Insurance Corporation (MBIA). The first action, *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.*, is pending in New York Supreme Court, New York County. In April 2010, the court granted in part and denied in part the Countrywide defendants' motion to dismiss and denied the Corporation's motion to dismiss. The parties filed cross-appeals. On December 22, 2010, the court issued an order on MBIA's motion for use of sampling at trial, in which the court held that MBIA may attempt to prove its breach of contract and fraudulent inducement claims through examination of statistically significant samples of the securitizations at issue. In its order, the court did not endorse any of MBIA's specific sampling proposals and stated that defendants have "significant valid challenges" to MBIA's methodology that they may present at trial, together with defendants' own views and evidence. On June 30, 2011, the appellate court issued a decision on the parties' cross-appeals. The appellate court dismissed MBIA's breach of implied covenant of good faith and fair dealing claim, which reversed the trial court ruling on that claim, and otherwise affirmed the trial court's decisions.

On May 25, 2011, MBIA moved for partial summary judgment, seeking rulings that: (i) MBIA does not have to show that Countrywide's alleged fraud and breaches of contract proximately caused MBIA's losses; and (ii) the term "materially and adversely affects" in the transaction documents does not limit the repurchase remedy to defaulted loans, or require MBIA to show that Countrywide's breaches of the representations and warranties caused the loans to default. On January 3, 2012, the court issued an order that granted in part and denied in part MBIA's motion. The court ruled that under New York insurance law, MBIA does not need to prove a causal link between Countrywide's alleged misrepresentations and the payments made pursuant to the policies. The court also held that plaintiff could recover "rescissory damages" (the amounts it has been required to pay pursuant to the policies less premiums received) on such claims, but must prove that it was damaged as a direct result of Countrywide's alleged material misrepresentations. The court denied the motion in its entirety on the issue of the interpretation of the "materially and adversely affects" language. On January 25, 2012, Countrywide appealed the court's decision and order to the extent it granted MBIA's motion. On February 6, 2012, MBIA filed a cross-appeal of the court's decision and order to the extent it denied MBIA's motion.

The second MBIA action, *MBIA Insurance Corporation, Inc. v. Bank of America Corporation, Countrywide Financial Corporation, Countrywide Home Loans, Inc., Countrywide Securities Corporation, et al.*, is pending in California Superior Court, Los Angeles County. MBIA purports to bring this action as subrogee to the note holders for certain securitized pools of HELOC and fixed-rate second-lien mortgage loans and seeks unspecified damages and declaratory relief. On May 17, 2010, the court dismissed the claims against the Countrywide defendants with leave to amend, but denied the request to dismiss MBIA's successor liability claims against the Corporation. On June 21, 2010, MBIA filed an amended complaint re-asserting its previously dismissed claims against the Countrywide defendants, re-asserting the successor liability claim against the Corporation and adding Countrywide Capital Markets, LLC as a defendant. The Countrywide defendants filed a demurrer to the amended complaint, but the court declined to rule on the demurrer and instead entered an order staying the case until August 2011. On August 18, 2011, the court ordered a partial lifting of the stay to permit certain limited discovery to proceed. The stay otherwise remains in effect.

Syncora

The Corporation, CFC and other Countrywide entities are named as defendants in an action filed by Syncora Guarantee Inc. (Syncora) entitled *Syncora Guarantee Inc. v. Countrywide Home Loans, Inc., et al.* This action, currently pending in New York Supreme Court, New York County, relates to bond insurance policies provided by Syncora on certain securitized pools of HELOC. In March 2010, the court issued an order that granted in part and denied in part the Countrywide defendants' motion to dismiss. Syncora and the Countrywide defendants filed cross-appeals from this order. In May 2010, Syncora amended its complaint. Defendants filed an answer to Syncora's amended complaint on July 9, 2010, as well as a counterclaim for breach of contract and declaratory judgment. The parties subsequently stipulated to the dismissal of defendants' counterclaim without prejudice. Following the appellate court's June 30, 2011 order on the cross-appeals in *MBIA Insurance Corporation, Inc. v. Countrywide Home Loans, et al.*, the parties entered a joint stipulated order withdrawing their cross-appeals.

On August 16, 2011, Syncora moved for partial summary judgment, seeking rulings that: (i) Syncora does not have to show that Countrywide's alleged fraud and breaches of contract proximately caused Syncora's losses; and (ii) the term "materially and adversely affects" in the transaction documents does not limit the repurchase remedy to defaulted loans, or require Syncora to show that Countrywide's breaches of the representations and warranties caused the loans to default. On January 3, 2012, the court issued a decision and order that granted in part and denied in part Syncora's motion. The court ruled that under New York insurance law, Syncora does not need to prove a causal link between Countrywide's alleged misrepresentations and the payments made pursuant to the policies. The Court also held plaintiff could recover "rescissory damages" (the amounts it has been required to pay pursuant to the polices less premiums received) on such claims, but must prove that it was damaged as a direct result of Countrywide's alleged material misrepresentations. The court denied the motion in its entirety on the issue of the interpretation of the "materially and adversely affects" language. On January 6, 2012, Syncora appealed the decision and order to the extent it denied Syncora's motion. On January 25, 2012, Countrywide filed a cross-appeal of the court's decision and order to the extent it granted Syncora's motion.

Fair Lending Investigation

On December 21, 2011, CFC, Countrywide Home Loans, Inc. (CHL), and Countrywide Bank (which was merged into BANA effective July 1, 2011) entered into a consent order to resolve an investigation by the U.S. Department of Justice (DOJ) into legacy lending practices of Countrywide. The investigation concerned alleged discriminatory lending practices by Countrywide in the extension of residential credit and in residential real estate-related transactions. The investigation and resulting consent order did not relate to the current lending practices of the Corporation or of its affiliates. The consent order does not require any injunctive provisions against the Corporation or BANA concerning its lending practices. The consent order requires the establishment of a restitution fund of $335 million to be paid to allegedly aggrieved borrowers. This amount was fully accrued by the Corporation as of December 31, 2011. The consent order was entered by the U.S. District Court for the Central District of California on December 28, 2011.

Fontainebleau Las Vegas Litigation

On June 9, 2009, Fontainebleau Las Vegas, LLC (FBLV), then a Chapter 11 debtor-in-possession, commenced an adversary proceeding, entitled *Fontainebleau Las Vegas, LLC v. Bank of America, N.A., Merrill Lynch Capital Corporation, et al*. (FBLV action), against a group of lenders, including BANA and Merrill Lynch Capital Corporation (MLCC). The action was originally filed in the U.S. Bankruptcy Court, Southern District of Florida, but is now before the U.S. District Court for the Southern District of Florida. On April 12, 2010, FBLV's Chapter 11 case was converted to a Chapter 7 case and a trustee was appointed (the Bankruptcy Trustee). The complaint alleges, among other things, that defendants breached an agreement to lend their respective committed amounts under an $800 million revolving loan facility, of which BANA and MLCC had each committed $100 million, in connection with the construction of a resort and casino development. The complaint seeks damages in excess of $3 billion and a "turnover" order under Section 542 of the Bankruptcy Code requiring the lenders to fund their respective commitments. On September 21, 2010, the court dismissed the breach of contract and turnover claims to allow the Bankruptcy Trustee, as plaintiff, to pursue an immediate appeal of the court's August 2009 decision denying partial summary judgment of certain of FBLV's claims. The Bankruptcy Trustee filed a notice of appeal on October 18, 2010 to the U.S. Court of Appeals for the Eleventh Circuit.

On June 9, 2009, a related lawsuit, *Avenue CLO Fund Ltd., et al. v. Bank of America, N.A., Merrill Lynch Capital Corporation, et al*. (the Avenue action), was filed in the U.S. District Court for the District of Nevada by certain project lenders. On September 21, 2009, another related lawsuit, *ACP Master, Ltd., et al. v. Bank of America, N.A., Merrill Lynch Capital Corporation, et al*. (the ACP action), was filed in the U.S. District Court for the Southern District of New York by the purported successors-in-interest to certain project lenders. These two actions were subsequently transferred by the JPML to the U.S. District Court for the Southern District of Florida for coordinated pretrial proceedings with the FBLV action. Plaintiffs in the Avenue and ACP actions (the Term Lenders) repeat FBLV's allegations that BANA, MLCC and the other defendants breached their revolving loan facility commitments to FBLV. In addition, they allege that BANA breached its duties as disbursement agent under a separate agreement governing the disbursement of loaned funds to FBLV. The Term Lenders seek unspecified money damages on their claims. On May 28, 2010, the district court granted defendants' motion to dismiss the revolving loan facility commitment claims, but denied BANA's motion to dismiss the disbursement agent claims. On January 13, 2011, the district court granted the Term Lenders' motion for entry of a partial final judgment on their revolving loan facility commitment claims. The Term Lenders filed a notice of appeal with respect to those claims on January 19, 2011.

On April 19, 2011, the district court dismissed the disbursement agent claims against BANA in the ACP action after the Avenue action plaintiffs represented that they had acquired the claims belonging to the ACP action plaintiffs and would be pursuing those claims in the Avenue action. On September 27, 2011, the Avenue action parties submitted their respective motions for summary judgment on the disbursement agent claims.

In re Initial Public Offering Securities Litigation

BAS, Merrill Lynch & Co., MLPF&S, and certain of their subsidiaries, along with other underwriters, and various issuers and others, were named as defendants in a number of putative class action lawsuits that have been consolidated in the U.S. District Court for the Southern District of New York as *In re Initial Public Offering Securities Litigation.* Plaintiffs contend, among other things, that defendants failed to make certain required disclosures in the registration statements and prospectuses for applicable offerings regarding alleged agreements with institutional investors that tied allocations in certain offerings to the purchase orders by those investors in the aftermarket. Plaintiffs allege that such agreements allowed defendants to manipulate the price of the securities sold in these offerings in violation of Section 11 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder. The parties agreed to settle the matter, for which the court granted final approval. Certain putative class members filed an appeal in the U.S. Court of Appeals for the Second Circuit seeking reversal of the final approval. On August 25, 2011, the district court, on remand from the U.S. Court of Appeals for the Second Circuit, dismissed the objection by the last remaining putative class member, concluding that he was not a class member. On January 9, 2012, that objector dismissed with prejudice an appeal of the court's dismissal pursuant to a settlement agreement. On November 28, 2011, an objector whose appeals were dismissed by the Second Circuit filed a petition for a writ of certiorari with the U.S. Supreme Court that was rejected as procedurally defective. On January 17, 2012, the Supreme Court advised the objector that the petition was untimely and should not be resubmitted to the Supreme Court.

Interchange and Related Litigation

A group of merchants have filed a series of putative class actions and individual actions with regard to interchange fees associated with Visa and MasterCard payment card transactions. These actions, which have been consolidated in the U.S. District Court for the Eastern District of New York under the caption *In Re Payment Card Interchange Fee and Merchant Discount Anti-Trust Litigation* (*Interchange*), name Visa, MasterCard and several banks and bank holding companies, including the Corporation, as defendants. Plaintiffs allege that defendants conspired to fix the level of default interchange rates, which represent the fee an issuing bank charges an acquiring bank on every transaction. Plaintiffs also challenge as unreasonable restraints of trade under Section 1 of the Sherman Act certain rules of Visa and MasterCard related to merchant acceptance of payment cards at the point of sale.

Plaintiffs seek unspecified damages and injunctive relief based on their assertion that interchange would be lower or eliminated absent the alleged conduct. On January 8, 2008, the court granted defendants' motion to dismiss all claims for pre-2004 damages. Motions to dismiss the remainder of the complaint and plaintiffs' motion for class certification are pending. In February 2011, the parties cross-moved for summary judgment.

In addition, plaintiffs filed supplemental complaints against certain defendants, including the Corporation, relating to initial public offerings (the IPOs) of MasterCard and Visa. Plaintiffs allege that the IPOs violated Section 7 of the Clayton Act and Section 1 of the Sherman Act. Plaintiffs also assert that the MasterCard IPO was a fraudulent conveyance. Plaintiffs seek unspecified damages and to undo the IPOs. Motions to dismiss both supplemental complaints, as well as summary judgment motions challenging both supplemental complaints, remain pending.

The Corporation and certain affiliates have entered into loss-sharing agreements with Visa, Mastercard and other financial institutions in connection with certain antitrust litigation, including *Interchange*. Collectively, the loss-sharing agreements require the Corporation and/or certain affiliates to pay 11.6 percent of the monetary portion of any comprehensive *Interchange* settlement. In the event of an adverse judgment, the agreements require the Corporation and/or certain affiliates to pay 12.8 percent of any damages associated with Visa-related claims (Visa-related damages), 9.1 percent of any damages associated with MasterCard-related claims, and 11.6 percent of any damages associated with internetwork claims (internetwork damages) or not associated specifically with Visa or MasterCard-related claims (unassigned damages).

Pursuant to Visa's publicly-disclosed Retrospective Responsibility Plan (the RRP), Visa placed certain proceeds from its IPO into an escrow fund (the Escrow). Under the RRP, funds in the Escrow may be accessed by Visa and its members, including Bank of America, to pay monetary damages in *Interchange*, with the Corporation's payments from the Escrow capped at 12.81 percent of the funds that Visa places therein. Subject to that cap, the Corporation may use Escrow funds to cover 73.9 percent of its monetary payment towards a comprehensive *Interchange* settlement, 100 percent of its payment for any Visa-related damages and 73.9 percent of its payment for any internetwork and unassigned damages.

Two actions, *Watson v. Bank of America Corp.*, filed on March 28, 2011 in the Supreme Court of British Columbia, Canada, and *Bancroft-Snell v. Visa Canada Corp.*, filed on May 16, 2011 in Ontario Superior Court, were filed by purported nationwide classes of merchants that accept Visa and/or MasterCard credit cards in Canada. The actions name as defendants Visa, MasterCard, and a number of other banks and bank holding companies, including the Corporation. Plaintiffs allege that defendants conspired to fix the merchant discount fees that merchants pay to acquiring banks on credit card transactions. Plaintiffs also allege that defendants conspired to impose certain rules relating to merchant acceptance of credit cards at the point of sale. The actions assert claims under section 45 of the Competition Act and other common law claims, and seek unspecified damages and injunctive relief based on their assertion that merchant discount fees would be lower absent the challenged conduct. These actions are not covered by the RRP or loss-sharing agreements previously entered into in connection with certain antitrust litigation, including *Interchange*.

Merrill Lynch Acquisition-related Matters

Since January 2009, the Corporation and certain of its current and former officers and directors, among others, have been named as defendants in a variety of actions filed in state and federal courts relating to the Corporation's acquisition of Merrill Lynch (the Acquisition). These Acquisition-related cases consist of securities actions, derivative actions and actions under ERISA. The claims in these actions generally concern: (i) the Acquisition; (ii) the financial condition and 2008 fourth-quarter losses experienced by the Corporation and Merrill Lynch; (iii) due diligence conducted in connection with the Acquisition; (iv) the Acquisition agreements' terms regarding Merrill Lynch's ability to pay bonuses to Merrill Lynch employees up to $5.8 billion; (v) the Corporation's discussions with government officials in December 2008 regarding the Corporation's consideration of invoking the material adverse change clause in the Acquisition agreement and the possibility of obtaining government assistance in completing the Acquisition; and/or (vi) alleged material misrepresentations and/or material omissions in the proxy statement and related materials for the Acquisition.

Securities Actions

Plaintiffs in *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* (Securities Plaintiffs), a putative class action filed in the U.S. District Court for the Southern District of New York, represent all: (i) purchasers of the Corporation's common and preferred securities between September 15, 2008 and January 21, 2009 and its January 2011 options; (ii) holders of the Corporation's common stock as of October 10, 2008; and (iii) purchasers of the Corporation's common stock issued in the offering that occurred on or about October 7, 2008. During the purported class period, the Corporation had between 4,560,112,687 and 5,017,579,321 common shares outstanding and the price of those shares declined from $33.74 on September 12, 2008 to $6.68 on January 21, 2009. Securities Plaintiffs claim violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934, and SEC rules promulgated thereunder. Securities Plaintiffs' amended complaint also alleges violations of Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 related to the offering of the Corporation's common stock that occurred on or about October 7, 2008, and names BAS and MLPF&S, among others, as defendants on certain claims. The Corporation and its co-defendants filed motions to dismiss, which the court granted in part in August 2010 by dismissing certain of the Securities Plaintiffs' claims under Section 10(b) of the Securities Exchange Act of 1934. Securities Plaintiffs filed a second amended complaint which repleaded some of the dismissed claims as well as added claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of holders of certain debt, preferred securities and option securities. In July 2011, the court granted in part defendants' motion to dismiss the second amended complaint. As a result of the court's July 2011 ruling, the Securities Plaintiffs were (in addition to the claims sustained in the court's August 2010 ruling) permitted to pursue a claim under Section 10(b) asserting that defendants should have made additional disclosures in connection with the Acquisition about the financial condition and 2008 fourth-quarter losses experienced by Merrill Lynch. Securities Plaintiffs seek unspecified monetary damages, legal costs and attorneys' fees. On February 6, 2012, the court granted Securities Plaintiffs' motion for class certification. On February 21, 2012, the Corporation filed a petition requesting that the U.S. Court of Appeals for the Second Circuit review the district court's order granting Securities Plaintiffs' motion for class certification.

Several individual plaintiffs have opted to pursue claims apart from the *In re Bank of America Securities, Derivative, and Employment Retirement Income Security Act (ERISA) Litigation* and, accordingly, have initiated individual actions in the U.S. District Court for the Southern District of New York relying on substantially the same facts and claims as the Securities Plaintiffs.

On January 13, 2010, the Corporation, Merrill Lynch and certain of the Corporation's current and former officers and directors were named in a purported class action filed in the U.S. District Court for the Southern District of New York entitled *Dornfest v. Bank of America Corp., et al*. The action is purportedly brought on behalf of investors in Corporation option contracts between September 15, 2008 and January 22, 2009 and alleges that during the class period approximately 9.5 million Corporation call option contracts and approximately eight million Corporation put option contracts were traded on seven of the Options Clearing Corporation exchanges. The complaint alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC rules promulgated thereunder. Plaintiffs seek unspecified monetary damages, legal costs and attorneys' fees. On April 9, 2010, the court consolidated this action with the consolidated securities action in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation*, and ruled that plaintiffs may pursue the action as an individual action. In August 2011, plaintiff again asked the court for permission to pursue claims on a class basis, which the court again denied in an order issued in September 2011. Plaintiffs have attempted to appeal that ruling.

Derivative Actions

The Corporation and certain current and former directors are named as defendants in several putative class and derivative actions in the Delaware Court of Chancery, including: *Rothbaum v. Lewis*; *Southeastern Pennsylvania Transportation Authority v. Lewis; Tremont Partners LLC v. Lewis; Kovacs v. Lewis; Stern v. Lewis*; and *Houx v. Lewis*, brought by shareholders alleging breaches of fiduciary duties and waste of corporate assets in connection with the Acquisition. On April 27, 2009, the Delaware Court of Chancery consolidated the derivative actions under the caption *In re Bank of America Corporation Stockholder Derivative Litigation*. The consolidated derivative complaint seeks, among other things, unspecified monetary damages, equitable remedies and other relief. On April 30, 2009, the putative class claims in the *Stern v. Lewis* and *Houx v. Lewis* actions were voluntarily dismissed without prejudice. Trial is scheduled for October 2012.

In addition, the JPML ordered the transfer of actions related to the Acquisition that had been pending in various federal courts to the U.S. District Court for the Southern District of New York for coordinated or consolidated pretrial proceedings. These actions have been separately consolidated and are now pending under the caption *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation.*

On October 9, 2009, plaintiffs in the derivative actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* (the Derivative Plaintiffs) filed a consolidated amended derivative and class action complaint. The amended complaint names as defendants certain of the Corporation's current and former directors, officers and financial advisors, and certain of Merrill Lynch's current and former directors and officers. The Corporation is named as a nominal defendant with respect to the derivative claims. The amended complaint asserts claims for, among other things: (i) violation of federal securities laws; (ii) breach of fiduciary duties; (iii) the return of incentive compensation that is alleged to be inappropriate in view of the work performed and the results achieved by certain of the defendants; and (iv) contribution in connection with the Corporation's exposure to significant liability under state and federal law. The amended complaint seeks unspecified monetary damages, equitable remedies and other relief. On February 8, 2010, the Derivative Plaintiffs voluntarily dismissed their claims against each of the former Merrill Lynch officers and directors without prejudice. The Corporation and its co-defendants filed motions to dismiss, which were granted in part on August 27, 2010. On October 18, 2010, the Corporation and its co-defendants answered the remaining allegations asserted by the Derivative Plaintiffs.

ERISA Actions

On October 9, 2009, plaintiffs in the ERISA actions in the *In re Bank of America Securities, Derivative and Employment Retirement Income Security Act (ERISA) Litigation* (the ERISA Plaintiffs) filed a consolidated amended complaint for breaches of duty under ERISA. The amended complaint is brought on behalf of a purported class that consists of participants in the Corporation's 401(k) Plan, the Corporation's 401(k) Plan for Legacy Companies, the CFC 401 (k) Plan (collectively, the 401(k) Plans) and the Corporation's Pension Plan. The amended complaint alleges violations of ERISA, based on, among other things: (i) an alleged failure to prudently and loyally manage the 401(k) Plans and Pension Plan by continuing to offer the Corporation's common stock as an investment option or measure for participant contributions; (ii) an alleged failure to monitor the fiduciaries of the 401(k) Plans and Pension Plan; (iii) an alleged failure to provide complete and accurate information to the 401(k) Plans and Pension Plan participants with respect to the Merrill Lynch and Countrywide acquisitions and related matters; and (iv) alleged co-fiduciary liability for these purported fiduciary breaches. The amended complaint seeks unspecified monetary damages, equitable remedies and other relief. On August 27, 2010, the court dismissed the complaint brought by plaintiffs in the consolidated ERISA action in its entirety. The ERISA Plaintiffs filed a notice of appeal of the court's dismissal of their actions. The parties then stipulated to the dismissal of the appeal with the agreement that the ERISA Plaintiffs can reinstate their appeal at any time up until July 27, 2012.

NYAG Action

On February 4, 2010, the New York Attorney General (NYAG) filed a civil complaint in New York Supreme Court entitled *People of the State of New York v. Bank of America, et al*. The complaint names as defendants the Corporation and the Corporation's former CEO and CFO, and alleges violations of Sections 352, 352-c(1)(a), 352-c(1)(c) and 353 of the New York General Business Law, commonly known as the Martin Act, and Section 63(12) of the New York Executive Law. The complaint seeks an unspecified amount in disgorgement, penalties, restitution, and damages and other equitable relief.

Montgomery

The Corporation, several current and former officers and directors, BAS, MLPF&S and other unaffiliated underwriters have been named as defendants in a putative class action filed in the U.S. District Court for the Southern District of New York entitled *Montgomery v. Bank of America, et al*. Plaintiff filed an amended complaint on January 14, 2011. Plaintiff seeks to sue on behalf of all persons who acquired certain series of preferred stock offered by the Corporation pursuant to a shelf registration statement dated May 5, 2006. Plaintiff's claims arise from three offerings dated January 24, 2008, January 28, 2008 and May 20, 2008, from which the Corporation allegedly received proceeds of $15.8 billion. The amended complaint asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, and alleges that the prospectus supplements associated with the offerings: (i) failed to disclose that the Corporation's loans, leases, CDOs and commercial MBS were impaired to a greater extent than disclosed; (ii) misrepresented the extent of the impaired assets by failing to establish adequate reserves or properly record losses for its impaired assets; (iii) misrepresented the adequacy of the Corporation's internal controls in light of the alleged impairment of its assets; (iv) misrepresented the Corporation's capital base and Tier 1 leverage ratio for risk-based capital in light of the allegedly impaired assets; and (v) misrepresented the thoroughness and adequacy of the Corporation's due diligence in connection with its acquisition of Countrywide. The amended complaint seeks rescission, compensatory and other damages. Defendants moved to dismiss for failure to state a claim. On February 9, 2012, the magistrate judge (to whom dispositive motions were referred for a report and recommendation) concluded that the amended complaint does not adequately plead claims under the Securities Act of 1933 and recommended that the district court dismiss the amended complaint in its entirety and deny plaintiffs' request to amend the complaint without prejudice, which the district court will consider.

Mortgage-backed Securities Litigation

The Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates have been named as defendants in a number of cases relating to their various roles as issuer, originator, seller, depositor, sponsor, underwriter and/or controlling entity in MBS offerings, pursuant to which the MBS investors were entitled to a portion of the cash flow from the underlying pools of mortgages. These cases generally include purported class action suits and actions by individual MBS purchasers. Although the allegations vary by lawsuit, these cases generally allege that the registration statements, prospectuses and prospectus supplements for securities issued by securitization trusts contained material misrepresentations and omissions, in violation of Sections 11, 12 and 15 of the Securities Act of 1933, Sections 10(b) and 20 of the Securities Exchange Act of 1934 and/or state securities laws and other state statutory and common laws.

These cases generally involve allegations of false and misleading statements regarding: (i) the process by which the properties that served as collateral for the mortgage loans underlying the MBS were appraised; (ii) the percentage of equity that mortgage borrowers had in their homes; (iii) the borrowers' ability to repay their mortgage loans; (iv) the underwriting practices by which those mortgage loans were originated; (v) the ratings given to the different tranches of MBS by rating agencies; and (vi) the validity of each issuing trust's title to the mortgage loans comprising the pool for that securitization (collectively, MBS Claims). Plaintiffs in these cases generally seek unspecified compensatory damages, unspecified costs and legal fees and, in some instances, seek rescission. A number of other entities (including the National Credit Union Administration) have threatened legal actions against the Corporation and its affiliates, Countrywide entities and their affiliates, and Merrill Lynch entities and their affiliates concerning MBS offerings.

On August 15, 2011, the JPML ordered multiple federal court cases involving Countrywide MBS consolidated for pretrial purposes in the U.S. District Court for the Central District of California, in a multi-district litigation entitled *In re Countrywide Financial Corp. Mortgage-Backed Securities Litigation* (the Countrywide RMBS MDL).

AIG Litigation

On August 8, 2011, American International Group, Inc. and certain of its affiliates (collectively, AIG) filed a complaint in New York Supreme Court, New York County, in a case entitled *American International Group, Inc. et al. v. Bank of America Corporation et al.* AIG has named the Corporation, Merrill Lynch, CHL and a number of related entities as defendants. AIG's complaint asserts certain MBS Claims pertaining to 347 MBS offerings and two private placements in which it alleges that it purchased securities between 2005 and 2007. AIG seeks rescission of its purchases or a rescissory measure of damages or, in the alternative, compensatory damages of no less than $10 billion; punitive damages; and other unspecified relief. Defendants removed the case to the U.S. District Court for the Southern District of New York and filed a notice with the JMDL seeking to add the case to the Countrywide RMBS MDL. The district court denied AIG's motion to remand the case to state court. Plaintiffs are seeking an interlocutory appeal to the U.S. Court of Appeals for the Second Circuit following the district court's certification. On December 21, 2011, the JMDL transferred the Countrywide MBS claims to the Countrywide RMBS MDL. The non-Countrywide MBS claims will be heard in the U.S. District Court for the Southern District of New York.

Dexia Litigation

Dexia Holdings, Inc. and others filed an action on January 24, 2011 against CFC, the Corporation, several related entities, and former directors and officers of Countrywide in New York Supreme Court, New York County entitled *Dexia Holdings, Inc., et al., v. Countrywide Financial Corporation, et al.* The complaint asserts certain MBS Claims relating to plaintiffs' alleged purchases of MBS issued by CFC-related entities in 142 MBS offerings and six private placements between April 2004 and August 2007 and seeks unspecified compensatory and/or rescissory damages, punitive damages and other unspecified relief. Defendants removed the case to the U.S. District Court for the Southern District of New York, and on August 15, 2011, the JMDL transferred the case to the Countrywide RMBS MDL. On November 8, 2011, the Countrywide RMBS MDL denied plaintiffs' motion to remand the case to New York Supreme Court. On February 17, 2012, the Countrywide RMBS MDL granted in substantial part defendants' motion to dismiss, dismissing with prejudice all federal law claims as to 146 of the 148 offerings at issue, dismissing with leave to amend the state law negligent misrepresentation, aiding and abetting, and successor liability claims and substantially denying the motion to dismiss as to the state law fraud and fraudulent inducement claims.

FHFA Litigation

The FHFA, as conservator for FNMA and FHLMC, filed an action on September 2, 2011 against the Corporation and related entities, CFC and related entities, certain former officers of these entities, and NB Holdings Corporation in New York Supreme Court, New York County, entitled *Federal Housing Finance Agency v. Countrywide Financial Corporation, et al.* (the FHFA Countrywide Litigation). FHFA's complaint asserts certain MBS Claims in connection with allegations that FNMA and FHLMC purchased MBS issued by CFC-related entities in 86 MBS offerings between 2005 and 2008. The FHFA seeks among other relief, rescission of the consideration paid for the securities or alternatively damages allegedly incurred by FNMA and FHLMC. The FHFA also seeks recovery of punitive damages.

On September 30, 2011, CFC removed the FHFA Countrywide Litigation from New York Supreme Court to the U.S. District Court for the Southern District of New York. On February 7, 2012, the JPML transferred the matter to the Countrywide RMBS MDL. The FHFA's motion to remand the case to New York Supreme Court is pending.

Also on September 2, 2011, the FHFA, as conservator for FNMA and FHLMC, filed complaints in the U.S. District Court for the Southern District of New York against the Corporation and Merrill Lynch related entities, and certain current and former officers and directors of these entities. The actions are entitled *Federal Housing Finance Agency v. Bank of America Corporation, et al.* and *Federal Housing Finance Agency v. Merrill Lynch & Co., Inc., et al*. The complaints assert certain MBS Claims relating to MBS issued and/or underwritten by the Corporation, Merrill Lynch and related entities in 23 MBS offerings and in 72 MBS offerings, respectively, between 2005 and 2008 and allegedly purchased by either FNMA or FHLMC in their investment portfolio. The FHFA seeks among other relief, rescission of the consideration paid for the securities or alternatively damages allegedly incurred by FNMA and FHLMC. The FHFA also seeks recovery of punitive damages in the *Merrill Lynch* action.

Federal Home Loan Bank Litigation

On January 18, 2011, the Federal Home Loan Bank of Atlanta (FHLB Atlanta) filed a complaint asserting certain MBS Claims against the Corporation, CFC and other Countrywide entities in Georgia State Court, Fulton County, entitled *Federal Home Loan Bank of Atlanta v. Countrywide Financial Corporation, et al*. FHLB Atlanta seeks rescission of its purchases or a rescissory measure of damages, unspecified punitive damages and other unspecified relief in connection with its alleged purchase of 16 MBS offerings issued and/or underwritten by Countrywide-related entities between 2004 and 2007.

On October 15, 2010, the Federal Home Loan Bank of Chicago (FHLB Chicago) filed a complaint against the Corporation, Countrywide, MLPF&S and related entities in Illinois Circuit Court, Cook County, entitled *Federal Home Loan Bank of Chicago v. Banc of America Funding Corp., et al.* On April 8, 2011, FHLB Chicago filed an amended complaint adding Merrill Lynch Mortgage Investors (MLMI) and others as defendants. FHLB Chicago asserts certain MBS Claims arising from FHLB Chicago's alleged purchase in 13 MBS offerings issued and/or underwritten by affiliates of the Corporation, Merrill Lynch or Countrywide between 2005 and 2006 and seeks rescission, unspecified damages and other unspecified relief.

On March 15, 2010, the Federal Home Loan Bank of San Francisco (FHLB San Francisco) filed an action in California Superior Court, San Francisco County, entitled, *Federal Home Loan Bank of San Francisco v. Credit Suisse Securities (USA) LLC, et al.* FHLB San Francisco's complaint asserts certain MBS Claims against BAS, CFC and several related entities in connection with its alleged purchases in 51 MBS offerings and one private placement issued and/or underwritten by those defendants between 2004 and 2007 and seeks rescission and unspecified damages. FHLB San Francisco dismissed the federal claims with prejudice on August 11, 2011. On September 8, 2011, the court denied defendants' motions to dismiss the state law claims.

Luther Litigation and Related Actions

On November 14, 2007, David H. Luther and various pension funds (collectively, the Luther Plaintiffs) commenced a putative class action against CFC, several of its affiliates, MLPF&S and certain former officers of these in California Superior Court, Los Angeles County, entitled *Luther v. Countrywide Financial Corporation, et al.* (the Luther Action). The Luther Plaintiffs' complaint asserts certain MBS Claims in connection with MBS issued by subsidiaries of CFC in 429 offerings between 2005 and 2007. The Luther Plaintiffs certified that they collectively purchased securities in 63 of 429 offerings for approximately $216 million. The Luther Plaintiffs seek compensatory and/or rescissory damages and other unspecified relief. On January 6, 2010, the court granted CFC's motion to dismiss with prejudice due to lack of subject matter jurisdiction. On May 18, 2011, the California Court of Appeal reversed the dismissal and remanded to the Superior Court. Defendants have filed a motion to dismiss.

Following the previous dismissal of the Luther Action on January 6, 2010, the Maine State Retirement System filed a putative class action in the U.S. District Court for the Central District of California, entitled *Maine State Retirement System v. Countrywide Financial Corporation, et al.* (the Maine Action). The Maine Action names the same defendants as the Luther Action, as well as the Corporation and NB Holdings Corporation, and asserts substantially the same allegations regarding 427 of the MBS offerings that were at issue in the Luther Action. Plaintiffs in the Maine Action (Maine Plaintiffs) seek compensatory and/or rescissory damages and other unspecified relief.

On November 4, 2010, the court granted CFC's motion to dismiss the amended complaint in its entirety and held that the Maine Plaintiffs only have standing to sue over the 81 offerings in which they actually purchased MBS. The court also held that the applicable statute of limitations could be tolled by the filing of the Luther Action only with respect to the offerings in which the Luther Plaintiffs actually purchased MBS. As a result of these standing and tolling rulings, the number of offerings at issue in the Maine Action was reduced from 427 to 14. On December 6, 2010, the Maine Plaintiffs filed a second amended complaint that relates to 14 MBS offerings. On April 21, 2011, the court dismissed with prejudice the successor liability claims against the Corporation and NB Holdings Corporation. On May 6, 2011, the court held that the Maine Plaintiffs only have standing to sue over the specific MBS tranches that they purchased, and that the applicable statute of limitations could be tolled by the filing of the Luther Action only with respect to the specific tranches of MBS that the Luther Plaintiffs purchased. As a result of these tranche-specific standing and tolling rulings, the Maine Action was further reduced from 14 offerings to eight tranches. On June 6, 2011, the Maine Plaintiffs filed a third amended complaint that related to eight MBS tranches. On June 15, 2011, the court denied the Maine Plaintiffs' motion to permit immediate interlocutory appeal of the court's orders on standing, tolling of the statute of limitations and successor liability. On October 12, 2011, upon stipulation by the parties, the court certified a class consisting of eight subclasses, one for each of the eight MBS tranches at issue.

On November 17, 2010, Western Conference of Teamsters Pension Trust Fund (Western Teamsters) filed a putative class action against the same defendants named in the Maine Action in California Superior Court, Los Angeles County, entitled *Western Conference of Teamsters Pension Trust Fund v. Countrywide Financial Corporation, et al*. Western Teamsters' complaint asserts that Western Teamsters and other unspecified investors purchased MBS issued in the 428 offerings that were also at issue in the Luther Action and asserts substantially the same allegations as the Luther Action. The Western Teamsters action has been coordinated with the Luther Action. Western Teamsters seek unspecified compensatory and/or rescissory damages and other unspecified relief.

On January 27, 2011, Putnam Bank filed a putative class action lawsuit against CFC, the Corporation and several related entities, among others, in the U.S. District Court for the District of Connecticut, entitled *Putnam Bank v. Countrywide Financial Corporation, et al*. Putnam Bank's complaint asserts certain MBS Claims in connection with alleged purchases in eight MBS offerings issued by CFC subsidiaries between 2005 and 2007. Putnam Bank seeks rescission of its purchases or a rescissory measure of unspecified damages and/or compensatory damages and other unspecified relief. On August 15, 2011, the case was transferred to the Countrywide RMBS MDL.

Sealink Litigation

On September 29, 2011, Sealink Funding Limited filed a complaint against the Corporation and related entities, Countrywide entities, NB Holdings Corporation and certain former officers of Countrywide. The action is entitled *Sealink Funding Limited v. Countrywide Financial Corp.*, and was filed in New York Supreme Court, New York County. The complaint asserts certain MBS Claims in connection with alleged purchases in 31 MBS offerings issued and/or underwritten by Countrywide entities between 2005 and 2007. Sealink seeks among other relief, rescission of the consideration Sealink allegedly paid for the securities, or alternatively, damages allegedly incurred by Sealink, as well as punitive damages. On October 6, 2011, defendants removed the action to the U.S District Court for the Southern District of New York. The JMDL transferred the case to the Countrywide RMBS MDL.

Merrill Lynch MBS Litigation

Merrill Lynch, MLPF&S, MLMI, and certain current and former directors of MLMI are named as defendants in a consolidated class action in the U.S. District Court in the Southern District of New York, entitled *Public Employees' Ret. System of Mississippi v. Merrill Lynch & Co. Inc*. Plaintiffs assert certain MBS Claims in connection with their purchase of MBS. In March 2010, the court dismissed claims related to 65 of 84 offerings with prejudice due to lack of standing as no named plaintiff purchased securities in those offerings. On November 8, 2010, the court dismissed claims related to one additional offering on separate grounds. On December 14, 2011, the court granted preliminary approval of a settlement providing for a payment by the Corporation in an amount not material to the Corporation's results of operations (which amount was fully accrued by the Corporation as of December 31, 2011).

Stichting Pensioenfonds ABP (Merrill Lynch) Litigation

On August 19, 2010, Stichting Pensioenfonds ABP (ABP) filed a complaint against Merrill Lynch related entities, and certain current and former directors of MLMI and other defendants, in New York Supreme Court, New York County, entitled *Stichting Pensioenfonds v. Merrill Lynch & Co., Inc., et al*. The action was removed to the U.S. District Court for the Southern District of New York. ABP's complaint asserts certain MBS Claims in connection with alleged purchases in 13 offerings of Merrill Lynch-related MBS issued between 2006 and 2007. On October 12, 2011, ABP filed an amended complaint regarding the same offerings and adding additional federal securities law and state law claims. ABP seeks unspecified compensatory damages, interest and legal fees, or alternatively, rescission.

Regulatory Investigations

The Corporation has received a number of subpoenas and other requests for information from regulators and governmental authorities regarding MBS and other mortgage-related matters, including inquiries and investigations related to a number of transactions involving the Corporation's underwriting and issuance of MBS and its participation in certain CDO offerings. These inquiries and investigations include, among others, an investigation by the SEC related to Merrill Lynch's risk control, valuation, structuring, marketing and purchase of CDOs. The Corporation has provided documents and testimony and continues to cooperate fully with these inquiries and investigations.

Countrywide may also be subject to contractual indemnification for the benefit of certain individuals involved in the MBS matters discussed above.

Mortgage Repurchase Litigation

Walnut Place Litigation

On February 23, 2011, 11 entities with the common name Walnut Place (including Walnut Place LLC, and Walnut Place II LLC through Walnut Place XI LLC) filed a lawsuit, entitled *Walnut Place LLC, et al. v. Countrywide Home Loans, Inc. et al.,* in New York Supreme Court, New York County, against CHL and several unaffiliated defendants (collectively, Sellers), as well as the Corporation and the Bank of New York Mellon in its capacity as trustee. The initial complaint was a purported derivative action for alleged breaches of a pooling and servicing agreement under which the Sellers sold residential mortgage loans to a securitization trust. Plaintiffs are alleged holders of certificates in several classes of the securitization trust who purport to sue derivatively in the place of the trustee. Plaintiffs allege that Sellers breached representations and warranties in the pooling and servicing agreement regarding mortgage loans. Plaintiffs seek a court order requiring Sellers to repurchase the mortgage loans at issue, or alternatively, damages for breach of contract, and allege that the Corporation is a successor in liability to CHL. On April 12, 2011, plaintiffs amended their complaint to add similar allegations with respect to an additional securitization trust. On May 17, 2011, the Corporation and Sellers jointly moved to dismiss the amended complaint.

On August 2, 2011, plaintiffs filed a separate action entitled *Walnut Place LLC, et al. v. Countrywide Home Loans, Inc. et al*., in New York Supreme Court, New York County, against the Corporation and Sellers, and The Bank of New York Mellon in its capacity as trustee. This action makes allegations similar to those in the prior *Walnut Place LLC, et al. v. Countrywide Home Loans, Inc. et al*. lawsuit with respect to an additional securitization trust. On October 7, 2011, the Corporation and Sellers jointly moved to dismiss the complaint.

TMST, Inc. Litigation

On April 29, 2011, the Chapter 11 bankruptcy trustee for TMST, Inc. (formerly known as Thornburg Mortgage, Inc.) and for certain affiliated entities (collectively, Thornburg), along with Zuni Investors, LLC (ZI), filed an adversary proceeding in the U.S. Bankruptcy Court for the District of Maryland entitled *In Re TMST, Inc., f/k/a Thornburg Mortgage, Inc.* against CHL and the Corporation. Plaintiffs filed an amended complaint on July 29, 2011, in which they allege, among other things, that CHL sold residential mortgage loans to Thornburg pursuant to two agreements, and that CHL allegedly breached certain representations and warranties contained in those agreements concerning property appraisals, prudent and customary loan origination practices, accuracy of mortgage loan schedules, and occupancy status. The complaint further alleges that those loans were deposited by Thornburg into a securitization trust, that ZI purchased certificates issued by that trust, and that the securitization trustee subsequently assigned to ZI and the bankruptcy trustee the right to pursue representation and warranty claims. Plaintiffs seek a court order requiring CHL to repurchase the mortgage loans at issue, or alternatively, unspecified damages for alleged breach of contract. CHL and the Corporation have filed motions to dismiss the case, to withdraw the reference to the Bankruptcy Court, and for transfer of venue to the United States District Court for the Central District of California.

U.S. Bank Litigation

On August 29, 2011, U.S. Bank, National Association (U.S. Bank), as trustee for the HarborView Mortgage Loan Trust 2005-10 (the Trust), a mortgage pool backed by loans originated by CHL, filed a complaint in New York Supreme Court, New York County, in a case entitled *U.S. Bank National Association, as Trustee for HarborView Mortgage Loan Trust, Series 2005-10 v. Countrywide Home Loans, Inc. (dba Bank of America Home Loans), Bank of America Corporation, Countrywide Financial Corporation, Bank of America, N.A., and NB Holdings Corporation.* U.S. Bank seeks a declaration that, as a result of alleged misrepresentations by CHL in connection with its sale of the loans, defendants must repurchase the loans. U.S. Bank further asserts that defendants are liable for breach of contract for the alleged failure to repurchase a subset of those loans. Defendants removed the case to the U.S. District Court for the Southern District of New York. U.S. Bank filed a motion to remand which is currently pending. On February 7, 2012, the JPML issued an order transferring the case to the Countrywide RMBS MDL in the U.S. District Court for the Central District of California.

Mortgage Servicing Investigations and Litigation

The Corporation entered into a consent order with the Office of the Comptroller of the Currency (OCC) on April 13, 2011, which requires servicers to make several enhancements to their servicing operations, including implementation of a single point of contact model for borrowers throughout the loss mitigation and foreclosure processes, adoption of measures designed to ensure that foreclosure activity is halted once a borrower has been approved for a modification unless the borrower fails to make payments under the modified loan and implementation of enhanced controls over third-party vendors that provide default servicing support services. In addition, the consent order required that servicers retain an independent consultant, approved by the OCC, to conduct a review of all foreclosure actions pending, or foreclosure sales that occurred between January 1, 2009 and December 31, 2010 and submit a plan to the OCC to remediate all financial injury to borrowers caused by any deficiencies identified through the review. The review is comprised of two parts: a sample file review conducted by the independent consultant, which began in October 2011, and file reviews by the independent consultant based upon requests for review from customers with in-scope foreclosures. The Corporation began outreach to those customers in November 2011 and additional outreach efforts are underway. Because the review process is available to a large number of potentially eligible borrowers and involves an examination of many details and documents, each review could take several months to complete. The Corporation cannot yet accurately determine how many borrowers will request a review, how many borrowers will meet the eligibility requirements or how much in compensation might ultimately be paid to eligible borrower.

On February 9, 2012, the Corporation reached agreements in principle (collectively, the Servicing Resolution Agreements) with (i) the DOJ, various federal regulatory agencies and 49 attorneys general to resolve federal and state investigations into certain origination, servicing and foreclosure practices (the Global AIP), (ii) the Federal Housing Administration (the FHA) to resolve certain claims relating to the origination of FHA-insured mortgage loans, primarily by Countrywide prior to and for a period following the acquisition of that lender (the FHA AIP) and (iii) each of the Federal Reserve and the OCC regarding civil monetary penalties related to conduct that was the subject of consent orders entered into with the banking regulators in April 2011 (the Consent Order AIPs).

The Servicing Resolution Agreements are subject to ongoing discussions among the parties and completion and execution of definitive documentation, as well as required regulatory and court approvals. The Global AIP is subject to, among other things, Federal court approval in the United States District Court in the District of Columbia and regulatory approvals of the United States Department of the Treasury and other federal agencies. The Consent Order AIPs are subject to, among other things, the finalization of the Global AIP.

The Global AIP calls for the establishment of certain uniform servicing standards, upfront cash payments of approximately $1.9 billion to the state and federal governments and for borrower restitution, approximately $7.6 billion in borrower assistance in the form of, among other things, principal reduction, short sales and deeds-in-lieu of foreclosure, and approximately $1.0 billion of refinancing assistance. The Corporation could be required to make additional payments if it fails to meet its borrower assistance and refinancing assistance commitments over a three-year period. In addition, the Corporation could be required to pay an additional $350 million if the Corporation fails to meet certain first-lien principal reduction thresholds over a three-year period. The Corporation also entered into agreements with several states under which it committed to perform certain minimum levels of principal reduction and related activities within those states as part of the Global AIP,and under which it could be required to make additional payments if it fails to meet such minimum levels. The Corporation may also incur additional operating costs (e.g., servicing costs) to implement certain terms of the Global AIP in future periods. The FHA AIP provides for an upfront cash payment by the Corporation of $500 million. The FHA would release the Corporation from all claims arising from loans originated prior to April 30, 2009 that were submitted for FHA insurance claim payments prior to January 1, 2012, and from multiple damages and penalties for loans that were originated on or before April 30, 2009, but had not been submitted for FHA insurance claim payment. The Corporation would have the obligation to pay an additional $500 million if the Corporation fails to meet certain principal reduction thresholds over a three-year period.

Pursuant to an agreement in principle, the OCC agreed to hold in abeyance the imposition of a civil monetary penalty of $164 million. Pursuant to a separate agreement in principle, the Federal Reserve will assess a civil monetary penalty in the amount of $176 million against the Corporation. Satisfying its payment, borrower assistance and remediation obligations under the Global AIP will satisfy any civil monetary penalty obligations arising under these agreements in principle. If, however, the Corporation does not make certain required payments or undertake certain required actions under the Global AIP,the OCC will assess, and the Federal Reserve will require the Corporation to pay the difference between the aggregate value of the payments and actions under these agreements in principle and the penalty amounts.

Under the terms of the Global AIP,the federal and participating state governments would release the Corporation from further liability for certain alleged residential mortgage origination, servicing and foreclosure deficiencies. In settling origination issues related to FHA guaranteed loans originated on or before April 30, 2009, the FHA would provide the Corporation and its affiliates a release for all claims with respect to such loans if an insurance claim had been submitted to the FHA prior to January 1, 2012 and a release of multiple damages and penalties (but not single damages) if no such claim had been submitted.

The Servicing Resolution Agreements do not cover claims arising out of securitization, including representations made to investors respecting MBS, criminal claims, private claims by borrowers, claims by certain states for injunctive relief or actual economic damages to borrowers related to the Mortgage Electronic Registration System, and claims by the GSEs (including repurchase demands), among other items.

The Corporation continues to be subject to additional borrower and non-borrower litigation and governmental and regulatory scrutiny related to its past and current servicing and foreclosure activities, including those claims not covered by the Servicing Resolution Agreements. This scrutiny may extend beyond the Corporation's pending foreclosure matters to issues arising out of alleged irregularities with respect to previously completed foreclosure activities. The current environment of heightened regulatory scrutiny may subject the Corporation to inquiries or investigations.

Ocala Litigation

BNP Paribas Mortgage Corporation and Deutsche Bank AG each filed claims (the 2009 Actions) against BANA in the U.S. District Court for the Southern District of New York entitled *BNP Paribas Mortgage Corporation v. Bank of America, N.A.* and *Deutsche Bank AG v. Bank of America, N.A*. Plaintiffs allege that BANA failed to properly perform its duties as indenture trustee, collateral agent, custodian and depositary for Ocala Funding, LLC (Ocala), a home mortgage warehousing facility, resulting in the loss of plaintiffs' investment in Ocala. Ocala was a wholly-owned subsidiary of Taylor, Bean & Whitaker Mortgage Corp. (TBW), a home mortgage originator and servicer which is alleged to have committed fraud that led to its eventual bankruptcy. Ocala provided funding for TBW's mortgage origination activities by issuing notes, the proceeds of which were to be used by TBW to originate home mortgages. Such mortgages and other Ocala assets in turn were pledged to BANA, as collateral agent, to secure the notes. Plaintiffs lost most or all of their investment in Ocala when, as the result of the alleged fraud committed by TBW, Ocala was unable to repay the notes purchased by plaintiffs and there was insufficient collateral to satisfy Ocala's debt obligations. Plaintiffs allege that BANA breached its contractual, fiduciary and other duties to Ocala, thereby permitting TBW's alleged fraud to go undetected. Plaintiffs seek compensatory damages and other relief from BANA, including interest and attorneys' fees, in an unspecified amount, but which plaintiffs allege exceeds $1.6 billion.

On March 23, 2011, the U.S. District Court for the Southern District of New York issued an order granting in part and denying in part BANA's motions to dismiss the 2009 Actions. The court dismissed plaintiffs' claims against BANA in its capacity as custodian and depositary, as well as plaintiffs' claims for contractual indemnification and other claims. The court retained the claims questioning BANA's performance as indenture trustee and collateral agent. Finally, the court agreed with BANA that plaintiffs may not pursue claims for any breach that arose prior to July 20, 2009 (the date on which plaintiffs purchased the last issuance of Ocala notes). On December 29, 2011, plaintiffs moved for leave to amend their complaints to include additional contractual, tort and equitable claims.

On June 22, 2011, BANA filed third-party complaints in the 2009 Actions against BNP Paribas Securities Corp. (BNP Securities) and Deutsche Bank Securities, Inc. (Deutsche Securities) seeking contribution for damages sustained by BANA in the underlying actions. BNP Securities and Deutsche Securities (collectively, the Note Dealers) served as note dealers and private placement agents for the Ocala notes that are the subject of the underlying actions. On September 15, 2011, the Note Dealers moved to dismiss the third-party complaints.

On August 30, 2010, plaintiffs each filed new lawsuits (the 2010 Actions) against BANA in the U.S. District Court for the Southern District of Florida entitled *BNP Paribas Mortgage Corporation v. Bank of America, N.A.* and *Deutsche Bank AG v. Bank of America, N.A.*, which the parties agreed to transfer to the U.S. District Court for the Southern District of New York as related to the 2009 Actions. On December 29, 2011, plaintiffs voluntarily dismissed the 2010 Actions without prejudice and moved for leave to amend their complaints in the 2009 Actions, as discussed above.

On October 1, 2010, BANA, on behalf of Ocala's investors, filed suit in the U.S. District Court for the District of Columbia against the FDIC as receiver of Colonial Bank, TBW's primary bank, and Platinum Community Bank (Platinum, a wholly-owned subsidiary of TBW) entitled *Bank of America, National Association as indenture trustee, custodian and collateral agent for Ocala Funding, LLC v. Federal Deposit Insurance Corporation*. The suit seeks judicial review of the FDIC's denial of the administrative claims brought by BANA in the FDIC's Colonial and Platinum receivership proceedings. BANA's claims allege that Ocala's losses were in whole or in part the result of Colonial and Platinum's participation in TBW's alleged fraud. BANA seeks a court order requiring the FDIC to allow BANA's claims in an amount equal to Ocala's losses and, accordingly, to permit BANA, as trustee, collateral agent, custodian and depositary for Ocala, to share appropriately in distributions of any receivership assets that the FDIC makes to creditors of the two failed banks.

On March 14, 2011, the FDIC moved to dismiss BANA's action, primarily on the ground that Ocala Funding had not exhausted its administrative remedies. BANA filed an amended complaint alleging that it had exhausted its administrative remedies. On August 5, 2011, the FDIC answered and moved to dismiss the amended complaint, and asserted counterclaims against BANA in its individual capacity seeking approximately $900 million in damages. The counterclaims allege that Colonial sent 4,808 loans to BANA as bailee; that BANA converted the loans into Ocala collateral without first ensuring that Colonial was paid; and that Colonial was never paid for these loans. BANA filed an opposition to the FDIC's motion to dismiss on October 21, 2011, along with a motion to dismiss the FDIC's counterclaims.

NOTE 15 Shareholders' Equity

Common Stock

In November 2011, August 2011, May 2011 and January 2011, the Corporation's Board of Directors (the Board) declared the fourth, third, second and first quarter cash dividends of $0.01 per common share, which were paid on December 23, 2011, September 23, 2011, June 24, 2011 and March 25, 2011 to common shareholders of record on December 2, 2011, September 2, 2011, June 3, 2011 and March 4, 2011, respectively. In addition, in January 2012, the Board declared a first quarter cash dividend of $0.01 per common share payable on March 23, 2012 to common shareholders of record on March 2, 2012.

In connection with the exchanges described below in Preferred Stock, the Corporation issued 400 million shares of common stock.

On September 1, 2011, the Corporation closed the sale to Berkshire Hathaway, Inc. (Berkshire) of 50,000 shares of the Series T Preferred Stock and a warrant (the Warrant) to purchase 700 million shares of the Corporation's common stock for an aggregate purchase price of $5.0 billion in cash. Of the $5.0 billion in cash proceeds, $2.9 billion was allocated to preferred stock and $2.1 billion to the Warrant on a relative fair value basis. The discount on the Series T Preferred Stock is not subject to accretion. The portion of proceeds allocated to the Warrant was recorded as additional paid-in capital. The Warrant is exercisable at the holder's option at any time, in whole or in part until September 1, 2021, at an exercise price of $7.142857 per share of common stock. The Warrant may be settled in cash or by exchanging all or a portion of the Series T Preferred Stock. For additional information on the Berkshire investment and Series T Preferred Stock, see Preferred Stock in this Note.

On February 23, 2010, the Corporation held a special meeting of stockholders at which it obtained shareholder approval of an amendment to the Corporation's amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 10.0 billion to 11.3 billion. On April 28, 2010, at the Corporation's 2010 annual meeting of stockholders, the Corporation obtained shareholder approval of an amendment to the Corporation's amended and restated certificate of incorporation to increase the number of authorized shares of common stock from 11.3 billion to 12.8 billion.

In January 2009, the Corporation issued 1.4 billion shares of common stock in connection with its acquisition of Merrill Lynch. During 2009 and 2008, in connection with preferred stock issuances to the U.S. government under the Troubled Asset Relief Program (TARP), the Corporation issued warrants to purchase 121.8 million shares of common stock at an exercise price of $30.79 per share and 150.4 million shares of common stock at an exercise price of $13.30 per share. The U.S. Treasury auctioned these warrants in March 2010.

In May 2009, the Corporation issued 1.3 billion shares of its common stock at an average price of $10.77 per share through an at-the-market issuance program resulting in gross proceeds of approximately $13.5 billion.

In connection with employee stock plans in 2011, the Corporation issued approximately 51 million shares and repurchased approximately 28 million shares of its common stock to satisfy tax withholding obligations. At December 31, 2011, the Corporation had reserved 2.2 billion unissued shares of common stock for future issuances under employee stock plans, common stock warrants, convertible notes and preferred stock.

There is no existing Board authorized share repurchase program.

Preferred Stock

During both 2011 and 2010, the dividends declared on preferred stock were $1.4 billion, and $4.5 billion for 2009.

In 2011, the Corporation entered into separate agreements with certain institutional preferred and Trust Security holders (the Exchange Agreements) pursuant to which the Corporation and each security holder agreed to exchange shares, or depository shares representing fractional interests in shares, of various series of the Corporation's preferred stock, par value $0.01 per share, or Trust Securities for an aggregate of 400 million shares of the Corporation's common stock valued at $2.2 billion and $2.3 billion aggregate principal amount of senior notes. The exchanges, in the aggregate, increased Tier 1 common capital by $3.9 billion, or approximately 29 bps. The Exchange Agreements related to Trust Securities are described in *Note 13 – Long-term Debt* and the Exchange Agreements related to preferred stock are described below.

As part of the Exchange Agreements, the Corporation exchanged non-convertible preferred stock, with an aggregate liquidation preference of $815 million and carrying value of $814 million, for 72 million shares of common stock valued at $399 million and senior notes valued at $231 million. The $184 million difference between the carrying value of the non-convertible preferred stock and the fair value of the consideration issued to the holders of the non-convertible preferred stock was recorded in retained earnings as a non-cash reduction to preferred stock dividends.

Additionally, as a part of the Exchange Agreements, a portion of the Series L 7.25% Non-Cumulative Perpetual Convertible Preferred Stock (Series L Preferred Stock) with an aggregate liquidation preference and carrying value of $269 million was exchanged for 20 million common shares valued at $123 million and senior notes valued at $129 million. The $17 million difference between the carrying value of the Series L Preferred Stock and the fair value of the consideration issued to holders of the Series L Preferred Stock was reclassified from preferred stock to common stock and additional paid-in capital. Because the number of common shares issued to the Series L Preferred Stock holders was in excess of the number of common shares issuable pursuant to the original conversion terms, the $220 million fair value of consideration transferred to the Series L Preferred Stock holders in excess of the $32 million fair value of securities issuable pursuant to the original conversion terms was recorded as a non-cash preferred stock dividend. The dividend did not impact total shareholders' equity as it reduced retained earnings and increased common stock and additional paid-in capital by the same amount.

The table below lists the aggregate liquidation value of each series of preferred stock exchanged.

Preferred Stock Exchanged

(Dollars in millions, actual shares)	Preferred Shares Exchanged	Liquidation Value (1, 2)
Non-convertible		
Series D	260	$ 7
Series E	5,915	148
Series J	1,058	26
Series K	4,929	123
Series M	4,958	124
Series 1	1,215	36
Series 2	5,436	163
Series 3	563	17
Series 4	2,203	66
Series 5	3,288	99
Series 6	5,612	6
Total non-convertible	35,437	815
Convertible		
Series L	269,139	269
Total exchanged	304,576	$ 1,084

(1) Amounts shown are before third-party issuance costs.
(2) Carrying value of preferred stock exchanged was $1,083 million.

The Series T Preferred Stock issued as part of the Berkshire investment has a liquidation value of $100,000 per share and dividends on the Series T Preferred Stock accrue on the liquidation value at a rate per annum of six percent but will be paid only when and if declared by the Board out of legally available funds. Subject to the approval of the Board of Governors of the Federal Reserve System, the Series T Preferred Stock may be redeemed by the Corporation at any time at a redemption price of $105,000 per share plus any accrued, unpaid dividends. The Series T Preferred Stock has no maturity date and ranks senior to the outstanding common stock with respect to the payment of dividends and distributions in liquidation. At any time when dividends on the Series T Preferred Stock have not been paid in full, the unpaid amounts will accrue dividends at a rate per annum of eight percent and the Corporation will not be permitted to pay dividends or other distributions on, or to repurchase, any outstanding common stock or any of the Corporation's outstanding preferred stock of any series. Following payment in full of accrued but unpaid dividends on the Series T Preferred Stock, the dividend rate remains at eight percent per annum.

In connection with the Merrill Lynch acquisition, Merrill Lynch non-convertible preferred shareholders received Bank of America Corporation preferred stock having substantially identical terms. On October 15, 2010, all of the outstanding shares of the mandatory convertible preferred stock of Merrill Lynch automatically converted into an aggregate of 50 million shares of the Corporation's common stock in accordance with the terms of these preferred securities.

In January 2009, in connection with TARP and the Merrill Lynch acquisition, the Corporation issued to the U.S. Treasury non-voting perpetual preferred stock for $30.0 billion.

In December 2009, the Corporation repurchased the non-voting perpetual preferred stock previously issued to the U.S. Treasury (TARP Preferred Stock) in 2009 and 2008 through the use of $25.7 billion in excess liquidity and $19.3 billion in proceeds from the sale of 1.3 billion Common Equivalent Securities (CES) valued at $15.00 per unit. The CES consisted of depositary shares representing interests in shares of Common Equivalent Junior Preferred Stock, Series S (Common Equivalent Stock) and contingent warrants to purchase an aggregate of 60 million shares of the Corporation's common stock. On February 23, 2010, the Corporation held a special meeting of stockholders at which it obtained shareholder approval of an amendment to the Corporation's amended and restated certificate of incorporation to increase the number of authorized shares of common stock. Accordingly, the Common Equivalent Stock automatically converted in full into 1.286 billion shares of common stock on February 24, 2010. In addition, as a result, the contingent warrants expired without having become exercisable and the CES ceased to exist.

During 2009, the Corporation entered into agreements with certain holders of non-government perpetual preferred stock to exchange their holdings of approximately $7.3 billion aggregate liquidation preference, before third-party issuance costs, of 323 million shares of perpetual preferred stock for 545 million shares of common stock with a fair value of $6.1 billion. In addition, the Corporation exchanged $3.9 billion aggregate liquidation preference, before third-party issuance costs, of 144 million shares of non-government preferred stock for 200 million shares of common stock in an exchange offer with a fair value of stock issued of $2.5 billion. In total, these exchanges resulted in the exchange of $11.3 billion aggregate liquidation preference, before third-party issuance costs, or 467 million shares of preferred stock into 745 million shares of common stock with a fair value of $8.6 billion.

In addition, during 2009, the Corporation exchanged 3.6 million shares, or $3.6 billion aggregate liquidation preference of Series L Preferred Stock into 255 million shares of common stock with a fair value of $2.8 billion, which was accounted for as an induced conversion of preferred stock.

As a result of these 2009 exchanges, the Corporation recorded an increase to retained earnings and net income (loss) applicable to common shareholders of $576 million. This represents the net of a $2.62 billion benefit due to the excess of the carrying value of the Corporation's non-convertible preferred stock over the fair value of the common stock exchanged, partially offset by a $2.04 billion inducement representing the excess of the fair value of the common stock exchanged over the fair value of the common stock that would have been issued under the original conversion terms.

The table below presents a summary of perpetual preferred stock previously issued by the Corporation and remaining outstanding at December 31, 2011.

Preferred Stock Summary

(Dollars in millions, except as noted)

Series	Description	Initial Issuance Date	Total Shares Outstanding	Liquidation Preference per Share (in dollars)	Carrying Value [1]	Per Annum Dividend Rate	Redemption Period
Series B [2]	7% Cumulative Redeemable	June 1997	7,571	$ 100	$ 1	7.00%	n/a
Series D [3, 8]	6.204% Non-Cumulative	September 2006	26,174	25,000	654	6.204%	On or after September 14, 2011
Series E [3, 8]	Floating Rate Non-Cumulative	November 2006	13,576	25,000	340	Annual rate equal to the greater of (a) 3-mo. LIBOR + 35 bps and (b) 4.00%	On or after November 15, 2011
Series H [3, 8]	8.20% Non-Cumulative	May 2008	114,483	25,000	2,862	8.20%	On or after May 1, 2013
Series I [3, 8]	6.625% Non-Cumulative	September 2007	14,584	25,000	365	6.625%	On or after October 1, 2017
Series J [3, 8]	7.25% Non-Cumulative	November 2007	38,053	25,000	951	7.25%	On or after November 1, 2012
Series K [3, 9]	Fixed-to-Floating Rate Non-Cumulative	January 2008	61,773	25,000	1,544	8.00% through 1/29/18; 3-mo. LIBOR + 363 bps thereafter	On or after January 30, 2018
Series L	7.25% Non-Cumulative Perpetual Convertible	January 2008	3,080,182	1,000	3,080	7.25%	n/a
Series M [3, 9]	Fixed-to-Floating Rate Non-Cumulative	April 2008	52,399	25,000	1,310	8.125% through 5/14/18; 3-mo. LIBOR + 364 bps thereafter	On or after May 15, 2018
Series T	6% Cumulative	September 2011	50,000	100,000	2,918	6.00%	See description in Preferred Stock in this Note
Series 1 [3, 4]	Floating Rate Non-Cumulative	November 2004	3,646	30,000	109	3-mo. LIBOR + 75 bps [5]	On or after November 28, 2009
Series 2 [3, 4]	Floating Rate Non-Cumulative	March 2005	12,111	30,000	363	3-mo. LIBOR + 65 bps [5]	On or after November 28, 2009
Series 3 [3, 4]	6.375% Non-Cumulative	November 2005	21,773	30,000	653	6.375%	On or after November 28, 2010
Series 4 [3, 4]	Floating Rate Non-Cumulative	November 2005	10,773	30,000	323	3-mo. LIBOR + 75 bps [6]	On or after November 28, 2010
Series 5 [3, 4]	Floating Rate Non-Cumulative	March 2007	16,902	30,000	507	3-mo. LIBOR + 50 bps [6]	On or after May 21, 2012
Series 6 [3, 7]	6.70% Non-Cumulative Perpetual	September 2007	59,388	1,000	60	6.70%	On or after February 3, 2009
Series 7 [3, 7]	6.25% Non-Cumulative Perpetual	September 2007	16,596	1,000	17	6.25%	On or after March 18, 2010
Series 8 [3, 4]	8.625% Non-Cumulative	April 2008	89,100	30,000	2,673	8.625%	On or after May 28, 2013
Total			**3,689,084**		**$ 18,730**		

(1) Amounts shown are before third-party issuance costs and other Merrill Lynch purchase accounting related adjustments of $333 million.
(2) Series B Preferred Stock does not have early redemption/call rights.
(3) The Corporation may redeem series of preferred stock on or after the redemption date, in whole or in part, at its option, at the liquidation preference plus declared and unpaid dividends.
(4) 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, if and when declared.
(5) Subject to 3.00% minimum rate per annum.
(6) Subject to 4.00% minimum rate per annum.
(7) 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, if and when declared.
(8) Ownership is held in the form of depositary shares, each representing a 1/1000th interest in a share of preferred stock, paying a quarterly cash dividend, if and when declared.
(9) Ownership is held in the form of depositary shares, each representing a 1/25th interest in a share of preferred stock, paying a semi-annual cash dividend, if and when declared, until the redemption date adjusts to a quarterly cash dividend, if and when declared, thereafter.
n/a = not applicable

Series L Preferred Stock listed in the Preferred Stock Summary table does not have early redemption/call rights. Each share of the Series L Preferred Stock may be converted at any time, at the option of the holder, into 20 shares of the Corporation's common stock plus cash in lieu of fractional shares. On or after January 30, 2013, the Corporation may cause some or all of the Series L Preferred Stock, at its option, at any time or from time to time, to be converted into shares of common stock at the then-applicable conversion rate if, for 20 trading days during any period of 30 consecutive trading days, the closing price of common stock exceeds 130 percent of the then-applicable conversion price of the Series L Preferred Stock. If the Corporation exercises its rights to cause the automatic conversion of Series L Preferred Stock on January 30, 2013, it will still pay any accrued dividends payable on January 30, 2013 to the applicable holders of record.

All series of preferred stock in the Preferred Stock Summary table have a par value of $0.01 per share, are not subject to the operation of a sinking fund, have no participation rights, and with the exception of the Series L Preferred Stock, are not convertible. The holders of the Series B Preferred Stock and Series 1 through 8 Preferred Stock have general voting rights, and the holders of the other series included in the table have no general voting rights. All outstanding series of preferred stock of the Corporation have 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. With the exception of the Series T Preferred Stock, if any dividend payable on these series is in arrears for three or more semi-annual or six or more quarterly dividend periods, as applicable (whether consecutive or not), the holders of these series and any other class or series of preferred stock ranking equally as to payment of dividends and upon which equivalent voting rights have been conferred and are exercisable (voting as a single class), will be entitled to vote for the election of two additional directors. These voting rights terminate when the Corporation has paid in full dividends on these series for at least two semi-annual or four quarterly dividend periods, as applicable, following the dividend arrearage.

NOTE 16 Accumulated Other Comprehensive Income

The table below presents the changes in accumulated OCI in 2009, 2010 and 2011, net-of-tax.

(Dollars in millions)	Available-for-Sale Debt Securities	Available-for-Sale Marketable Equity Securities	Derivatives	Employee Benefit Plans [1]	Foreign Currency [2]	Total
Balance, December 31, 2008	$ (5,956)	$ 3,935	$ (3,458)	$ (4,642)	$ (704)	$ (10,825)
Cumulative adjustment for accounting change – OTTI [3]	(71)	—	—	—	—	(71)
Net change in fair value recorded in accumulated OCI	6,364	2,651	153	318	211	9,697
Net realized (gains) losses reclassified into earnings	(965)	(4,457)	770	232	—	(4,420)
Balance, December 31, 2009	$ (628)	$ 2,129	$ (2,535)	$ (4,092)	$ (493)	$ (5,619)
Cumulative adjustments for accounting changes: [3]						
Consolidation of certain variable interest entities	(116)	—	—	—	—	(116)
Credit-related notes	229	—	—	—	—	229
Net change in fair value recorded in accumulated OCI	2,210	5,657	(1,108)	(104)	(44)	6,611
Net realized (gains) losses reclassified into earnings	(981)	(1,127)	407	249	281	(1,171)
Balance, December 31, 2010	$ 714	$ 6,659	$ (3,236)	$ (3,947)	$ (256)	$ (66)
Net change in fair value recorded in accumulated OCI	**4,331**	**(2,539)**	**(1,567)**	**(714)**	**(34)**	**(523)**
Net realized (gains) losses reclassified into earnings	**(1,945)**	**(4,117)**	**1,018**	**270**	**(74)**	**(4,848)**
Balance, December 31, 2011	**$ 3,100**	**$ 3**	**$ (3,785)**	**$ (4,391)**	**$ (364)**	**$ (5,437)**

(1) Net change in fair value represents after-tax adjustments based on the final year-end actuarial valuations. For more information on employee benefit plans, see *Note 19 – Employee Benefit Plans*.
(2) Net change in fair value represents only the impact of changes in spot foreign exchange rates on the Corporation's net investment in non-U.S. operations and related hedges.
(3) For additional information on the adoption of new accounting guidance, see *Note 1 – Summary of Significant Accounting Principles* and *Note 5 – Securities.*

NOTE 17 Earnings Per Common Share

The calculation of EPS and diluted EPS for 2011, 2010 and 2009 is presented below. See *Note 1 – Summary of Significant Accounting Principles* for additional information on the calculation of EPS.

(Dollars in millions, except per share information; shares in thousands)	2011	2010	2009
Earnings (loss) per common share			
Net income (loss)	$ 1,446	$ (2,238)	$ 6,276
Preferred stock dividends	(1,361)	(1,357)	(4,494)
Accelerated accretion from redemption of preferred stock issued to the U.S. Treasury	—	—	(3,986)
Net income (loss) applicable to common shareholders	85	(3,595)	(2,204)
Dividends and undistributed earnings allocated to participating securities	(1)	(4)	(6)
Net income (loss) allocated to common shareholders	$ 84	$ (3,599)	$ (2,210)
Average common shares issued and outstanding	10,142,625	9,790,472	7,728,570
Earnings (loss) per common share	$ 0.01	$ (0.37)	$ (0.29)
Diluted earnings (loss) per common share			
Net income (loss) applicable to common shareholders	$ 85	$ (3,595)	$ (2,204)
Dividends and undistributed earnings allocated to participating securities	(1)	(4)	(6)
Net income (loss) allocated to common shareholders	$ 84	$ (3,599)	$ (2,210)
Average common shares issued and outstanding	10,142,625	9,790,472	7,728,570
Dilutive potential common shares [(1)]	112,199	—	—
Total diluted average common shares issued and outstanding	10,254,824	9,790,472	7,728,570
Diluted earnings (loss) per common share	$ 0.01	$ (0.37)	$ (0.29)

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

Due to the net loss applicable to common shareholders for 2010 and 2009, no dilutive potential common shares were included in the calculation of diluted EPS because they would have been antidilutive.

For 2011, 2010 and 2009, average options to purchase 217 million, 271 million and 315 million shares, respectively, of common stock were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method. For both 2011 and 2010, average warrants to purchase 272 million shares of common stock and 265 million for 2009, were outstanding but not included in the computation of EPS because they were antidilutive under the treasury stock method. For 2011, 66 million average dilutive potential common shares associated with the Series L Preferred Stock were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method. For 2010 and 2009, 107 million and 147 million average dilutive potential common shares associated with the Series L Preferred Stock, and the mandatory convertible Preferred Stock Series 2 and Series 3 of Merrill Lynch were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method. For 2009, 81 million average dilutive potential common shares associated with the CES were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method. For 2011, 234 million average dilutive potential common shares associated with the Series T Preferred Stock issued in 2011 were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method.

For purposes of computing basic EPS, CES were considered to be participating securities prior to February 24, 2010, however, due to a net loss for 2010, earnings were not allocated to the CES. The two-class method prohibits allocation of an undistributed loss to participating securities. For purposes of computing diluted EPS, there was no dilutive effect of the CES, which were outstanding prior to February 24, 2010, due to a net loss for 2010.

In 2011, in connection with the exchanges described in *Note 15 – Shareholders' Equity*, the Corporation recorded a net $36 million non-cash preferred stock dividend which is included in the calculation of net income allocated to common shareholders.

For 2009, as a result of repurchasing the TARP Preferred Stock, the Corporation accelerated the remaining accretion of the issuance discount on the TARP Preferred Stock of $4.0 billion and recorded a corresponding charge to retained earnings and income (loss) applicable to common shareholders in the calculation of diluted EPS. In addition, in 2009, the Corporation recorded an increase to retained earnings and net income (loss) applicable to common shareholders of $576 million related to the Corporation's preferred stock exchange for common stock.

NOTE 18 Regulatory Requirements and Restrictions

The Federal Reserve requires the Corporation's banking subsidiaries to maintain reserve balances based on a percentage of certain deposits. Average daily reserve balances required by the Federal Reserve were $14.6 billion and $12.9 billion for 2011 and 2010. Currency and coin residing in branches and cash vaults (vault cash) are used to partially satisfy the reserve requirement. The average daily reserve balances, in excess of vault cash, held with the Federal Reserve amounted to $6.5 billion and $5.5 billion for 2011 and 2010.

The primary sources of funds for cash distributions by the Corporation to its shareholders are dividends received from its banking subsidiaries, Bank of America, N.A. and FIA Card Services, N.A. In 2011, the Corporation received $9.8 billion in dividends from Bank of America, N.A. and FIA Card Services, N.A., returned capital of $7.0 billion to the Corporation. In 2012, Bank of America, N.A. and FIA Card Services, N.A. can declare and pay dividends to the Corporation of $4.5 billion and $0 plus an additional amount equal to their net profits for 2012, as defined by statute, up to the date of any such dividend declaration. The other subsidiary national banks can pay dividends in aggregate of $1.0 billion in 2012 plus an additional amount equal to their net profits for 2012, as defined by statute, up to the date of any such dividend declaration. The amount of dividends that each subsidiary bank may declare in a calendar year without approval by the OCC is the subsidiary bank's net profits for that year combined with its net retained profits, as defined, for the preceding two years.

The Federal Reserve, OCC and FDIC (collectively, joint agencies) have in place regulatory capital guidelines for U.S. banking organizations. Failure to meet the capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Corporation's financial position. The regulatory capital guidelines measure capital in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. Under the regulatory capital guidelines, Total capital consists of three tiers of capital. Tier 1 capital includes qualifying common shareholders' equity, qualifying noncumulative perpetual preferred stock, qualifying Trust Securities, hybrid securities and qualifying non-controlling interests, less goodwill and other adjustments. Tier 2 capital consists of qualifying subordinated debt, a limited portion of the allowance for loan and lease losses, a portion of net unrealized gains on AFS marketable equity securities and other adjustments. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank's risk-based capital ratio to fall or remain below the required minimum. Tier 3 capital can only be used to satisfy the Corporation's market risk capital requirement and may not be used to support its credit risk requirement. At December 31, 2011 and 2010, the Corporation had no subordinated debt that qualified as Tier 3 capital.

Certain corporate-sponsored trust companies which issue Trust Securities are not consolidated. In accordance with Federal Reserve guidance, Trust Securities continue to qualify as Tier 1 capital with revised quantitative limits effective March 31, 2011. As a result, the Corporation includes Trust Securities in Tier 1 capital. The Financial Reform Act includes a provision under which the Corporation's previously issued and outstanding Trust Securities in the aggregate amount of $16.1 billion (approximately 125 bps of Tier 1 capital) at December 31, 2011, will no longer qualify as Tier 1 capital effective January 1, 2013. This amount excludes $633 million of hybrid Trust Securities that are expected to be converted to preferred stock prior to the date of implementation. The exclusion of Trust Securities from Tier 1 capital will be phased in incrementally over a three-year phase-in period. The treatment of Trust Securities during the phase-in period remains unclear and is subject to future rulemaking.

Current limits restrict core capital elements to 15 percent of total core capital elements for internationally active bank holding companies. Internationally active bank holding companies are those that have significant activities in non-U.S. markets with consolidated assets greater than $250 billion or on-balance sheet non-U.S. exposure greater than $10 billion. In addition, the Federal Reserve revised the qualitative standards for capital instruments included in regulatory capital. At December 31, 2011, the Corporation's restricted core capital elements comprised 9.1 percent of total core capital elements. The Corporation is and expects to remain compliant with the revised limits.

To meet minimum, adequately capitalized regulatory requirements, an institution must maintain a Tier 1 capital ratio of four percent and a Total capital ratio of eight percent. A "well-capitalized" institution must generally maintain capital ratios 200 bps higher than the minimum guidelines. The risk-based capital rules have been further supplemented by a Tier 1 leverage ratio, defined as Tier 1 capital divided by quarterly average total assets, after certain adjustments. "Well-capitalized" bank holding companies must have a minimum Tier 1 leverage ratio of four percent. National banks must maintain a Tier 1 leverage ratio of at least five percent to be classified as "well-capitalized." At December 31, 2011, the Corporation's Tier 1 capital, Total capital and Tier 1 leverage ratios were 12.40 percent, 16.75 percent and 7.53 percent, respectively. This classifies the Corporation as "well-capitalized" for regulatory purposes, the highest classification.

Net unrealized gains or losses on AFS debt securities and marketable equity securities, net unrealized gains and losses on derivatives, and employee benefit plan adjustments in shareholders' equity are excluded from the calculations of Tier 1 common capital as discussed below, Tier 1 capital and leverage ratios. The Total capital ratio excludes all of the above with the exception of up to 45 percent of the pre-tax net unrealized gains on AFS marketable equity securities.

The Corporation calculates Tier 1 common capital as Tier 1 capital including any CES less preferred stock, qualifying Trust Securities, hybrid securities and qualifying noncontrolling interest in subsidiaries. CES was included in Tier 1 common capital based upon applicable regulatory guidance and the expectation at December 31, 2009 that the underlying Common Equivalent Junior Preferred Stock, Series S would convert into common stock following shareholder approval of additional authorized shares. Shareholders approved the increase in the number of authorized shares of common stock and the Common Equivalent Stock converted into common stock on February 24, 2010. Tier 1 common capital was $126.7 billion and $125.1 billion and the Tier 1 common capital ratio was 9.86 percent and 8.60 percent at December 31, 2011 and 2010.

The table below presents actual and minimum required regulatory capital amounts for 2011 and 2010.

Regulatory Capital

	December 31					
	2011			2010		
	Actual			Actual		
(Dollars in millions)	Ratio	Amount	Minimum Required (1)	Ratio	Amount	Minimum Required (1)
Risk-based capital						
Tier 1 common						
Bank of America Corporation	**9.86%**	**$ 126,690**	**n/a**	8.60%	$ 125,139	n/a
Tier 1						
Bank of America Corporation	**12.40**	**159,232**	**$ 51,379**	11.24	163,626	$ 58,238
Bank of America, N.A.	**11.74**	**119,881**	**40,830**	10.78	114,345	42,416
FIA Card Services, N.A.	**17.63**	**24,660**	**5,596**	15.30	25,589	6,691
Total						
Bank of America Corporation	**16.75**	**215,101**	**102,757**	15.77	229,594	116,476
Bank of America, N.A.	**15.17**	**154,885**	**81,661**	14.26	151,255	84,831
FIA Card Services, N.A.	**19.01**	**26,594**	**11,191**	16.94	28,343	13,383
Tier 1 leverage						
Bank of America Corporation	**7.53**	**159,232**	**84,557**	7.21	163,626	90,811
Bank of America, N.A.	**8.65**	**119,881**	**55,454**	7.83	114,345	58,391
FIA Card Services, N.A.	**14.22**	**24,660**	**6,935**	13.21	25,589	7,748

(1) Dollar amount required to meet guidelines for adequately capitalized institutions.
n/a = not applicable

Regulatory Capital Developments

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

U.S. banking regulators published a final Basel II rule (Basel II) in December 2007, which requires the Corporation to implement Basel II at the holding company level as well as at certain U.S. bank subsidiaries, establishes requirements for the U.S. implementation and provides detailed requirements for a new regulatory capital framework related to credit and operational risk (Pillar 1), supervisory requirements (Pillar 2) and disclosure requirements (Pillar 3). The Corporation is currently in the Basel II parallel period.

On December 15, 2010, U.S. regulators announced a notice of proposed rulemaking (NPR) on the Risk-based Capital Guidelines for Market Risk. On December 29, 2011, U.S. regulators issued an NPR that would amend the December 2010 NPR. This amended NPR is expected to increase the capital requirements for the Corporation's trading assets and liabilities. The Corporation continues to evaluate the capital impact of the proposed rules and currently anticipates it will be in compliance with any final rules by the projected implementation date in late 2012.

In addition, the Basel Committee issued capital standards entitled "Basel III: A global regulatory framework for more resilient banks and banking systems," together with liquidity standards discussed below (Basel III) in December 2010. The Corporation expects to be in compliance with the Basel III capital standards within the regulatory timelines. If implemented by U.S. banking regulators as proposed, Basel III could significantly increase the Corporation's capital requirements. Basel III and the Financial Reform Act propose the disqualification of Trust Securities from Tier 1 capital, with the Financial Reform Act proposing that the disqualification be phased in from 2013 to 2015. Basel III also proposes the deduction of certain assets from capital (deferred tax assets, MSRs, investments in financial firms and pension assets, among others, within prescribed limitations), the inclusion of accumulated OCI in capital, increased capital for counterparty credit risk, and new minimum capital and buffer requirements. For additional information on deferred tax assets and MSRs, see *Note 21 – Income Taxes* and *Note 25 – Mortgage Servicing Rights*. The phase-in period for the capital deductions is proposed to occur in 20 percent increments from 2014 through 2018 with full implementation by December 31, 2018. An increase in capital requirements for counterparty credit is proposed to be effective January 2013. The phase-in period for the new minimum capital requirements and related buffers is proposed to occur between 2013 and 2019. U.S. banking regulators have indicated a goal to adopt final rules in 2012.

Preparing for the implementation of the new capital rules is a top strategic priority for the Corporation. The Corporation intends to continue to build capital through retaining earnings, actively reducing legacy asset portfolios and implementing other capital related initiatives, including focusing on reducing both higher risk-weighted assets and assets currently deducted, or expected to be deducted under Basel III, from capital.

On June 17, 2011, U.S. banking regulators proposed rules requiring all large bank holding companies (BHCs) to submit a comprehensive capital plan to the Federal Reserve as part of an annual Comprehensive Capital Analysis and Review (CCAR). The proposed regulations require BHCs to demonstrate adequate capital to support planned capital actions, such as dividends, share repurchases or other forms of distributing capital. CCAR submissions are subject to approval by the Federal Reserve. The Federal Reserve may require BHCs to provide prior notice under certain circumstances before making a capital distribution. On January 5, 2012, the Corporation submitted a capital plan to the Federal Reserve consistent with the proposed rules.

On July 19, 2011, the Basel Committee published the consultative document "Globally systemic important banks: Assessment methodology and the additional loss absorbency requirement" which sets out measures for global, systemically important financial institutions including the methodology for measuring systemic importance, the additional capital required (the SIFI buffer) and the arrangements by which they will be phased in. As proposed, the SIFI buffer would be met with additional Tier 1 common equity ranging from one percent to 2.5 percent, and in certain circumstances, 3.5 percent. This will be phased in from 2016 through 2018. U.S. banking regulators have not yet provided similar rules for U.S. implementation of a SIFI buffer.

Given that the U.S. regulatory agencies have issued neither proposed rulemaking nor supervisory guidance on Basel III, significant uncertainty exists regarding the eventual impacts of Basel III on U.S. financial institutions, including the Corporation. These regulatory changes also require approval by the U.S. regulatory agencies of analytical models used as part of the Corporation's capital measurement and assessment, especially in the case of more complex models. If these more complex models are not approved, it could require financial institutions to hold additional capital, which in some cases could be significant.

On December 20, 2011, the Federal Reserve issued proposed rules to implement enhanced supervisory and prudential requirements and the early remediation requirements established under the Financial Reform Act. The enhanced standards include risk-based capital and leverage requirements, liquidity standards, requirements for overall risk management, single-counterparty credit limits, stress test requirements and a debt-to-equity limit for certain companies determined to pose a threat to financial stability. Comments on the proposed rules are due by March 31, 2012. The final rules are likely to influence the Corporation's regulatory capital and liquidity planning process, and may impose additional operational and compliance costs on the Corporation.

NOTE 19 Employee Benefit Plans

Pension and Postretirement Plans

The Corporation sponsors noncontributory trusteed 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.

The Pension Plan has a balance guarantee feature for account balances with participant-selected earnings, applied at the time a benefit payment is made from the plan that effectively provides principal protection for participant balances transferred and certain compensation credits. The Corporation is responsible for funding any shortfall on the guarantee feature.

As a result of acquisitions, the Corporation assumed the obligations related to the pension plans of certain legacy companies. These acquired pension plans have been merged into a separate defined benefit pension plan which, together with the Pension Plan, are referred to as the Qualified Pension Plans. The benefit structures under these acquired plans have not changed and remain intact in the merged plan. Certain benefit structures are substantially similar to the Pension Plan discussed above; however, certain of these structures do not allow participants to select various earnings measures; rather the earnings rate is based on a benchmark rate. In addition, these benefit structures include participants with benefits determined under formulas based on average or career compensation and years of service rather than by reference to a pension account. Certain of the other benefit structures provide a participant's retirement benefits based on the number of years of benefit service and a percentage of the participant's average annual compensation during the five highest paid consecutive years of the last ten years of employment.

In connection with a redesign of the Corporation's retirement plans, after the end of 2011, the Corporation announced that it will freeze the benefits earned in the Qualified Pension Plans effective June 30, 2012. The Corporation will continue to offer retirement benefits through its defined contribution plans and will increase its contributions to certain of these plans.

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, nonqualified pension plans and postretirement plans. The non-U.S. pension plans vary based on the country and local practices. The terminated U.S. pension plan is referred to as the Other Pension Plan.

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 made no contribution under this agreement in 2011 or 2010. Contributions may be required in the future under this agreement.

The Corporation sponsors a number of noncontributory, nonqualified pension plans (the Nonqualified Pension Plans). As a result of acquisitions, the Corporation assumed the obligations related to the noncontributory, nonqualified pension plans of certain legacy companies including Merrill Lynch. These plans, which are unfunded, provide defined pension benefits to certain employees.

In addition to retirement pension benefits, full-time, salaried employees and certain part-time employees may become eligible to continue participation as retirees in health care and/or life insurance plans sponsored by the Corporation. Based on the other provisions of the individual plans, certain retirees may also have the cost of these benefits partially paid by the Corporation. The obligations assumed as a result of acquisitions are substantially similar to the Corporation's postretirement health and life plans, except for Countrywide which did not have a postretirement health and life plan. Collectively, these plans are referred to as the Postretirement Health and Life Plans.

The Pension and Postretirement Plans table summarizes the changes in the fair value of plan assets, changes in the projected benefit obligation (PBO), the funded status of both the accumulated benefit obligation (ABO) and the PBO, and the weighted-average assumptions used to determine benefit obligations for the pension plans and postretirement plans at December 31, 2011 and 2010. Amounts recognized at December 31, 2011 and 2010 are reflected in other assets, and accrued expenses and other liabilities on the Consolidated Balance Sheet. The discount rate assumption is based on a cash flow matching technique and is subject to change each year. This technique utilizes yield curves that are based on Aa-rated corporate bonds with cash flows that match estimated benefit payments of each of the plans to produce the discount rate assumptions. The asset valuation method for the Qualified Pension Plans recognizes 60 percent of the prior year's market gains or losses at the next measurement date with the remaining 40 percent spread equally over the subsequent four years.

The Corporation's best estimate of its contributions to be made to the Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans in 2012 is $98 million, $124 million and $115 million, respectively. The Corporation does not expect to make a contribution to the Qualified Pension plans in 2012.

Pension and Postretirement Plans

(Dollars in millions)	Qualified Pension Plans [1] 2011	Qualified Pension Plans [1] 2010	Non-U.S. Pension Plans [1] 2011	Non-U.S. Pension Plans [1] 2010	Nonqualified and Other Pension Plans [1] 2011	Nonqualified and Other Pension Plans [1] 2010	Postretirement Health and Life Plans [1] 2011	Postretirement Health and Life Plans [1] 2010
Change in fair value of plan assets								
Fair value, January 1	**$ 15,648**	$ 14,527	**$ 1,691**	$ 1,522	**$ 2,689**	$ 2,535	**$ 108**	$ 113
Actual return on plan assets	**182**	1,835	**295**	166	**493**	272	**2**	13
Company contributions	**—**	—	**104**	99	**99**	196	**84**	100
Plan participant contributions	**—**	—	**3**	2	**—**	—	**133**	139
Benefits paid	**(760)**	(714)	**(63)**	(63)	**(220)**	(314)	**(255)**	(275)
Plan transfer	**—**	—	**10**	—	**—**	—	**—**	—
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**19**	18
Foreign currency exchange rate changes	**n/a**	n/a	**(18)**	(35)	**n/a**	n/a	**—**	—
Fair value, December 31	**$ 15,070**	$ 15,648	**$ 2,022**	$ 1,691	**$ 3,061**	$ 2,689	**$ 91**	$ 108
Change in projected benefit obligation								
Projected benefit obligation, January 1	**$ 13,938**	$ 13,048	**$ 1,916**	$ 1,813	**$ 3,078**	$ 2,918	**$ 1,704**	$ 1,620
Service cost	**423**	397	**43**	32	**3**	3	**15**	14
Interest cost	**746**	748	**99**	95	**152**	163	**80**	92
Plan participant contributions	**—**	—	**3**	2	**—**	—	**133**	139
Plan amendments	**(11)**	—	**2**	2	**—**	—	**(21)**	64
Actuarial loss (gain)	**555**	459	**(19)**	78	**124**	308	**(56)**	32
Benefits paid	**(760)**	(714)	**(63)**	(63)	**(220)**	(314)	**(255)**	(275)
Plan transfer	**—**	—	**15**	—	**—**	—	**—**	—
Federal subsidy on benefits paid	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**19**	18
Foreign currency exchange rate changes	**n/a**	n/a	**(12)**	(43)	**—**	—	**—**	—
Projected benefit obligation, December 31	**$ 14,891**	$ 13,938	**$ 1,984**	$ 1,916	**$ 3,137**	$ 3,078	**$ 1,619**	$ 1,704
Amount recognized, December 31	**$ 179**	$ 1,710	**$ 38**	$ (225)	**$ (76)**	$ (389)	**$ (1,528)**	$ (1,596)
Funded status, December 31								
Accumulated benefit obligation	**$ 13,968**	$ 13,192	**$ 1,883**	$ 1,781	**$ 3,135**	$ 3,077	**n/a**	n/a
Overfunded (unfunded) status of ABO	**1,102**	2,456	**139**	(90)	**(74)**	(388)	**n/a**	n/a
Provision for future salaries	**923**	746	**101**	135	**2**	1	**n/a**	n/a
Projected benefit obligation	**14,891**	13,938	**1,984**	1,916	**3,137**	3,078	**$ 1,619**	$ 1,704
Weighted-average assumptions, December 31								
Discount rate	**4.95%**	5.45%	**4.87%**	5.32%	**4.65%**	5.20%	**4.65%**	5.10%
Rate of compensation increase	**4.00**	4.00	**4.42**	4.85	**4.00**	4.00	**n/a**	n/a

(1) The measurement date for the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans was December 31 of each year reported.

n/a = not applicable

Amounts recognized in the Corporation's Consolidated Balance Sheet at December 31, 2011 and 2010 are presented in the table below.

Amounts Recognized on Consolidated Balance Sheet

(Dollars in millions)	Qualified Pension Plans		Non-U.S. Pension Plans		Nonqualified and Other Pension Plans		Postretirement Health and Life Plans	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Other assets	**$ 246**	$ 1,710	**$ 342**	$ 33	**$ 1,096**	$ 809	**$ —**	$ —
Accrued expenses and other liabilities	**(67)**	—	**(304)**	(258)	**(1,172)**	(1,198)	**(1,528)**	(1,596)
Net amount recognized at December 31	**$ 179**	$ 1,710	**$ 38**	$ (225)	**$ (76)**	$ (389)	**$ (1,528)**	$ (1,596)

Pension Plans with ABO and PBO in excess of plan assets as of December 31, 2011 and 2010 are presented in the table below. For the non-qualified plans not subject to ERISA or non-U.S. pension plans, funding strategies vary due to legal requirements and local practices.

Plans with ABO and PBO in Excess of Plan Assets

(Dollars in millions)	Qualified Pension Plans		Non-U.S. Pension Plans		Nonqualified and Other Pension Plans	
	2011	2010	**2011**	2010	**2011**	2010
Plans with ABO in excess of plan assets						
PBO	**$ —**	$ —	**$ 732**	$ 477	**$ 1,174**	$ 1,200
ABO	**—**	—	**698**	466	**1,173**	1,199
Fair value of plan assets	**—**	—	**428**	259	**2**	2
Plans with PBO in excess of plan assets						
PBO	**$ 6,624**	$ —	**$ 732**	$ 642	**$ 1,174**	$ 1,200
Fair value of plan assets	**6,557**	—	**428**	384	**2**	2

Net periodic benefit cost for 2011, 2010 and 2009 included the following components.

Net Periodic Benefit Cost

(Dollars in millions)	Qualified Pension Plans 2011	Qualified Pension Plans 2010	Qualified Pension Plans 2009	Non-U.S. Pension Plans 2011	Non-U.S. Pension Plans 2010	Non-U.S. Pension Plans 2009
Components of net periodic benefit cost						
Service cost	**$ 423**	$ 397	$ 387	**$ 43**	$ 32	$ 30
Interest cost	**746**	748	740	**99**	95	76
Expected return on plan assets	**(1,296)**	(1,263)	(1,231)	**(115)**	(97)	(74)
Amortization of prior service cost	**20**	28	39	**—**	—	—
Amortization of net actuarial loss (gain)	**387**	362	377	**—**	(1)	—
Recognized gain due to settlements and curtailments	**—**	—	—	**—**	—	(2)
Recognized termination benefit costs	**—**	—	36	**—**	—	—
Net periodic benefit cost	**$ 280**	$ 272	$ 348	**$ 27**	$ 29	$ 30
Weighted-average assumptions used to determine net cost for years ended December 31						
Discount rate	**5.45%**	5.75%	6.00%	**5.32%**	5.41%	5.55%
Expected return on plan assets	**8.00**	8.00	8.00	**6.58**	6.60	6.78
Rate of compensation increase	**4.00**	4.00	4.00	**4.85**	4.67	4.61

(Dollars in millions)	Nonqualified and Other Pension Plans 2011	Nonqualified and Other Pension Plans 2010	Nonqualified and Other Pension Plans 2009	Postretirement Health and Life Plans 2011	Postretirement Health and Life Plans 2010	Postretirement Health and Life Plans 2009
Components of net periodic benefit cost						
Service cost	**$ 3**	$ 3	$ 4	**$ 15**	$ 14	$ 16
Interest cost	**152**	163	167	**80**	92	93
Expected return on plan assets	**(141)**	(138)	(148)	**(9)**	(9)	(8)
Amortization of transition obligation	**—**	—	—	**31**	31	31
Amortization of prior service cost (credits)	**(8)**	(8)	(8)	**4**	6	—
Amortization of net actuarial loss (gain)	**16**	10	5	**(17)**	(49)	(77)
Recognized loss due to settlements and curtailments	**3**	17	2	**—**	—	—
Net periodic benefit cost	**$ 25**	$ 47	$ 22	**$ 104**	$ 85	$ 55
Weighted-average assumptions used to determine net cost for years ended December 31						
Discount rate	**5.20%**	5.75%	6.00%	**5.10%**	5.75%	6.00%
Expected return on plan assets	**5.25**	5.25	5.25	**8.00**	8.00	8.00
Rate of compensation increase	**4.00**	4.00	4.00	**n/a**	n/a	n/a

n/a = not applicable

Net periodic postretirement health and life expense was determined using the "projected unit credit" actuarial method. Gains and losses for all benefits except postretirement health care are recognized in accordance with the standard amortization provisions of the applicable accounting guidance. For the Postretirement Health Care Plans, 50 percent of the unrecognized gain or loss at the beginning of the fiscal year (or at subsequent remeasurement) is recognized on a level basis during the year.

The discount rate and expected return on plan assets impact the net periodic benefit cost recorded for the plans. With all other assumptions held constant, a 25-basis point decline in the discount rate and expected return on plan assets would result in an increase of approximately $55 million and $27 million for the Qualified Pension Plans. For the Non-U.S. Pension Plans, the Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans, the 25-basis point decline in rates would not have a significant impact.

Assumed health care cost trend rates affect the postretirement benefit obligation and benefit cost reported for the Postretirement Health and Life Plans. The assumed health care cost trend rate used to measure the expected cost of benefits covered by the Postretirement Health and Life Plans was 8.00 percent for 2012, reducing in steps to 5.00 percent in 2019 and later years. A one-percentage-point increase in assumed health care cost trend rates would have increased the service and interest costs, and the benefit obligation by $4 million and $59 million in 2011. A one-percentage-point decrease in assumed health care cost trend rates would have lowered the service and interest costs, and the benefit obligation by $3 million and $52 million in 2011.

Pre-tax amounts included in accumulated OCI for employee benefit plans at December 31, 2011 and 2010 are presented in the table below.

Pre-tax Amounts included in Accumulated OCI

(Dollars in millions)	Qualified Pension Plans		Non-U.S. Pension Plans		Nonqualified and Other Pension Plans		Postretirement Health and Life Plans		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net actuarial (gain) loss	**$ 6,743**	$ 5,461	**$ (212)**	$ (20)	**$ 409**	$ 656	**$ (59)**	$ (27)	**$ 6,881**	$ 6,070
Transition obligation	**—**	—	**—**	—	**—**	—	**32**	63	**32**	63
Prior service cost (credits)	**67**	98	**3**	1	**(7)**	(15)	**33**	58	**96**	142
Amounts recognized in accumulated OCI	**$ 6,810**	$ 5,559	**$ (209)**	$ (19)	**$ 402**	$ 641	**$ 6**	$ 94	**$ 7,009**	$ 6,275

Pre-tax amounts recognized in OCI for employee benefit plans in 2011 included the following components.

Pre-tax Amounts Recognized in OCI

(Dollars in millions)	Qualified Pension Plans	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans	Total
Other changes in plan assets and benefit obligations recognized in OCI					
Current year actuarial (gain) loss	$ 1,669	$ (192)	$ (228)	$ (49)	$ 1,200
Amortization of actuarial gain (loss)	(387)	—	(19)	17	(389)
Current year prior service cost (credit)	(11)	2	—	(21)	(30)
Amortization of prior service credit (cost)	(20)	—	8	(4)	(16)
Amortization of transition obligation	—	—	—	(31)	(31)
Amounts recognized in OCI	**$ 1,251**	**$ (190)**	**$ (239)**	**$ (88)**	**$ 734**

The estimated pre-tax amounts that will be amortized from accumulated OCI into period cost in 2012 are presented in the table below.

Estimated Pre-tax Amounts from Accumulated OCI into Period Cost

(Dollars in millions)	Qualified Pension Plans [1]	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans	Total
Net actuarial (gain) loss	$ 598	$ (8)	$ 10	$ (19)	$ 581
Prior service cost (credit)	18	—	(7)	4	15
Transition obligation	—	—	—	31	31
Total amortized from accumulated OCI	**$ 616**	**$ (8)**	**$ 3**	**$ 16**	**$ 627**

[1] Estimates are subject to change based on final calculations related to the pension plan freeze discussed on page 235.

Plan Assets

The Qualified Pension Plans have been established as retirement vehicles for participants, and trusts have been established to secure benefits promised under the Qualified Pension Plans. The Corporation's policy is to invest the trust assets in a prudent manner for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administration. The Corporation's investment strategy is designed to provide a total return that, over the long term, increases the ratio of assets to liabilities. The strategy attempts to maximize the investment return on assets at a level of risk deemed appropriate by the Corporation while complying with ERISA and any applicable regulations and laws. The investment strategy utilizes asset allocation as a principal determinant for establishing the risk/return profile of the assets. Asset allocation ranges are established, periodically reviewed and adjusted as funding levels and liability characteristics change. Active and passive investment managers are employed to help enhance the risk/return profile of the assets. An additional aspect of the investment strategy used to minimize risk (part of the asset allocation plan) includes matching the equity exposure of participant-selected earnings measures. For example, the common stock of the Corporation held in the trust is maintained as an offset to the exposure related to participants who elected to receive an earnings measure based on the return performance of common stock of the Corporation. No plan assets are expected to be returned to the Corporation during 2012.

The assets of the Non-U.S. Pension Plans are primarily attributable to a U.K. pension plan. This U.K. pension plan's assets are invested prudently so that the benefits promised to members are provided with consideration given to the nature and the duration of the plan's liabilities. The current planned investment strategy was set following an asset-liability study and advice from the trustee's investment advisors. The selected asset allocation strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the plan's liabilities.

The Expected Return on Asset assumption (EROA assumption) was developed through analysis of historical market returns, historical asset class volatility and correlations, current market conditions, anticipated future asset allocations, the funds' past experience, and expectations on potential future market returns. The EROA assumption is determined using the calculated market-related value for the Qualified Pension Plans and the Other Pension Plan and the fair value for the Non-U.S. Pension Plans and Postretirement Health and Life Plans. The EROA assumption represents a long-term average view of the performance of the assets in the Qualified Pension Plans, the Non-U.S. Pension Plans, the Other Pension Plan, and Postretirement Health and Life Plans, a return that may or may not be achieved during any one calendar year. Some of the building blocks used to arrive at the long-term return assumption include an implied return from equity securities of 8.75 percent, debt securities of 5.75 percent and real estate of 7.00 percent for the Qualified Pension Plans, the Non-U.S. Pension Plans, the Other Pension Plan, and Postretirement Health and Life Plans. The terminated U.S. pension plan is solely invested in a group annuity contract which is primarily invested in fixed-income securities structured such that asset maturities match the duration of the plan's obligations.

The target allocations for 2012 by asset category for the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans are presented in the table below.

2012 Target Allocation Percentage

Asset Category	Qualified Pension Plans	Non-U.S. Pension Plans	Nonqualified and Other Pension Plans	Postretirement Health and Life Plans
Equity securities	60 – 80	25 – 75	0 – 5	50 – 75
Debt securities	20 – 40	10 – 60	95 – 100	25 – 45
Real estate	0 – 5	0 – 15	0 – 5	0 – 5
Other	0 – 10	5 – 40	0 – 5	0 – 5

Equity securities for the Qualified Pension Plans include common stock of the Corporation in the amounts of $82 million (0.55 percent of total plan assets) and $189 million (1.21 percent of total plan assets) at December 31, 2011 and 2010.

Fair Value Measurements

For information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methods employed by the Corporation, see *Note 1 – Summary of Significant Accounting Principles* and *Note 22 – Fair Value Measurements*.

Plan investment assets measured at fair value by level and in total at December 31, 2011 and 2010 are summarized in the Fair Value Measurements table.

Fair Value Measurements

(Dollars in millions)	December 31, 2011 Level 1	Level 2	Level 3	Total
Cash and short-term investments				
Money market and interest-bearing cash	$ 1,065	$ —	$ —	$ 1,065
Cash and cash equivalent commingled/mutual funds	—	30	—	30
Fixed income				
U.S. government and government agency securities	1,197	2,899	13	4,109
Corporate debt securities	—	1,058	—	1,058
Asset-backed securities	—	907	—	907
Non-U.S. debt securities	53	479	10	542
Fixed income commingled/mutual funds	82	1,487	—	1,569
Equity				
Common and preferred equity securities	6,862	—	—	6,862
Equity commingled/mutual funds	390	2,094	—	2,484
Public real estate investment trusts	200	—	—	200
Real estate				
Private real estate	—	—	113	113
Real estate commingled/mutual funds	—	11	249	260
Limited partnerships	—	105	232	337
Other investments [1]	14	572	122	708
Total plan investment assets, at fair value	$ 9,863	$ 9,642	$ 739	$ 20,244

	December 31, 2010 Level 1	Level 2	Level 3	Total
Cash and short-term investments				
Money market and interest-bearing cash	$ 1,471	$ —	$ —	$ 1,471
Cash and cash equivalent commingled/mutual funds	—	45	—	45
Fixed income				
U.S. government and government agency securities	701	2,604	14	3,319
Corporate debt securities	—	1,106	—	1,106
Asset-backed securities	—	796	—	796
Non-U.S. debt securities	36	420	9	465
Fixed income commingled/mutual funds	240	1,503	—	1,743
Equity				
Common and preferred equity securities	6,980	1	—	6,981
Equity commingled/mutual funds	637	2,374	—	3,011
Public real estate investment trusts	—	168	—	168
Real estate				
Private real estate	—	—	110	110
Real estate commingled/mutual funds	30	2	215	247
Limited partnerships	—	101	230	331
Other investments [1]	19	230	94	343
Total plan investment assets, at fair value	$ 10,114	$ 9,350	$ 672	$ 20,136

(1) Other investments represent interest rate swaps of $467 million and $198 million, participant loans of $75 million and $79 million, commodity and balanced funds of $116 million and $38 million and other various investments of $50 million and $28 million at December 31, 2011 and 2010.

The Level 3 - Fair Value Measurements table presents a reconciliation of all plan investment assets measured at fair value using significant unobservable inputs (Level 3) during 2011 and 2010.

Level 3 – Fair Value Measurements

	2011					
(Dollars in millions)	Balance January 1	Actual Return on Plan Assets Still Held at the Reporting Date	Purchases	Sales and Settlements	Transfers into/ (out of) Level 3	Balance December 31
Fixed income						
U.S. government and government agency securities	$ 14	$ (1)	$ —	$ —	$ —	$ 13
Non-U.S. debt securities	9	—	3	(2)	—	10
Real estate						
Private real estate	110	—	3	—	—	113
Real estate commingled/mutual funds	215	26	9	(1)	—	249
Limited partnerships	230	(6)	13	(5)	—	232
Other investments	94	1	26	—	1	122
Total	$ 672	$ 20	$ 54	$ (8)	$ 1	$ 739

	2010					
Fixed income						
U.S. government and government agency securities	$ —	$ —	$ —	$ —	$ 14	$ 14
Non-U.S. debt securities	6	1	—	—	2	9
Real estate						
Private real estate	119	(9)	1	(1)	—	110
Real estate commingled/mutual funds	195	(4)	24	—	—	215
Limited partnerships	162	13	7	(5)	53	230
Other investments	188	—	18	(1)	(111)	94
Total	$ 670	$ 1	$ 50	$ (7)	$ (42)	$ 672

	2009					
Fixed income						
Corporate debt securities	$ 1	$ (1)	$ —	$ —	$ —	$ —
Non-U.S. debt securities	6	—	—	—	—	6
Real estate						
Private real estate	149	(29)	—	(1)	—	119
Real estate commingled/mutual funds	281	(92)	6	—	—	195
Limited partnerships	91	14	41	(4)	20	162
Other investments	293	(106)	5	(4)	—	188
Total	$ 821	$ (214)	$ 52	$ (9)	$ 20	$ 670

Projected Benefit Payments

Benefit payments projected to be made from the Qualified Pension Plans, Non-U.S. Pension Plans, Nonqualified and Other Pension Plans, and Postretirement Health and Life Plans are presented in the table below.

Projected Benefit Payments

				Postretirement Health and Life Plans	
(Dollars in millions)	Qualified Pension Plans [(1)]	Non-U.S. Pension Plans [(2)]	Nonqualified and Other Pension Plans [(2)]	Net Payments [(3)]	Medicare Subsidy
2012	$ 1,054	$ 67	$ 251	$ 159	$ 18
2013	1,059	69	244	160	18
2014	1,062	71	238	161	18
2015	1,062	72	238	160	18
2016	1,060	74	238	157	18
2017 – 2021	5,283	392	1,128	702	81

(1) Benefit payments expected to be made from the plans' assets.
(2) Benefit payments expected to be made from a combination of the plans' and the Corporation's assets.
(3) Benefit payments (net of retiree contributions) expected to be made from a combination of the plans' and the Corporation's assets.

Defined Contribution Plans

The Corporation maintains qualified defined contribution retirement plans and nonqualified defined contribution retirement plans. As a result of the Merrill Lynch acquisition, the Corporation also maintains the defined contribution plans of Merrill Lynch which include the 401(k) Savings & Investment Plan, the Retirement and Accumulation Plan (RAP) and the Employee Stock Ownership Plan (ESOP). The Corporation contributed approximately $723 million, $670 million and $605 million in 2011, 2010 and 2009, respectively, in cash to the qualified defined contribution plans. At December 31, 2011 and 2010, 232 million shares and 208 million shares of the Corporation's common stock were held by these plans. Payments to the plans for dividends on common stock were $9 million, $8 million and $8 million in 2011, 2010 and 2009, respectively.

In addition, certain non-U.S. employees within the Corporation are covered under defined contribution pension plans that are separately administered in accordance with local laws.

NOTE 20 Stock-based Compensation Plans

The Corporation administers a number of equity compensation plans, including the Key Employee Stock Plan, the Key Associate Stock Plan and the Merrill Lynch Employee Stock Compensation Plan. Descriptions of the significant features of the equity compensation plans are below. Under these plans, the Corporation grants stock-based awards, including stock options, restricted stock shares and RSUs. For grants in 2011, restricted stock awards generally vest in three equal annual installments beginning one year from the grant date.

For most awards, expense is generally recognized ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Corporation records the expense upon grant. For employees that become retirement eligible during the vesting period, the Corporation recognizes expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures. The compensation cost for the stock-based plans was $2.6 billion, $2.0 billion and $2.4 billion in 2011, 2010 and 2009, respectively. The related income tax benefit was $969 million, $727 million and $892 million for 2011, 2010 and 2009, respectively.

For capital purposes, the Corporation issued approximately 122 million of immediately tradable shares of common stock, or approximately $1.0 billion (after-tax) to certain employees in February 2012 in lieu of a portion of their 2011 year-end cash incentive.

Key Employee Stock Plan

The Key Employee Stock Plan, as amended and restated, provided for different types of awards including stock options, restricted stock shares and RSUs. Under the plan, 10-year options to purchase approximately 260 million shares of common stock were granted through December 31, 2002 to certain employees at the closing market price on the respective grant dates. At December 31, 2011, approximately 21 million fully vested options were outstanding under this plan. No further awards may be granted.

Key Associate Stock Plan

The Key Associate Stock Plan became effective January 1, 2003. It provides for different types of awards, including stock options, restricted stock shares and RSUs. As of December 31, 2011, the shareholders had authorized approximately 1.1 billion shares for grant under this plan. Additionally, any shares covered by awards under the Key Employee Stock Plan or certain legacy company plans that cancel, terminate, expire, lapse or settle in cash after a specified date may be re-granted under the Key Associate Stock Plan.

During 2011, the Corporation issued approximately 193 million RSUs to certain employees under the Key Associate Stock Plan. Certain awards are earned based on the achievement of specified performance criteria. Vested RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award. In 2011, approximately 126 million of these RSUs were authorized to be settled in shares of common stock. Certain awards contain clawback provisions which permit the Corporation to cancel all or a portion of the award under specified circumstances. The compensation cost for cash-settled awards and awards subject to certain clawback provisions is accrued over the vesting period and is adjusted to fair value based upon changes in the share price of the Corporation's common stock. The compensation cost for the remaining awards is fixed and based on the share price of the Corporation's common stock on the date of grant. The Corporation hedges a portion of its exposure to variability in the expected cash flows for certain unvested awards using a combination of economic and cash flow hedges as described in *Note 4 – Derivatives*.

At December 31, 2011, approximately 135 million options were outstanding under this plan. There were no options granted under this plan during 2011 or 2010.

Merrill Lynch Employee Stock Compensation Plan

The Corporation assumed the Merrill Lynch Employee Stock Compensation Plan with the acquisition of Merrill Lynch. Approximately 8 million RSUs were granted in 2011 which generally vest in three equal annual installments beginning one year from the grant date. There were no shares granted under this plan during 2010. Awards granted in 2009 generally vest in three equal annual installments beginning one year from the grant date, and awards granted prior to 2009 generally vest in four equal annual installments beginning one year from the grant date. At December 31, 2011, there were approximately 20 million shares outstanding.

Other Stock Plans

As a result of the Merrill Lynch acquisition, the Corporation assumed the obligations of outstanding awards granted under the Merrill Lynch Financial Advisor Capital Accumulation Award Plan (FACAAP) and the Merrill Lynch Employee Stock Purchase Plan (ESPP). The FACAAP is no longer an active plan and no awards were granted in 2011 or 2010. Awards granted in 2003 and thereafter are generally payable eight years from the grant date in a fixed number of the Corporation's common shares. For outstanding awards granted prior to 2003, payment is generally made ten years from the grant date in a fixed number of the Corporation's common shares unless the fair value of such shares is less than a specified minimum value, in which case the minimum value is paid in cash. At December 31, 2011, there were 12 million shares outstanding under this plan.

The ESPP allows eligible employees to invest from one percent to 10 percent of eligible compensation to purchase the Corporation's common stock, subject to legal limits. Purchases were made at a discount of five percent of the average high and low market price on the relevant purchase date and the maximum annual contribution per employee was $23,750 in 2011. Approximately 107 million shares were authorized for issuance under the ESPP in 2009. There were 6 million shares available at December 31, 2011.

The weighted-average fair value of the ESPP stock purchase rights representing the five percent discount on the Corporation's common stock purchases exercised by employees in 2011 was $0.54 per stock purchase right.

Restricted Stock/Unit Details

The table below presents the status of the share-settled restricted stock/units at December 31, 2011 and changes during 2011.

Restricted Stock/Unit Details

	Shares	Weighted-average Exercise Price
Outstanding at January 1, 2011	212,072,669	$ 13.37
Granted	138,083,421	14.49
Vested	(80,788,009)	14.90
Canceled	(15,401,263)	13.99
Outstanding at December 31, 2011	253,966,818	$ 13.46

At December 31, 2011, there was $1.2 billion of total unrecognized compensation cost related to share-based compensation arrangements for all awards and it is expected to be recognized over a period up to seven years, with a weighted average period of 1.4 years. The total fair value of restricted stock vested in 2011 was $1.7 billion. In 2011, the amount of cash paid to settle equity-based awards was $489 million, which included cash-settled RSUs not reflected in the Restricted Stock/Unit Details table.

Stock Options

The table below presents the status of all option plans at December 31, 2011 and changes during 2011. Outstanding options at December 31, 2011 include 21 million options under the Key Employee Stock Plan, 135 million options under the Key Associate Stock Plan and 52 million options to employees of predecessor company plans assumed in mergers.

Stock Options

	Options	Weighted-average Exercise Price
Outstanding at January 1, 2011	261,122,819	$ 50.61
Forfeited	(52,853,270)	65.12
Outstanding at December 31, 2011	208,269,549	46.93
Options exercisable at December 31, 2011	208,259,354	46.93
Options vested and expected to vest [(1)]	208,269,549	46.93

[(1)] Includes vested shares and nonvested shares after a forfeiture rate is applied.

At December 31, 2011, there was no aggregate intrinsic value of options outstanding, exercisable, and vested and expected to vest. The weighted-average remaining contractual term of options outstanding was 2.7 years, options exercisable was 2.6 years, and options vested and expected to vest was 2.6 years at December 31, 2011. These remaining contractual terms are similar because options have not been granted since 2008 and they generally vest over three years.

NOTE 21 Income Taxes

The components of income tax expense (benefit) for 2011, 2010 and 2009 were as presented in the table below.

Income Tax Expense (Benefit)

(Dollars in millions)	2011	2010	2009
Current income tax expense (benefit)			
U.S. federal	**$ (733)**	$ (666)	$ (3,576)
U.S. state and local	**393**	158	555
Non-U.S.	**613**	815	735
Total current expense (benefit)	**273**	307	(2,286)
Deferred income tax expense (benefit)			
U.S. federal	**(2,673)**	(287)	792
U.S. state and local	**(584)**	201	(620)
Non-U.S.	**1,308**	694	198
Total deferred expense (benefit)	**(1,949)**	608	370
Total income tax expense (benefit)	**$ (1,676)**	$ 915	$ (1,916)

Total income tax expense (benefit) does not reflect the deferred tax effects of unrealized gains and losses on AFS debt and marketable equity securities, foreign currency translation adjustments, derivatives and employee benefit plan adjustments that are included in accumulated OCI. As a result of these tax effects, accumulated OCI increased $3.0 billion in 2011 and decreased $3.2 billion and $1.6 billion in 2010 and 2009. In addition, total income tax expense (benefit) does not reflect tax effects associated with the Corporation's employee stock plans which increased common stock and additional paid-in capital $19 million in 2011 and decreased common stock and additional paid-in capital $98 million and $295 million in 2010 and 2009.

Income tax expense (benefit) for 2011, 2010 and 2009 varied from the amount computed by applying the statutory income tax rate to income (loss) before income taxes. A reconciliation between the expected U.S. federal income tax expense using the federal statutory tax rate of 35 percent to the Corporation's actual income tax expense (benefit) and resulting effective tax rate for 2011, 2010 and 2009 is presented in the Reconciliation of Income Tax Expense (Benefit) table.

Reconciliation of Income Tax Expense (Benefit)

	2011		2010		2009	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Expected U.S. federal income tax expense (benefit)	**$ (81)**	**35.0 %**	$ (463)	35.0 %	$ 1,526	35.0 %
Increase (decrease) in taxes resulting from:						
State tax expense (benefit), net of federal effect	**(124)**		233	(17.6)	(42)	(1.0)
Change in federal and non-U.S. valuation allowances	**(1,102)**		(1,657)	125.4	(650)	(14.9)
Subsidiary sales and liquidations	**(823)**		—	—	(595)	(13.7)
Low-income housing credits/other credits	**(800)**		(732)	55.4	(668)	(15.3)
Tax-exempt income, including dividends	**(614)**		(981)	74.2	(863)	(19.8)
Non-U.S. tax differential	**(383)**		(190)	14.4	(709)	(16.3)
Changes in prior period UTBs (including interest)	**(239)**		(349)	26.4	87	2.0
Goodwill - impairment and other	**1,420**		4,508	(341.0)	—	—
Non-U.S. statutory rate reductions	**860**		392	(29.7)	—	—
Leveraged lease tax differential	**121**		98	(7.4)	59	1.4
Nondeductible expenses	**119**		99	(7.5)	69	1.6
Other	**(30)**		(43)	3.2	(130)	(3.0)
Total income tax expense (benefit)	**$ (1,676)**	**n/m**	$ 915	(69.2)%	$ (1,916)	(44.0)%

n/m = not meaningful

The reconciliation of the beginning unrecognized tax benefits (UTB) balance to the ending balance is presented in the table below.

Reconciliation of the Change in Unrecognized Tax Benefits

(Dollars in millions)	2011	2010	2009
Beginning balance	**$ 5,169**	$ 5,253	$ 3,541
Increases related to positions taken during the current year	**219**	172	181
Positions acquired or assumed in business combinations	**—**	—	1,924
Increases related to positions taken during prior years [(1)]	**879**	755	791
Decreases related to positions taken during prior years [(1)]	**(1,669)**	(657)	(554)
Settlements	**(277)**	(305)	(615)
Expiration of statute of limitations	**(118)**	(49)	(15)
Ending balance	**$ 4,203**	$ 5,169	$ 5,253

(1) The sum per year of positions taken during prior years differs from the $(239) million, $(349) million and $87 million in the Reconciliation of Income Tax Expense (Benefit) table due to temporary items and jurisdictional offsets, as well as the inclusion of interest in the Reconciliation of Income Tax Expense (Benefit) table.

At December 31, 2011, 2010 and 2009, the balance of the Corporation's UTBs which would, if recognized, affect the Corporation's effective tax rate was $3.3 billion, $3.4 billion and $4.0 billion, respectively. Included in the UTB balance are some items the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences, the portion of gross state UTBs that would be offset by the tax benefit of the associated federal deduction and the portion of gross non-U.S. UTBs that would be offset by tax reductions in other jurisdictions.

The Corporation files income tax returns in more than 100 state and non-U.S. jurisdictions each year. The IRS and other tax authorities in countries and states in which it has significant business operations examine tax returns periodically (continuously in some jurisdictions). The Tax Examination Status table summarizes the status of significant examinations (U.S. federal unless otherwise noted) for the Corporation and various acquired subsidiaries as of December 31, 2011.

Tax Examination Status

	Years under Examination [(1)]	Status at December 31, 2011
Bank of America Corporation – U.S.	2001 – 2009	See below
Bank of America Corporation – New York	1999 – 2003	Field examination
Merrill Lynch – U.S.	2004 – 2008	See below
Various – U.K.	2007 – 2009	Field examination
Fleet Boston – U.S.	2001 – 2004	In Appeals process

(1) All tax years subsequent to the years shown remain open to examination.

During 2011, the Corporation and IRS made significant progress toward resolving all federal income tax examinations for Bank of America Corporation tax years through 2009 and Merrill Lynch tax years through 2008. While subject to final agreement, including review by the Joint Committee on Taxation of the U.S. Congress for certain years, the Corporation believes that all federal examinations in the Tax Examination Status table may be concluded during 2012.

Considering all examinations, it is reasonably possible the UTB balance may decrease by as much as $2.6 billion during the next twelve months, since resolved items will be removed from the balance whether their resolution results in payment or recognition. If such decrease were to occur, it likely would primarily result from outcomes consistent with management expectations.

During 2011 and 2010, the Corporation recognized in income tax expense a benefit of $168 million and expense of $99 million for interest and penalties net-of-tax. At December 31, 2011 and 2010, the Corporation's accrual for interest and penalties that related to income taxes, net of taxes and remittances, was $787 million and $1.1 billion.

Significant components of the Corporation's net deferred tax assets and liabilities at December 31, 2011 and 2010 are presented in the Deferred Tax Assets and Liabilities table.

Deferred Tax Assets and Liabilities

(Dollars in millions)	December 31 2011	2010
Deferred tax assets		
Net operating loss (NOL) carryforwards	$ **14,307**	$ 18,732
Allowance for credit losses	**11,824**	14,659
Accrued expenses	**8,340**	3,550
Employee compensation and retirement benefits	**4,792**	3,868
Credit carryforwards	**4,510**	4,183
State income taxes	**2,489**	1,791
Security and loan valuations	**1,091**	427
Capital loss carryforwards	**—**	1,530
Other	**1,654**	1,960
Gross deferred tax assets	**49,007**	50,700
Valuation allowance	**(1,796)**	(2,976)
Total deferred tax assets, net of valuation allowance	**47,211**	47,724
Deferred tax liabilities		
Long-term borrowings	**3,360**	3,328
Equipment lease financing	**3,042**	2,957
Mortgage servicing rights	**1,993**	4,280
Intangibles	**1,894**	2,146
Available-for-sale securities	**1,811**	4,330
Fee income	**1,038**	1,235
Other	**2,074**	2,375
Gross deferred tax liabilities	**15,212**	20,651
Net deferred tax assets	$ **31,999**	$ 27,073

The 2010 U.S. federal deferred tax asset excludes $56 million related to certain employee stock plan deductions that was recognized and increased additional paid-in capital in 2011.

The table below summarizes the deferred tax assets and related valuation allowances recognized for the net operating loss and tax credit carryforwards at December 31, 2011.

NOL and Tax Credit Carryforwards

(Dollars in millions)	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	First Year Expiring
Net operating losses – U.S.	$ 5,088	$ —	$ 5,088	After 2027
Net operating losses – U.K.	8,836	—	8,836	None [(1)]
Net operating losses – other non-U.S.	383	(251)	132	Various
Net operating losses – U.S. states [(2)]	1,879	(915)	964	Various
General business credits	2,327	—	2,327	After 2027
Foreign tax credits	2,183	(246)	1,937	After 2017

(1) The U.K. NOLs may be carried forward indefinitely.

(2) The NOLs and related valuation allowances for U.S. states before considering the benefit of federal deductions were $2.9 billion and $1.4 billion.

The Corporation concluded that no valuation allowance is necessary to reduce the U.K. NOLs, U.S. NOL and general business credit carryforwards since estimated future taxable income will be sufficient to utilize these assets prior to their expiration. During 2011, the valuation allowance decreased due to the utilization of the remaining acquired capital loss carryforward and increased primarily against net operating loss carryforwards in non-U.S. and state jurisdictions.

At December 31, 2011 and 2010, U.S. federal income taxes had not been provided on $18.5 billion and $17.9 billion of undistributed earnings of non-U.S. subsidiaries earned prior to 1987 and after 1997 that have been reinvested for an indefinite period of time. If the earnings were distributed, an additional $2.5 billion and $2.6 billion of tax expense, net of credits for non-U.S. taxes paid on such earnings and for the related non-U.S. withholding taxes, would have resulted as of December 31, 2011 and 2010.

NOTE 22 Fair Value Measurements

Under applicable accounting guidance, fair value is defined 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 under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and how the Corporation measures fair value, see *Note 1 – Summary of Significant Accounting Principles*. The Corporation accounts for certain financial instruments under the fair value option. For more information, see *Note 23 – Fair Value Option*.

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation is 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 observable market data for 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.

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 and 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. Some of these instruments are valued using a discounted cash flow model, which estimates the fair value of the securities 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. Principal and interest cash flows 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. Other 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 OTC market are determined using quantitative models that utilize multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors 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. When third-party pricing services are used, the methods and assumptions used are reviewed by the Corporation. 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 derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other instrument-specific factors, where appropriate. In addition, the Corporation incorporates within its fair value measurements of OTC derivatives a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counterparty, and fair value for net long exposures is adjusted for counterparty credit risk while the fair value for net short exposures is adjusted for the Corporation's own credit risk. An estimate of severity of loss is also used in the determination of fair value, primarily based on market data.

Loans and Loan Commitments

The fair values of loans and loan commitments are based on market prices, where available, or discounted cash flow analyses 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.

Mortgage Servicing Rights

The fair values of MSRs are determined using models that rely on estimates of prepayment rates, the resultant weighted-average lives of the MSRs and the OAS levels. For more information on MSRs, see *Note 25 – Mortgage Servicing Rights*.

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 fair values of AFS marketable equity securities are generally based on quoted market prices or market prices for similar assets. However, non-public investments are initially valued at the transaction price and subsequently adjusted when evidence is available to support such adjustments.

Securities Financing Agreements

The fair values of certain reverse repurchase agreements, repurchase agreements 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.

Deposits and Other Short-term Borrowings

The fair values of deposits and other short-term borrowings 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 the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market.

Long-term Debt

The Corporation issues structured liabilities that have coupons or repayment terms linked to the performance of debt or equity securities, indices, currencies or commodities. The fair values of these structured liabilities are estimated using valuation models for the combined derivative and debt portions of the notes. These models incorporate observable and, in some instances, unobservable inputs including security prices, interest rate yield curves, option volatility, currency, commodity or equity rates and correlations between these inputs. The Corporation considers the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary bond market.

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.

Recurring Fair Value

Assets and liabilities carried at fair value on a recurring basis at December 31, 2011 and 2010, including financial instruments which the Corporation accounts for under the fair value option, are summarized in the following tables.

	December 31, 2011				
	Fair Value Measurements				
(Dollars in millions)	Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 87,453	$ —	$ —	$ 87,453
Trading account assets:					
U.S. government and agency securities	30,540	22,073	—	—	52,613
Corporate securities, trading loans and other	1,067	28,624	6,880	—	36,571
Equity securities	17,181	5,949	544	—	23,674
Non-U.S. sovereign debt	33,667	8,937	342	—	42,946
Mortgage trading loans and ABS	—	9,826	3,689	—	13,515
Total trading account assets	82,455	75,409	11,455	—	169,319
Derivative assets [3]	2,186	1,865,310	14,366	(1,808,839)	73,023
AFS debt securities:					
U.S. Treasury securities and agency securities	39,389	3,475	—	—	42,864
Mortgage-backed securities:					
Agency	—	142,526	37	—	142,563
Agency-collateralized mortgage obligations	—	44,999	—	—	44,999
Non-agency residential	—	13,907	860	—	14,767
Non-agency commercial	—	5,482	40	—	5,522
Non-U.S. securities	1,664	3,256	—	—	4,920
Corporate/Agency bonds	—	2,873	162	—	3,035
Other taxable securities	20	8,593	4,265	—	12,878
Tax-exempt securities	—	1,955	2,648	—	4,603
Total AFS debt securities	41,073	227,066	8,012	—	276,151
Loans and leases	—	6,060	2,744	—	8,804
Mortgage servicing rights	—	—	7,378	—	7,378
Loans held-for-sale	—	4,243	3,387	—	7,630
Other assets	18,963	13,886	4,235	—	37,084
Total assets	$ 144,677	$ 2,279,427	$ 51,577	$ (1,808,839)	$ 666,842
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 3,297	$ —	$ —	$ 3,297
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	34,235	—	—	34,235
Trading account liabilities:					
U.S. government and agency securities	19,120	1,590	—	—	20,710
Equity securities	13,259	1,335	—	—	14,594
Non-U.S. sovereign debt	16,760	680	—	—	17,440
Corporate securities and other	829	6,821	114	—	7,764
Total trading account liabilities	49,968	10,426	114	—	60,508
Derivative liabilities [3]	2,055	1,850,804	8,500	(1,801,839)	59,520
Other short-term borrowings	—	6,558	—	—	6,558
Accrued expenses and other liabilities	13,832	1,897	14	—	15,743
Long-term debt	—	43,296	2,943	—	46,239
Total liabilities	$ 65,855	$ 1,950,513	$ 11,571	$ (1,801,839)	$ 226,100

(1) Gross transfers between Level 1 and Level 2 were not significant during 2011.
(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.
(3) For further disaggregation of derivative assets and liabilities, see *Note 4 – Derivatives.*

(Dollars in millions)	December 31, 2010 Fair Value Measurements Level 1 [1]	Level 2 [1]	Level 3	Netting Adjustments [2]	Assets/Liabilities at Fair Value
Assets					
Federal funds sold and securities borrowed or purchased under agreements to resell	$ —	$ 78,599	$ —	$ —	$ 78,599
Trading account assets:					
U.S. government and agency securities	28,237	32,574	—	—	60,811
Corporate securities, trading loans and other	732	40,869	7,751	—	49,352
Equity securities	23,249	8,257	623	—	32,129
Non-U.S. sovereign debt	24,934	8,346	243	—	33,523
Mortgage trading loans and ABS	—	11,948	6,908	—	18,856
Total trading account assets	77,152	101,994	15,525	—	194,671
Derivative assets [3]	2,627	1,516,244	18,773	(1,464,644)	73,000
AFS debt securities:					
U.S. Treasury securities and agency securities	46,003	3,102	—	—	49,105
Mortgage-backed securities:					
Agency	—	191,213	4	—	191,217
Agency-collateralized mortgage obligations	—	37,017	—	—	37,017
Non-agency residential	—	21,649	1,468	—	23,117
Non-agency commercial	—	6,833	19	—	6,852
Non-U.S. securities	1,440	2,696	3	—	4,139
Corporate/Agency bonds	—	5,154	137	—	5,291
Other taxable securities	20	2,354	13,018	—	15,392
Tax-exempt securities	—	4,273	1,224	—	5,497
Total AFS debt securities	47,463	274,291	15,873	—	337,627
Loans and leases	—	—	3,321	—	3,321
Mortgage servicing rights	—	—	14,900	—	14,900
Loans held-for-sale	—	21,802	4,140	—	25,942
Other assets	32,624	31,051	6,856	—	70,531
Total assets	$ 159,866	$ 2,023,981	$ 79,388	$ (1,464,644)	$ 798,591
Liabilities					
Interest-bearing deposits in U.S. offices	$ —	$ 2,732	$ —	$ —	$ 2,732
Federal funds purchased and securities loaned or sold under agreements to repurchase	—	37,424	—	—	37,424
Trading account liabilities:					
U.S. government and agency securities	23,357	5,983	—	—	29,340
Equity securities	14,568	914	—	—	15,482
Non-U.S. sovereign debt	14,748	1,065	—	—	15,813
Corporate securities and other	224	11,119	7	—	11,350
Total trading account liabilities	52,897	19,081	7	—	71,985
Derivative liabilities [3]	1,799	1,492,963	11,028	(1,449,876)	55,914
Other short-term borrowings	—	6,472	706	—	7,178
Accrued expenses and other liabilities	31,470	931	828	—	33,229
Long-term debt	—	47,998	2,986	—	50,984
Total liabilities	$ 86,166	$ 1,607,601	$ 15,555	$ (1,449,876)	$ 259,446

(1) Gross transfers between Level 1 and Level 2 were approximately $1.3 billion during 2010.
(2) Amounts represent the impact of legally enforceable master netting agreements and also cash collateral held or placed with the same counterparties.
(3) For further disaggregation of derivative assets and liabilities, see *Note 4 – Derivatives.*

The following tables present a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2011, 2010 and 2009, including net realized and unrealized gains (losses) included in earnings and accumulated OCI.

Level 3 – Fair Value Measurements [1]

	2011										
					Gross						
(Dollars in millions)	Balance January 1 2011	Consolidation of VIEs	Gains (Losses) in Earnings	Gains (Losses) in OCI	Purchases	Sales	Issuances	Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance December 31 2011
Trading account assets:											
Corporate securities, trading loans and other [2]	$ 7,751	$ —	$ 490	$ —	$ 5,683	$ (6,664)	$ —	$ (1,362)	$ 1,695	$ (713)	$ 6,880
Equity securities	557	—	49	—	335	(362)	—	(140)	132	(27)	544
Non-U.S. sovereign debt	243	—	87	—	188	(137)	—	(3)	8	(44)	342
Mortgage trading loans and ABS	6,908	—	442	—	2,222	(4,713)	—	(440)	75	(805)	3,689
Total trading account assets	15,459	—	1,068	—	8,428	(11,876)	—	(1,945)	1,910	(1,589)	11,455
Net derivative assets [3]	7,745	—	5,199	—	1,235	(1,553)	—	(7,779)	1,199	(180)	5,866
AFS debt securities:											
Mortgage-backed securities:											
Agency	4	—	—	—	14	(11)	—	—	34	(4)	37
Agency-collateralized mortgage obligations	—	—	—	—	56	(56)	—	—	—	—	—
Non-agency residential	1,468	—	(158)	41	11	(307)	—	(568)	373	—	860
Non-agency commercial	19	—	—	—	15	—	—	—	6	—	40
Non-U.S. securities	3	—	—	—	—	—	—	—	88	(91)	—
Corporate/Agency bonds	137	—	(12)	(8)	304	(17)	—	—	7	(249)	162
Other taxable securities	13,018	—	26	21	3,876	(2,245)	—	(5,112)	2	(5,321)	4,265
Tax-exempt securities	1,224	—	21	(35)	2,862	(92)	—	(697)	38	(673)	2,648
Total AFS debt securities	15,873	—	(123)	19	7,138	(2,728)	—	(6,377)	548	(6,338)	8,012
Loans and leases [2, 4]	3,321	5,194	(55)	—	21	(2,644)	3,118	(1,830)	5	(4,386)	2,744
Mortgage servicing rights [4]	14,900	—	(5,661)	—	—	(896)	1,656	(2,621)	—	—	7,378
Loans held-for-sale [2]	4,140	—	36	—	157	(483)	—	(961)	565	(67)	3,387
Other assets [5]	6,922	—	140	—	1,932	(2,391)	—	(768)	375	(1,975)	4,235
Trading account liabilities – Corporate securities and other	(7)	—	4	—	133	(189)	—	—	(65)	10	(114)
Other short-term borrowings [2]	(706)	—	(30)	—	—	—	—	86	—	650	—
Accrued expenses and other liabilities [2]	(828)	—	61	—	—	(2)	(9)	3	—	761	(14)
Long-term debt [2]	(2,986)	—	(188)	—	520	(72)	(520)	838	(2,111)	1,576	(2,943)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.
(2) Amounts represent items that are accounted for under the fair value option.
(3) Net derivatives at December 31, 2011 include derivative assets of $14.4 billion and derivative liabilities of $8.5 billion.
(4) Issuances represent loan originations and mortgage servicing rights retained following securitizations or whole loan sales.
(5) Other assets is primarily comprised of net monoline exposure to a single counterparty and private equity investments.

During 2011, the transfers into Level 3 included $1.9 billion of trading account assets, $1.2 billion of net derivative assets and $2.1 billion of long-term debt accounted for under the fair value option. Transfers into Level 3 for trading account assets were primarily certain CLOs, corporate loans and bonds which were transferred due to decreased market activity. Transfers into Level 3 for net derivative assets were the result of changes in the valuation methodology for certain total return swaps, in addition to increases in certain equity derivatives with significant unobservable inputs. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments based on the fair value of the embedded derivative in relation to the instrument as a whole.

During 2011, the transfers out of Level 3 included $1.6 billion of trading account assets, $6.3 billion of AFS debt securities, $4.4 billion of loans and leases, $2.0 billion of other assets and $1.6 billion of long-term debt. Transfers out of Level 3 for trading account assets were primarily driven by increased price observability on certain RMBS, commercial mortgage-backed securities and consumer ABS portfolios as well as certain corporate bond positions due to increased trading volume. Transfers out of Level 3 for AFS debt securities primarily related to auto, credit card and student loan ABS portfolios due to increased trading volume in the secondary market for similar securities. Transfers out of Level 3 for loans and leases were driven by increased observable inputs, primarily market comparables, for certain corporate loans accounted for under the fair value option. Transfers out of Level 3 for other assets were primarily the result of an initial public offering of an equity investment. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities. Transfers occur on a regular basis for these long-term debt instruments based on the fair value of the embedded derivative in relation to the instrument as a whole.

Level 3 – Fair Value Measurements [1]

(Dollars in millions)	2010 Balance January 1 2010	Consolidation of VIEs	Gains (Losses) in Earnings	Gains (Losses) in OCI	Purchases, Issuances and Settlements	Gross Transfers into Level 3	Gross Transfers out of Level 3	Balance December 31 2010
Trading account assets:								
Corporate securities, trading loans and other [2]	$ 11,080	$ 117	$ 848	$ —	$ (4,852)	$ 2,599	$ (2,041)	$ 7,751
Equity securities	1,084	—	(81)	—	(342)	131	(169)	623
Non-U.S. sovereign debt	1,143	—	(138)	—	(157)	115	(720)	243
Mortgage trading loans and ABS	7,770	175	653	—	(1,659)	396	(427)	6,908
Total trading account assets	21,077	292	1,282	—	(7,010)	3,241	(3,357)	15,525
Net derivative assets [3]	7,863	—	8,118	—	(8,778)	1,067	(525)	7,745
AFS debt securities:								
Mortgage-backed securities:								
Agency	—	—	—	—	4	—	—	4
Non-agency residential	7,216	113	(646)	(169)	(6,767)	1,909	(188)	1,468
Non-agency commercial	258	—	(13)	(31)	(178)	71	(88)	19
Non-U.S. securities	468	—	(125)	(75)	(321)	56	—	3
Corporate/Agency bonds	927	—	(3)	47	(847)	32	(19)	137
Other taxable securities	9,854	5,603	(296)	44	(3,263)	1,119	(43)	13,018
Tax-exempt securities	1,623	—	(25)	(9)	(574)	316	(107)	1,224
Total AFS debt securities	20,346	5,716	(1,108)	(193)	(11,946)	3,503	(445)	15,873
Loans and leases [2]	4,936	—	(89)	—	(1,526)	—	—	3,321
Mortgage servicing rights	19,465	—	(4,321)	—	(244)	—	—	14,900
Loans held-for-sale [2]	6,942	—	482	—	(3,714)	624	(194)	4,140
Other assets [4]	7,821	—	1,946	—	(2,612)	—	(299)	6,856
Trading account liabilities:								
Non-U.S. sovereign debt	(386)	—	23	—	(17)	—	380	—
Corporate securities and other	(10)	—	(5)	—	11	(52)	49	(7)
Total trading account liabilities	(396)	—	18	—	(6)	(52)	429	(7)
Other short-term borrowings [2]	(707)	—	(95)	—	96	—	—	(706)
Accrued expenses and other liabilities [2]	(891)	—	146	—	(83)	—	—	(828)
Long-term debt [2]	(4,660)	—	697	—	1,074	(1,881)	1,784	(2,986)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.
(2) Amounts represent items that are accounted for under the fair value option.
(3) Net derivatives at December 31, 2010 include derivative assets of $18.8 billion and derivative liabilities of $11.0 billion.
(4) Other assets is primarily comprised of AFS marketable equity securities.

During 2010, the transfers into Level 3 included $3.2 billion of trading account assets, $3.5 billion of AFS debt securities, $1.1 billion of net derivative contracts and $1.9 billion of long-term debt. Transfers into Level 3 for trading account assets were driven by reduced price transparency as a result of lower levels of trading activity for certain municipal auction rate securities and corporate debt securities as well as a change in valuation methodology for certain ABS to a discounted cash flow model. Transfers into Level 3 for AFS debt securities were due to an increase in the number of non-agency RMBS and other taxable securities priced using a discounted cash flow model. Transfers into Level 3 for net derivative contracts were primarily related to a lack of price observability for certain credit default and total return swaps. Transfers into Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities.

During 2010, the transfers out of Level 3 included $3.4 billion of trading account assets and $1.8 billion of long-term debt. Transfers out of Level 3 for trading account assets were driven by increased price verification of certain MBS, corporate debt and non-U.S. government and agency securities. Transfers out of Level 3 for long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured liabilities.

Level 3 – Fair Value Measurements (1)

(Dollars in millions)	Balance January 1 2009	Merrill Lynch Acquisition	Gains (Losses) Included in Earnings	Gains (Losses) Included in OCI	Purchases, Issuances and Settlements	Transfers into/(out of) Level 3	Balance December 31 2009
	2009						
Trading account assets:							
Corporate securities, trading loans and other	$ 4,540	$ 7,012	$ 370	$ —	$ (2,015)	$ 1,173	$ 11,080
Equity securities	546	3,848	(396)	—	(2,425)	(489)	1,084
Non-U.S. sovereign debt	—	30	136	—	167	810	1,143
Mortgage trading loans and ABS	1,647	7,294	(262)	—	933	(1,842)	7,770
Total trading account assets	6,733	18,184	(152)	—	(3,340)	(348)	21,077
Net derivative assets (2)	2,270	2,307	5,526	—	(7,906)	5,666	7,863
AFS debt securities:							
Non-agency MBS:							
Residential	5,439	2,509	(1,159)	2,738	(4,187)	1,876	7,216
Commercial	657	—	(185)	(7)	(155)	(52)	258
Non-U.S. securities	1,247	—	(79)	(226)	(73)	(401)	468
Corporate/Agency bonds	1,598	—	(22)	127	324	(1,100)	927
Other taxable securities	9,599	—	(75)	669	815	(1,154)	9,854
Tax-exempt securities	162	—	2	26	788	645	1,623
Total AFS debt securities	18,702	2,509	(1,518)	3,327	(2,488)	(186)	20,346
Loans and leases (3)	5,413	2,452	515	—	(3,718)	274	4,936
Mortgage servicing rights	12,733	209	5,286	—	1,237	—	19,465
Loans held-for-sale (3)	3,382	3,872	678	—	(1,048)	58	6,942
Other assets (4)	4,157	2,696	1,273	—	(308)	3	7,821
Trading account liabilities:							
Non-U.S. sovereign debt	—	—	(38)	—	—	(348)	(386)
Corporate securities and other	—	—	—	—	4	(14)	(10)
Total trading account liabilities	—	—	(38)	—	4	(362)	(396)
Other short-term borrowings (3)	(816)	—	(11)	—	120	—	(707)
Accrued expenses and other liabilities (3)	(1,124)	(1,337)	1,396	—	174	—	(891)
Long-term debt (3)	—	(7,481)	(2,310)	—	830	4,301	(4,660)

(1) Assets (liabilities). For assets, increase / (decrease) to Level 3 and for liabilities, (increase) / decrease to Level 3.
(2) Net derivatives at December 31, 2009 include derivative assets of $23.0 billion and derivative liabilities of $15.2 billion.
(3) Amounts represent items that are accounted for under the fair value option.
(4) Other assets is primarily comprised of AFS marketable equity securities.

The following tables summarize gains (losses) due to changes in fair value, including both realized and unrealized gains (losses), recorded in earnings for Level 3 assets and liabilities during 2011, 2010 and 2009. These amounts include gains (losses) on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

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

	2011				
(Dollars in millions)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 490	$ —	$ —	$ 490
Equity securities	—	49	—	—	49
Non-U.S. sovereign debt	—	87	—	—	87
Mortgage trading loans and ABS	—	442	—	—	442
Total trading account assets	—	1,068	—	—	1,068
Net derivative assets	—	1,516	3,683	—	5,199
AFS debt securities:					
Non-agency residential MBS	—	—	—	(158)	(158)
Corporate/Agency bonds	—	—	—	(12)	(12)
Other taxable securities	—	16	—	10	26
Tax-exempt securities	—	(3)	—	24	21
Total AFS debt securities	—	13	—	(136)	(123)
Loans and leases [2]	—	—	(13)	(42)	(55)
Mortgage servicing rights	—	—	(5,661)	—	(5,661)
Loans held-for-sale [2]	—	—	(108)	144	36
Other assets	242	—	(51)	(51)	140
Trading account liabilities – Corporate securities and other	—	4	—	—	4
Other short-term borrowings [2]	—	—	(30)	—	(30)
Accrued expenses and other liabilities [2]	—	(10)	71	—	61
Long-term debt [2]	—	(106)	—	(82)	(188)
Total	$ 242	$ 2,485	$ (2,109)	$ (167)	$ 451

	2010				
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 848	$ —	$ —	$ 848
Equity securities	—	(81)	—	—	(81)
Non-U.S. sovereign debt	—	(138)	—	—	(138)
Mortgage trading loans and ABS	—	653	—	—	653
Total trading account assets	—	1,282	—	—	1,282
Net derivative assets	—	(1,257)	9,375	—	8,118
AFS debt securities:					
Non-agency MBS:					
Residential	—	—	(16)	(630)	(646)
Commercial	—	—	—	(13)	(13)
Non-U.S. securities	—	—	—	(125)	(125)
Corporate/Agency bonds	—	—	—	(3)	(3)
Other taxable securities	—	(295)	—	(1)	(296)
Tax-exempt securities	—	23	—	(48)	(25)
Total AFS debt securities	—	(272)	(16)	(820)	(1,108)
Loans and leases [2]	—	—	—	(89)	(89)
Mortgage servicing rights	—	—	(4,321)	—	(4,321)
Loans held-for-sale [2]	—	—	72	410	482
Other assets	1,967	—	(21)	—	1,946
Trading account liabilities:					
Non-U.S. sovereign debt	—	23	—	—	23
Corporate securities and other	—	(5)	—	—	(5)
Total trading account liabilities	—	18	—	—	18
Other short-term borrowings [2]	—	—	(95)	—	(95)
Accrued expenses and other liabilities [2]	—	(26)	—	172	146
Long-term debt [2]	—	677	—	20	697
Total	$ 1,967	$ 422	$ 4,994	$ (307)	$ 7,076

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts represent items that are accounted for under the fair value option.

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

	2009				
(Dollars in millions)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other	$ —	$ 370	$ —	$ —	$ 370
Equity securities	—	(396)	—	—	(396)
Non-U.S. sovereign debt	—	136	—	—	136
Mortgage trading loans and ABS	—	(262)	—	—	(262)
Total trading account assets	—	(152)	—	—	(152)
Net derivative assets	—	(2,526)	8,052	—	5,526
AFS debt securities:					
Non-agency MBS:					
Residential	—	—	(20)	(1,139)	(1,159)
Commercial	—	—	—	(185)	(185)
Non-U.S. securities	—	—	—	(79)	(79)
Corporate/Agency bonds	—	—	—	(22)	(22)
Other taxable securities	—	—	—	(75)	(75)
Tax-exempt securities	—	—	—	2	2
Total AFS debt securities	—	—	(20)	(1,498)	(1,518)
Loans and leases [2]	—	(11)	—	526	515
Mortgage servicing rights	—	—	5,286	—	5,286
Loans held-for-sale [2]	—	(216)	306	588	678
Other assets	968	—	244	61	1,273
Trading account liabilities – Non-U.S. sovereign debt	—	(38)	—	—	(38)
Other short-term borrowings [2]	—	—	(11)	—	(11)
Accrued expenses and other liabilities [2]	—	36	—	1,360	1,396
Long-term debt [2]	—	(2,083)	—	(227)	(2,310)
Total	$ 968	$ (4,990)	$ 13,857	$ 810	$ 10,645

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts represent items that are accounted for under the fair value option.

The following tables summarize changes in unrealized gains (losses) recorded in earnings during 2011, 2010 and 2009 for Level 3 assets and liabilities that were still held at December 31, 2011, 2010 and 2009. These amounts include changes in fair value on loans, LHFS, loan commitments and structured liabilities that are accounted for under the fair value option.

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

	2011				
(Dollars in millions)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [1]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ (86)	$ —	$ —	$ (86)
Equity securities	—	(60)	—	—	(60)
Non-U.S. sovereign debt	—	101	—	—	101
Mortgage trading loans and ABS	—	30	—	—	30
Total trading account assets	—	(15)	—	—	(15)
Net derivative assets	—	1,430	1,351	—	2,781
AFS debt securities:					
Non-agency residential MBS	—	—	—	(195)	(195)
Corporate/Agency bonds	—	—	—	(14)	(14)
Other taxable securities	—	—	—	13	13
Total AFS debt securities	—	—	—	(196)	(196)
Loans and leases [2]	—	—	—	(260)	(260)
Mortgage servicing rights	—	—	(6,958)	—	(6,958)
Loans held-for-sale [2]	—	—	(153)	5	(148)
Other assets	(309)	—	(53)	(51)	(413)
Trading account liabilities – Corporate securities and other	—	3	—	—	3
Long-term debt [2]	—	(107)	—	(94)	(201)
Total	$ (309)	$ 1,311	$ (5,813)	$ (596)	$ (5,407)
	2010				
Trading account assets:					
Corporate securities, trading loans and other [2]	$ —	$ 289	$ —	$ —	$ 289
Equity securities	—	(50)	—	—	(50)
Non-U.S. sovereign debt	—	(144)	—	—	(144)
Mortgage trading loans and ABS	—	227	—	—	227
Total trading account assets	—	322	—	—	322
Net derivative assets	—	(945)	676	—	(269)
Non-agency residential MBS AFS debt securities	—	—	(2)	(162)	(164)
Loans and leases [2]	—	—	—	(142)	(142)
Mortgage servicing rights	—	—	(5,740)	—	(5,740)
Loans held-for-sale [2]	—	10	(9)	258	259
Other assets	50	—	(22)	—	28
Trading account liabilities – Non-U.S. sovereign debt	—	52	—	—	52
Other short-term borrowings [2]	—	—	(46)	—	(46)
Accrued expenses and other liabilities [2]	—	—	—	(182)	(182)
Long-term debt [2]	—	585	—	43	628
Total	$ 50	$ 24	$ (5,143)	$ (185)	$ (5,254)

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts represent items that are accounted for under the fair value option.

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

	2009				
(Dollars in millions)	Equity Investment Income (Loss)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss) [(1)]	Other Income (Loss)	Total
Trading account assets:					
Corporate securities, trading loans and other	$ —	$ 89	$ —	$ —	$ 89
Equity securities	—	(328)	—	—	(328)
Non-U.S. sovereign debt	—	137	—	—	137
Mortgage trading loans and ABS	—	(332)	—	—	(332)
Total trading account assets	—	(434)	—	—	(434)
Net derivative assets	—	(2,761)	348	—	(2,413)
AFS debt securities:					
Non-agency residential MBS	—	—	(20)	(659)	(679)
Other taxable securities	—	(11)	—	(3)	(14)
Tax-exempt securities	—	(2)	—	(8)	(10)
Total AFS debt securities	—	(13)	(20)	(670)	(703)
Loans and leases [(2)]	—	—	—	210	210
Mortgage servicing rights	—	—	4,100	—	4,100
Loans held-for-sale [(2)]	—	(195)	164	695	664
Other assets	(177)	—	6	1,061	890
Trading account liabilities – Non-U.S. sovereign debt	—	(38)	—	—	(38)
Other short-term borrowings [(2)]	—	—	(11)	—	(11)
Accrued expenses and other liabilities [(2)]	—	—	—	1,740	1,740
Long-term debt [(2)]	—	(2,303)	—	(225)	(2,528)
Total	$ (177)	$ (5,744)	$ 4,587	$ 2,811	$ 1,477

(1) Mortgage banking income does not reflect the impact of Level 1 and Level 2 hedges on MSRs.
(2) Amounts represent items that are accounted for under the fair value option.

Nonrecurring Fair Value

The Corporation held certain assets that are measured at fair value on a nonrecurring basis and are not included in the previous tables in this Note. These assets primarily include LHFS, certain loans and leases, and foreclosed properties. The amounts below represent only balances measured at fair value during 2011, 2010 and 2009, and still held as of the reporting date.

Assets Measured at Fair Value on a Nonrecurring Basis

	December 31			
	2011		2010	
(Dollars in millions)	**Level 2**	**Level 3**	Level 2	Level 3
Assets				
Loans held-for-sale	**$ 2,662**	**$ 1,008**	$ 931	$ 6,408
Loans and leases	**9**	**10,629**	23	11,917
Foreclosed properties [(1)]	**—**	**2,531**	10	2,125
Other assets	**44**	**885**	8	95

	Gains (Losses)		
(Dollars in millions)	**2011**	2010	2009
Assets			
Loans held-for-sale	**$ (181)**	$ 174	$ (1,288)
Loans and leases [(2)]	**(4,813)**	(6,074)	(5,596)
Foreclosed properties	**(333)**	(240)	(322)
Other assets	**—**	(50)	(268)

(1) Amounts are included in other assets on the Consolidated Balance Sheet and represent fair value and related losses on foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.
(2) Gains (losses) represent charge-offs on real estate-secured loans.

NOTE 23 Fair Value Option

Loans and Loan Commitments

The Corporation elected to account for certain consumer and commercial loans and loan commitments that exceeded the Corporation's single name credit risk concentration guidelines under the fair value option. Lending commitments, both funded and unfunded, are actively managed and monitored and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's public side credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for designation as accounting hedges and therefore are carried at fair value with changes in fair value recorded in other income (loss). Electing the fair value option allows the Corporation to carry 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, election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. An immaterial portion of the changes in fair value for these loans was attributable to changes in borrower-specific credit risk.

Loans Held-for-Sale

The Corporation elected to account for residential mortgage LHFS, commercial mortgage LHFS and other LHFS under the fair value option with interest income on these LHFS recorded in other interest income. The changes in fair value are largely offset by hedging activities. An immaterial portion of the changes in fair value for these loans was attributable to changes in borrower-specific credit risk. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation has not elected to account for other LHFS under the fair value option primarily because these loans are floating-rate loans that are not economically hedged using derivative instruments.

Loans Reported as Trading Account Assets

The Corporation elected to account for certain loans that are risk-managed on a fair value basis under the fair value option. An immaterial portion of the changes in fair value for these loans was attributable to changes in borrower-specific credit risk.

Other Assets

The Corporation elected to account for certain private equity investments that are not in an investment company under the fair value option as this measurement basis is consistent with applicable accounting guidance for similar investments that are in an investment company.

Securities Financing Agreements

The Corporation elected to account for certain securities financing agreements, including resale and repurchase agreements, under the fair value option 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 are not accounted for under the fair value option as these contracts are generally short-dated and therefore the interest rate risk is not significant.

Long-term Deposits

The Corporation elected to account for certain long-term fixed-rate and rate-linked deposits that are economically hedged with derivatives under the fair value option. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation did not elect to carry other long-term deposits at fair value because they were not economically hedged using derivatives.

Other Short-term Borrowings

The Corporation elected to account for certain other short-term borrowings under the fair value option because this debt is risk-managed on a fair value basis.

Long-term Debt

The Corporation elected to account for certain long-term debt, primarily structured liabilities, under the fair value option. This long-term debt is risk-managed on a fair value basis. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for these financial instruments at historical cost and the economic hedges at fair value.

Asset-backed Secured Financings

The Corporation elected to account for certain asset-backed secured financings, which are classified in other short-term borrowings, under the fair value option. Election of the fair value option allows the Corporation to reduce the accounting volatility that would otherwise result from the 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 table below provides information about the fair value carrying amount and the contractual principal outstanding of assets and liabilities accounted for under the fair value option at December 31, 2011 and 2010.

Fair Value Option Elections

	December 31					
	2011			2010		
(Dollars in millions)	**Fair Value Carrying Amount**	**Contractual Principal Outstanding**	**Fair Value Carrying Amount Less Unpaid Principal**	Fair Value Carrying Amount	Contractual Principal Outstanding	Fair Value Carrying Amount Less Unpaid Principal
Loans reported as trading account assets	**$ 1,151**	**$ 2,371**	**$ (1,220)**	$ 964	$ 1,917	$ (953)
Consumer and commercial loans	**8,804**	**10,823**	**(2,019)**	3,269	3,638	(369)
Loans held-for-sale	**7,630**	**9,673**	**(2,043)**	25,942	28,370	(2,428)
Securities financing agreements	**121,688**	**121,092**	**596**	116,023	115,053	970
Other assets	**251**	**n/a**	**n/a**	310	n/a	n/a
Long-term deposits	**3,297**	**3,035**	**262**	2,732	2,692	40
Asset-backed secured financings	**650**	**1,271**	**(621)**	706	1,356	(650)
Unfunded loan commitments	**1,249**	**n/a**	**n/a**	866	n/a	n/a
Other short-term borrowings	**5,908**	**5,909**	**(1)**	6,472	6,472	—
Long-term debt (1)	**46,239**	**55,854**	**(9,615)**	50,984	54,656	(3,672)

(1) The majority of the difference between the fair value carrying amount and contractual principal outstanding at December 31, 2011 relates to the impact of widening of the Corporation's credit spreads, as well as the fair value of the embedded derivative, where applicable.

n/a = not applicable

The following tables provide information about where changes in the fair value of assets and liabilities accounted for under the fair value option are included in the Consolidated Statement of Income for 2011, 2010 and 2009.

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

	2011			
(Dollars in millions)	Trading Account Profits (Losses)	Mortgage Banking Income (Loss)	Other Income (Loss) (1)	Total
Loans reported as trading account assets	$ 73	$ —	$ —	$ 73
Consumer and commercial loans	15	—	(275)	(260)
Loans held-for-sale	(20)	4,137	148	4,265
Securities financing agreements	—	—	127	127
Other assets	—	—	196	196
Long-term deposits	—	—	(77)	(77)
Asset-backed secured financings	—	(30)	—	(30)
Unfunded loan commitments	—	—	(429)	(429)
Other short-term borrowings	261	—	—	261
Long-term debt (2)	2,149	—	3,320	5,469
Total	**$ 2,478**	**$ 4,107**	**$ 3,010**	**$ 9,595**
	2010			
Loans reported as trading account assets	$ 157	$ —	$ —	$ 157
Commercial loans	2	—	82	84
Loans held-for-sale	—	9,091	493	9,584
Securities financing agreements	—	—	52	52
Other assets	—	—	107	107
Long-term deposits	—	—	(48)	(48)
Asset-backed secured financings	—	(95)	—	(95)
Unfunded loan commitments	—	—	23	23
Other short-term borrowings	(192)	—	—	(192)
Long-term debt (2)	(621)	—	18	(603)
Total	$ (654)	$ 8,996	$ 727	$ 9,069
	2009			
Loans reported as trading account assets	$ 259	$ —	$ —	$ 259
Commercial loans	25	—	521	546
Loans held-for-sale	(211)	8,251	588	8,628
Securities financing agreements	—	—	(292)	(292)
Other assets	379	—	(177)	202
Long-term deposits	—	—	35	35
Asset-backed secured financings	—	(11)	—	(11)
Unfunded loan commitments	—	—	1,365	1,365
Other short-term borrowings	(236)	—	—	(236)
Long-term debt (2)	(3,938)	—	(4,900)	(8,838)
Total	$ (3,722)	$ 8,240	$ (2,860)	$ 1,658

(1) Other assets includes $177 million of equity investment loss for 2009.

(2) Balances in other income (loss) for long-term debt relate to changes in fair value that were attributable to changes in the Corporation's credit spreads.

NOTE 24 Fair Value of Financial Instruments

The fair values of financial instruments have been derived using methodologies described in *Note 22 – Fair Value Measurements*. The following disclosures include financial instruments where only a portion of the ending balance at December 31, 2011 and 2010 was carried at fair value on the Corporation's Consolidated Balance Sheet.

Short-term Financial Instruments

The carrying value of short-term financial instruments, including cash and cash equivalents, time deposits placed, federal funds sold and purchased, resale and certain repurchase agreements, and other short-term investments and borrowings approximates the fair value of these instruments. These financial instruments generally expose the Corporation to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The Corporation elected to account for certain repurchase agreements under the fair value option.

Loans

Fair values were generally determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that the Corporation believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected using internal credit risk, interest rate and prepayment risk models that incorporate the Corporation's best estimate of current key assumptions, such as default rates, loss severity and prepayment speeds for the life of the loan. The carrying value of loans is presented net of the applicable allowance for loan losses and excludes leases. The Corporation elected to account for certain large corporate loans that exceeded the Corporation's single name credit risk concentration guidelines under the fair value option.

Deposits

The fair value for certain deposits with stated maturities was determined by discounting contractual cash flows using current market rates for instruments with similar maturities. The carrying value of non-U.S. time deposits approximates fair value. For deposits with no stated maturities, the carrying value was considered to approximate fair value and does not take into account the significant value of the cost advantage and stability of the Corporation's long-term relationships with depositors. The Corporation accounts for certain long-term fixed-rate deposits that are economically hedged with derivatives under the fair value option.

Long-term Debt

The Corporation uses quoted market prices, when available, to estimate fair value for its long-term debt. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar terms and maturities. The Corporation accounts for certain structured liabilities under the fair value option.

Fair Value of Financial Instruments

The carrying values and fair values of certain financial instruments where only a portion of the ending balance at December 31, 2011 and 2010 was carried at fair value are presented in the table below.

Fair Value of Financial Instruments

	December 31			
	2011		2010	
(Dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Held-to-maturity debt securities	**$ 35,265**	**$ 35,442**	$ 427	$ 427
Loans	**870,520**	**843,392**	876,739	861,695
Financial liabilities				
Deposits	**1,033,041**	**1,033,248**	1,010,430	1,010,460
Long-term debt	**372,265**	**343,211**	448,431	441,672

NOTE 25 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 (loss). The Corporation economically hedges these MSRs with certain derivatives and securities including MBS and U.S. Treasuries. The securities that economically hedge the MSRs are classified in other assets with changes in the fair value of the securities and the related interest income recorded in mortgage banking income (loss).

The table below presents activity for residential first-lien MSRs for 2011 and 2010. Commercial and residential reverse MSRs, which are carried at the lower of carrying or market value and accounted for using the amortization method, totaled $132 million and $277 million at December 31, 2011 and 2010, and are not included in the tables in this Note.

(Dollars in millions)	2011	2010
Balance, January 1	**$ 14,900**	$ 19,465
Additions	**1,656**	3,626
Sales	**(896)**	(110)
Impact of customer payments [1]	**(2,621)**	(3,760)
Impact of changes in interest rates and other market factors [2]	**(4,890)**	(3,224)
Model and other cash flow assumption changes: [3]		
Projected cash flows, primarily due to increases in cost to service loans	**(2,306)**	(3,161)
Impact of changes in the Home Price Index	**428**	937
Impact of changes in the prepayment model	**1,818**	1,298
Other model changes	**(711)**	(171)
Balance, December 31	**$ 7,378**	$ 14,900
Mortgage loans serviced for investors (in billions)	**$ 1,379**	$ 1,628

(1) Represents the change in the market value of the MSR asset due to the impact of customer payments received during the period.
(2) These amounts reflect changes in the modeled MSR fair value largely due to observed changes in interest rates, volatility, spreads and the shape of the forward swap curve.
(3) These amounts reflect periodic adjustments to the valuation model as well as changes in certain cash flow assumptions such as costs to service and ancillary income per loan.

The Corporation uses an OAS valuation approach which factors in prepayment risk to determine the fair value of MSRs. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The significant economic assumptions used in determining the fair value of MSRs at December 31, 2011 and 2010 are presented below.

Significant Economic Assumptions

	December 31			
	2011		2010	
(Dollars in millions)	Fixed	Adjustable	Fixed	Adjustable
Weighted-average OAS	**2.80%**	**5.61%**	2.17%	5.12%
Weighted-average life, in years	**3.78**	**2.10**	4.85	2.29

The table below presents the sensitivity of the weighted-average lives and fair value of MSRs to changes in modeled assumptions. 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. Also, the effect of a variation in a particular assumption on the fair value of MSRs that continue 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. The below sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Sensitivity Impacts

	December 31, 2011		
	Change in Weighted-average Lives		
(Dollars in millions)	Fixed	Adjustable	Change in Fair Value
Prepayment rates			
Impact of 10% decrease	0.29 years	0.14 years	$ 639
Impact of 20% decrease	0.63	0.31	1,375
Impact of 10% increase	(0.25)	(0.12)	(561)
Impact of 20% increase	(0.48)	(0.23)	(1,056)
OAS level			
Impact of 100 bps decrease	n/a	n/a	$ 375
Impact of 200 bps decrease	n/a	n/a	782
Impact of 100 bps increase	n/a	n/a	(345)
Impact of 200 bps increase	n/a	n/a	(664)

n/a = not applicable

NOTE 26 Business Segment Information

The Corporation reports the results of its operations through six business segments: *Deposits, Card Services, Consumer Real Estate Services (CRES),* formerly *Home Loans & Insurance, Global Commercial Banking, Global Banking & Markets (GBAM)* and *Global Wealth & Investment Management (GWIM)*, with the remaining operations recorded in *All Other*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment. Prior period amounts have been reclassified to conform to current period presentation.

Deposits

Deposits includes the results of consumer deposits activities which consist of a comprehensive range of products provided to consumers and small businesses. Deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, noninterest- and interest-bearing checking accounts, as well as investment accounts and products. These products provide a relatively stable source of funding and liquidity. The Corporation earns net interest spread revenue from investing this liquidity in earning assets through client-facing lending and ALM activities. The revenue is allocated to the deposit products using a funds transfer pricing process which takes into account the interest rates and implied maturity of the deposits. *Deposits* also generates fees such as account service fees, non-sufficient funds fees, overdraft charges and ATM fees, as well as investment and brokerage fees from Merrill Edge accounts. In addition, *Deposits* includes the net impact of migrating customers and their related deposit balances between *Deposits* and other client-managed businesses. Subsequent to the date of migration, the associated net interest income, service charges and noninterest expense are recorded in the business to which deposits were transferred.

Card Services

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses providing a broad offering of lending products including co-branded and affinity products. During 2011, the Corporation sold its Canadian consumer card business and is evaluating its remaining international consumer card operations. In light of these actions, the international consumer card business results were moved to *All Other* effective July 1, 2011, prior periods have been reclassified and the *Global Card Services* business segment was renamed *Card Services*.

The Corporation reports its *Card Services* results in accordance with new consolidation guidance that was effective on January 1, 2010. Under this new consolidation guidance, the Corporation consolidated all previously unconsolidated credit card trusts. Accordingly, 2011 and 2010 results are comparable to 2009 results that were presented on a managed basis, which was consistent with the way that management evaluated the results of the business. Managed basis assumed that securitized loans were not sold and presented earnings on these loans in a manner similar to the way loans that have not been sold are presented.

Consumer Real Estate Services

CRES provides an extensive line of consumer real estate products and services to customers nationwide. *CRES* products include fixed- and adjustable-rate first-lien mortgage loans for home purchase and refinancing needs, HELOC 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 Consolidated Balance Sheet in *All Other* for ALM purposes. HELOC and home equity loans are retained on the *CRES* balance sheet. *CRES* services mortgage loans, including those loans it owns, loans owned by other business segments and *All Other*, and loans owned by outside investors.

The financial results of the on-balance sheet loans are reported in the business segment that owns the loans or *All Other*. *CRES* is not impacted by the Corporation's first mortgage production retention decisions as *CRES* is compensated for loans held for ALM purposes on a management accounting basis, with a corresponding offset recorded in *All Other*, and for servicing loans owned by other business segments and *All Other*. *CRES* also includes the impact of transferring customers and their related loan balances between *GWIM* and *CRES* based on client segmentation thresholds. Subsequent to the date of transfer, the associated net interest income and noninterest expense are recorded in the business segment to which loans were transferred.

Global Commercial Banking

Global Commercial Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through the Corporation's network of offices and client relationship teams along with various product partners. Clients include business banking and middle-market companies, commercial real estate firms and governments, and are generally defined as companies with sales up to $2 billion. Lending products and services include commercial loans and commitment facilities, real estate lending, asset-based lending and indirect consumer loans. Capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. In 2011, management responsibility for the merchant services joint venture was moved from *GBAM* to *Global Commercial Banking*. Prior periods have been reclassified to reflect the change.

Global Banking & Markets

GBAM provides advisory services, financing, securities clearing, settlement and custody services globally to institutional investor clients in support of their investing and trading activities. *GBAM* also works with commercial and corporate clients to provide debt and equity underwriting and distribution capabilities, merger-related and other advisory services, and risk management products using interest rate, equity, credit, currency and commodity derivatives, foreign exchange, fixed-income and mortgage-related products. As a result of the Corporation's market-making activities in these products, it may be required to manage positions in government securities, equity and equity-linked securities, high-grade and high-yield corporate debt securities, commercial paper, MBS and ABS. Corporate banking services provide a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through the Corporation's network of offices and client relationship teams along with various product partners. Corporate clients are generally defined as companies with annual sales greater than $2 billion.

Global Wealth & Investment Management

GWIM provides comprehensive wealth management capabilities to a broad base of clients from emerging affluent to the ultra-high-net-worth. These services include investment and brokerage services, estate and financial planning, fiduciary portfolio management, cash and liability management and specialty asset management. *GWIM* also provides retirement and benefit plan services, philanthropic management and asset management to individual and institutional clients. *GWIM* results are impacted by the migration of clients and their related deposit and loan balances to or from *Deposits*, *CRES* and the ALM portfolio. Migration in the current year includes the additional movement of balances to Merrill Edge, which is in *Deposits*. Subsequent to the date of migration, the associated net interest income, noninterest income and noninterest expense are recorded in the business to which the clients migrated.

All Other

All Other consists of equity investment activities including Global Principal Investments, Strategic and other investments, and Corporate Investments. *All Other* also includes liquidating businesses, merger and restructuring charges, ALM functions such as residential mortgage portfolio and investment securities and related activities, including economic hedges and gains/losses on structured liabilities, the impact of certain allocation methodologies and accounting hedge ineffectiveness. Additionally, *All Other* includes certain residential mortgage and discontinued real estate loans that are managed by *CRES*. During 2011, the Corporation sold its Canadian consumer card business and is evaluating its remaining international consumer card operations. As a result of these actions, the international consumer card business results were moved to *All Other* from *Card Services* and prior periods have been reclassified.

Basis of Presentation

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

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

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

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

The following tables present total revenue, net of interest expense, on a FTE basis and net income (loss) for 2011, 2010 and 2009, and total assets at December 31, 2011 and 2010 for each business segment, as well as *All Other*.

Business Segments

At and for the Year Ended December 31	Total Corporation [1]			Deposits			Card Services [2]		
(Dollars in millions)	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Net interest income (FTE basis)	**$ 45,588**	$ 52,693	$ 48,410	**$ 8,471**	$ 8,278	$ 7,195	**$ 11,507**	$ 14,413	$ 16,502
Noninterest income	**48,838**	58,697	72,534	**4,218**	5,284	7,041	**6,636**	7,927	8,275
Total revenue, net of interest expense	**94,426**	111,390	120,944	**12,689**	13,562	14,236	**18,143**	22,340	24,777
Provision for credit losses	**13,410**	28,435	48,570	**173**	201	341	**3,072**	10,962	26,351
Amortization of intangibles	**1,509**	1,731	1,978	**154**	194	237	**599**	668	746
Goodwill impairment	**3,184**	12,400	—	**—**	—	—	**—**	10,400	—
Other noninterest expense	**75,581**	68,977	64,735	**10,479**	11,002	9,451	**5,425**	5,289	5,857
Income (loss) before income taxes	**742**	(153)	5,661	**1,883**	2,165	4,207	**9,047**	(4,979)	(8,177)
Income tax expense (benefit) (FTE basis)	**(704)**	2,085	(615)	**691**	803	1,530	**3,259**	2,001	(2,965)
Net income (loss)	**$ 1,446**	$ (2,238)	$ 6,276	**$ 1,192**	$ 1,362	$ 2,677	**$ 5,788**	$ (6,980)	$ (5,212)
Year-end total assets	**$ 2,129,046**	$ 2,264,909		**$ 445,680**	$ 440,954		**$ 127,636**	$ 138,491	

	Consumer Real Estate Services			Global Commercial Banking			Global Banking & Markets		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Net interest income (FTE basis)	**$ 3,207**	$ 4,662	$ 4,961	**$ 7,176**	$ 8,007	$ 8,022	**$ 7,401**	$ 8,000	$ 9,557
Noninterest income	**(6,361)**	5,667	11,677	**3,377**	3,219	7,438	**16,217**	19,949	18,624
Total revenue, net of interest expense	**(3,154)**	10,329	16,638	**10,553**	11,226	15,460	**23,618**	27,949	28,181
Provision for credit losses	**4,524**	8,490	11,244	**(634)**	1,979	7,782	**(296)**	(166)	1,998
Amortization of intangibles	**11**	38	63	**57**	72	100	**116**	123	129
Goodwill impairment	**2,603**	2,000	—	**—**	—	—	**—**	—	—
Other noninterest expense	**19,279**	12,848	11,437	**4,177**	4,058	4,120	**18,063**	17,412	15,135
Income (loss) before income taxes	**(29,571)**	(13,047)	(6,106)	**6,953**	5,117	3,458	**5,735**	10,580	10,919
Income tax expense (benefit) (FTE basis)	**(10,042)**	(4,100)	(2,217)	**2,551**	1,899	1,279	**2,768**	4,283	3,246
Net income (loss)	**$ (19,529)**	$ (8,947)	$ (3,889)	**$ 4,402**	$ 3,218	$ 2,179	**$ 2,967**	$ 6,297	$ 7,673
Year-end total assets	**$ 163,712**	$ 212,412		**$ 289,985**	$ 312,807		**$ 637,754**	$ 653,737	

	Global Wealth & Investment Management			All Other [2]		
	2011	2010	2009	**2011**	2010	2009
Net interest income (FTE basis)	**$ 6,046**	$ 5,677	$ 5,882	**$ 1,780**	$ 3,656	$ (3,709)
Noninterest income	**11,330**	10,612	9,904	**13,421**	6,039	9,575
Total revenue, net of interest expense	**17,376**	16,289	15,786	**15,201**	9,695	5,866
Provision for credit losses	**398**	646	1,060	**6,173**	6,323	(206)
Amortization of intangibles	**438**	458	480	**134**	178	223
Goodwill impairment	**—**	—	—	**581**	—	—
Other noninterest expense	**13,957**	12,769	11,641	**4,201**	5,599	7,094
Income (loss) before income taxes	**2,583**	2,416	2,605	**4,112**	(2,405)	(1,245)
Income tax expense (benefit) (FTE basis)	**948**	1,076	936	**(879)**	(3,877)	(2,424)
Net income	**$ 1,635**	$ 1,340	$ 1,669	**$ 4,991**	$ 1,472	$ 1,179
Year-end total assets	**$ 283,844**	$ 296,251		**$ 180,435**	$ 210,257	

(1) There were no material intersegment revenues.

(2) 2011 and 2010 are presented in accordance with new consolidation guidance. 2009 *Card Services* results are presented on a managed basis with a corresponding offset recorded in *All Other*.

The following tables present a reconciliation of the six business segments' total revenue, net of interest expense, on a FTE basis, and net income (loss) to the Consolidated Statement of Income, and total assets to the Consolidated Balance Sheet. The adjustments presented in the following tables include consolidated income, expense and asset amounts not specifically allocated to individual business segments.

Business Segment Reconciliations

(Dollars in millions)	2011	2010	2009
Segments' total revenue, net of interest expense (FTE basis)	$ 79,225	$ 101,695	$ 115,078
Adjustments:			
ALM activities	7,576	1,899	(766)
Equity investment income	7,037	4,549	10,589
Liquidating businesses	2,708	5,155	6,932
FTE basis adjustment	(972)	(1,170)	(1,301)
Managed securitization impact to total revenue, net of interest expense	n/a	n/a	(11,399)
Other	(2,120)	(1,908)	510
Consolidated revenue, net of interest expense	$ 93,454	$ 110,220	$ 119,643
Segments' net income (loss)	$ (3,545)	$ (3,710)	$ 5,097
Adjustments, net of taxes:			
ALM activities	515	(2,462)	(6,597)
Equity investment income	4,433	2,866	6,671
Liquidating businesses	(103)	718	412
Merger and restructuring charges	(402)	(1,146)	(1,714)
Other	548	1,496	2,407
Consolidated net income (loss)	$ 1,446	$ (2,238)	$ 6,276

	December 31	
	2011	2010
Segments' total assets	$ 1,948,611	$ 2,054,652
Adjustments:		
ALM activities, including securities portfolio	647,569	601,307
Equity investments	6,923	34,185
Liquidating businesses	29,746	43,288
Elimination of segment excess asset allocations to match liabilities	(531,702)	(476,471)
Other	27,899	7,948
Consolidated total assets	$ 2,129,046	$ 2,264,909

n/a = not applicable

NOTE 27 Parent Company Information

The following tables present the Parent Company only financial information.

Condensed Statement of Income

(Dollars in millions)	2011	2010	2009
Income			
Dividends from subsidiaries:			
Bank holding companies and related subsidiaries	$ 10,277	$ 7,263	$ 4,100
Nonbank companies and related subsidiaries	553	226	27
Interest from subsidiaries	869	999	1,179
Other income [1]	10,603	2,781	7,784
Total income	**22,302**	11,269	13,090
Expense			
Interest on borrowed funds	6,234	4,484	4,737
Noninterest expense [2]	11,861	8,030	4,238
Total expense	**18,095**	12,514	8,975
Income (loss) before income taxes and equity in undistributed earnings of subsidiaries	**4,207**	(1,245)	4,115
Income tax benefit	(2,783)	(3,709)	(85)
Income before equity in undistributed earnings of subsidiaries	6,990	2,464	4,200
Equity in undistributed earnings (losses) of subsidiaries:			
Bank holding companies and related subsidiaries	6,650	7,647	(21,614)
Nonbank companies and related subsidiaries	(12,194)	(12,349)	23,690
Total equity in undistributed earnings (losses) of subsidiaries	**(5,544)**	(4,702)	2,076
Net income (loss)	**$ 1,446**	$ (2,238)	$ 6,276
Net income (loss) applicable to common shareholders	**$ 85**	$ (3,595)	$ (2,204)

(1) Includes $6.5 billion and $7.3 billion of gains related to the sale of the Corporation's investment in CCB during 2011 and 2009.

(2) Includes, in aggregate, $6.9 billion, $3.5 billion and $225 million in 2011, 2010 and 2009 of representations and warranties provision, which is presented as a component of mortgage banking income on the Corporation's Consolidated Statement of Income, and litigation expense.

Condensed Balance Sheet

	December 31	
(Dollars in millions)	2011	2010
Assets		
Cash held at bank subsidiaries	$ 124,991	$ 117,124
Securities	515	19,518
Receivables from subsidiaries:		
Bank holding companies and related subsidiaries	48,679	50,589
Nonbank companies and related subsidiaries	7,385	8,320
Investments in subsidiaries:		
Bank holding companies and related subsidiaries	191,278	188,538
Nonbank companies and related subsidiaries	53,213	61,374
Other assets	11,720	10,837
Total assets	**$ 437,781**	$ 456,300
Liabilities and shareholders' equity		
Commercial paper and other short-term borrowings	$ 401	$ 13,899
Accrued expenses and other liabilities	22,419	22,803
Payables to subsidiaries:		
Bank holding companies and related subsidiaries	2,925	4,241
Nonbank companies and related subsidiaries	515	513
Long-term debt	181,420	186,596
Shareholders' equity	230,101	228,248
Total liabilities and shareholders' equity	**$ 437,781**	$ 456,300

Condensed Statement of Cash Flows

(Dollars in millions)	**2011**	2010	2009
Operating activities			
Net income (loss)	**$ 1,446**	$ (2,238)	$ 6,276
Reconciliation of net income (loss) to net cash provided by operating activities:			
Equity in undistributed (earnings) losses of subsidiaries	**5,544**	4,702	(2,076)
Other operating activities, net	**6,716**	(996)	4,400
Net cash provided by operating activities	**13,706**	1,468	8,600
Investing activities			
Net sales of securities	**8,444**	5,972	3,729
Net payments from (to) subsidiaries	**5,780**	3,531	(25,437)
Other investing activities, net	**(8)**	2,592	(17)
Net cash provided by (used in) investing activities	**14,216**	12,095	(21,725)
Financing activities			
Net increase (decrease) in commercial paper and other short-term borrowings	**(13,172)**	8,052	(20,673)
Proceeds from issuance of long-term debt	**16,047**	29,275	30,347
Retirement of long-term debt	**(21,742)**	(27,176)	(20,180)
Proceeds from issuance of preferred stock and warrants	**5,000**	—	49,244
Repayment of preferred stock	**—**	—	(45,000)
Proceeds from issuance of common stock	**—**	—	13,468
Cash dividends paid	**(1,738)**	(1,762)	(4,863)
Other financing activities, net	**(4,450)**	3,280	4,149
Net cash provided by (used in) financing activities	**(20,055)**	11,669	6,492
Net increase (decrease) in cash held at bank subsidiaries	**7,867**	25,232	(6,633)
Cash held at bank subsidiaries at January 1	**117,124**	91,892	98,525
Cash held at bank subsidiaries at December 31	**$ 124,991**	$ 117,124	$ 91,892

NOTE 28 Performance by Geographical Area

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at total assets, total revenue, net of interest expense, income (loss) before income taxes and net income (loss) by geographic area. The Corporation identifies its geographic performance based on 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.

(Dollars in millions)	Year	December 31 Total Assets [1]	Year Ended December 31 Total Revenue, Net of Interest Expense [2]	Income (Loss) Before Income Taxes	Net Income (Loss)
U.S. [3]	**2011**	**$ 1,856,654**	**$ 73,613**	**$ (9,261)**	**$ (3,471)**
	2010	1,975,640	95,115	(5,676)	(4,727)
	2009		98,278	(6,901)	(1,025)
Asia [4]	**2011**	**95,776**	**10,890**	**7,598**	**4,787**
	2010	107,140	4,187	1,372	864
	2009		10,685	8,096	5,101
Europe, Middle East and Africa	**2011**	**151,956**	**7,320**	**1,009**	**(137)**
	2010	160,621	8,490	1,549	723
	2009		9,085	2,295	1,652
Latin America and the Caribbean	**2011**	**24,660**	**1,631**	**424**	**267**
	2010	21,508	2,428	1,432	902
	2009		1,595	870	548
Total Non-U.S.	**2011**	**272,392**	**19,841**	**9,031**	**4,917**
	2010	289,269	15,105	4,353	2,489
	2009		21,365	11,261	7,301
Total Consolidated	**2011**	**$ 2,129,046**	**$ 93,454**	**$ (230)**	**$ 1,446**
	2010	2,264,909	110,220	(1,323)	(2,238)
	2009		119,643	4,360	6,276

(1) Total assets include long-lived assets, which are primarily located in the U.S.
(2) There were no material intercompany revenues between geographic regions for any of the periods presented.
(3) Includes the Corporation's Canadian operations, which had total assets of $8.1 billion and $16.1 billion at December 31, 2011 and 2010; total revenue, net of interest expense of $1.3 billion, $1.3 billion and $2.5 billion; income before income taxes of $621 million, $458 million and $723 million; and net income of $528 million, $328 million and $488 million for 2011, 2010 and 2009, respectively.
(4) Amounts include pre-tax gains of $6.5 billion and $7.3 billion ($4.1 billion and $4.6 billion net-of-tax) on the sale of common shares of the Corporation's investment in CCB during 2011 and 2009.

Disclosure Controls and Procedures

Bank of America Corporation and Subsidiaries

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (Exchange Act), Bank of America's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of our disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, Bank of America's Chief Executive Officer and Chief Financial Officer concluded that Bank of America's disclosure controls and procedures were effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed, within the time periods specified in the SEC's rules and forms.

Report of Independent Registered Public Accounting Firm

Bank of America Corporation and Subsidiaries

To the Board of Directors of Bank of America Corporation:

We have examined, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, Bank of America Corporation's (the "Corporation") assertion, included under Item 9A, that the Corporation's disclosure controls and procedures were effective as of December 31, 2011 ("Management's Assertion"). Disclosure controls and procedures mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by an issuer in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. The Corporation's management is responsible for maintaining effective disclosure controls and procedures and for Management's Assertion of the effectiveness of its disclosure controls and procedures. Our responsibility is to express an opinion on Management's Assertion based on our examination.

There are inherent limitations to disclosure controls and procedures. Because of these inherent limitations, effective disclosure controls and procedures can only provide reasonable assurance of achieving the intended objectives. Disclosure controls and procedures may not prevent, or detect and correct, material misstatements, and they may not identify all information relating to the Corporation to be accumulated and communicated to the Corporation's management to allow timely decisions regarding required disclosures. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We conducted our examination in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective disclosure controls and procedures were maintained in all material respects. Our examination included obtaining an understanding of the Corporation's disclosure controls and procedures and testing and evaluating the design and operating effectiveness of the Corporation's disclosure controls and procedures based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination was not conducted for the purpose of expressing an opinion, and accordingly we express no opinion, on the accuracy or completeness of the Corporation's disclosures in its reports, or whether such disclosures comply with the rules and regulations adopted by the Securities and Exchange Commission.

In our opinion, Management's Assertion that the Corporation's disclosure controls and procedures were effective as of December 31, 2011 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 23, 2012

Executive Management Team and Board of Directors

Bank of America Corporation

Executive Management Team

Brian T. Moynihan*
Chief Executive Officer

Catherine P. Bessant
Global Technology and
Operations Executive

David C. Darnell*
Co-Chief Operating Officer

Anne M. Finucane
Global Strategy and
Marketing Officer

Christine P. Katziff
Corporate General Auditor

Terrence P. Laughlin*
Chief Risk Officer

Gary G. Lynch*
Global Chief of Legal,
Compliance and
Regulatory Relations

Thomas K. Montag*
Co-Chief Operating Officer

Charles H. Noski
Vice Chairman

Edward P. O'Keefe*
General Counsel

Andrea B. Smith
Global Head of Human Resources

Ron D. Sturzenegger
Legacy Asset Servicing Executive

Bruce R. Thompson*
Chief Financial Officer

Board of Directors

Charles O. Holliday, Jr.
Former Chairman and
Chief Executive Officer
DuPont de Nemours and
Company

Mukesh D. Ambani
Chairman and Managing Director
Reliance Industries Ltd.

Susan S. Bies
Former Member
Board of Governors of the
Federal Reserve System

Frank P. Bramble, Sr.
Former Executive Officer
MBNA Corporation

Virgis W. Colbert
Senior Advisor
MillerCoors Company

Charles K. Gifford
Former Chairman
Bank of America Corporation

D. Paul Jones, Jr.**
Former Chairman,
Chief Executive Officer
and President
Compass Bancshares, Inc.

Monica C. Lozano
Chief Executive Officer
ImpreMedia, LLC

Thomas J. May
Chairman, President and
Chief Executive Officer
NSTAR

Brian T. Moynihan
Chief Executive Officer
Bank of America Corporation

Donald E. Powell
Former Chairman
Federal Deposit Insurance
Corporation

Charles O. Rossotti
Senior Advisor
The Carlyle Group

Robert W. Scully
Former Member
Office of the Chairman
Morgan Stanley

*Executive Officer
**Not standing for reelection at the 2012 Annual Meeting

Corporate Information
Bank of America Corporation

Headquarters
The principal executive offices of Bank of America Corporation (the Corporation) are located in the Bank of America Corporate Center, 100 North Tryon Street, Charlotte, NC 28255.

2012 Annual Meeting
The Corporation's 2012 annual meeting of shareholders will be held at 10 a.m. local time on May 9, 2012, in the auditorium of 1 Bank of America Center, 150 North College Street, Charlotte, N.C.

Stock Listing
The Corporation's common stock is listed on the New York Stock Exchange (NYSE) under the symbol BAC. The Corporation's common stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The stock is typically listed as BankAm in newspapers. As of February 17, 2012, there were 237,902 registered holders of the Corporation's common stock.

Investor Relations
Analysts, portfolio managers and other investors seeking additional information about Bank of America stock should contact our Equity Investor Relations group at 1.704.386.5681 or i_r@bankofamerica.com. For additional information about Bank of America from a credit perspective, including debt and preferred securities, contact our Fixed Income Investor Relations group at 1.866.607.1234 or fixedincomeir@bankofamerica.com. Visit the Investor Relations area of the Bank of America website, http://investor.bankofamerica.com, for stock and dividend information, financial news releases, links to Bank of America SEC filings, electronic versions of our annual reports and other items of interest to the Corporation's shareholders.

Customers
For assistance with Bank of America products and services, call 1.800.432.1000, or visit the Bank of America website at www.bankofamerica.com. Additional toll-free numbers for specific products and services are listed on our website at www.bankofamerica.com/contact.

News Media
News media seeking information should visit our online newsroom at www.bankofamerica.com/newsroom for news releases, speeches and other items relating to the Corporation, including a complete list of the Corporation's media relations specialists grouped by business specialty or geography.

Annual Report on Form 10-K
The Corporation's 2011 Annual Report on Form 10-K is available at http://investor.bankofamerica.com. The Corporation also will provide a copy of the 2011 Annual Report on Form 10-K (without exhibits) upon written request addressed to:

Bank of America Corporation
Shareholder Relations Department
NC1-027-20-05
Hearst Tower, 214 North Tryon Street
Charlotte, NC 28255

Shareholder Inquiries
For inquiries concerning dividend checks, electronic deposit of dividends, dividend reinvestment, tax statements, electronic delivery, transferring ownership, address changes or lost or stolen stock certificates, contact Bank of America Shareholder Services at Computershare Trust Company, N.A. via Internet access at www.computershare.com/bac; call 1.800.642.9855; or write to P.O. Box 43078, Providence, RI 02940-3078. For general inquiries regarding your shareholder account, contact Shareholder Relations at 1.800.521.3984. Shareholders outside of the United States and Canada may call 1.781.575.2621.

Electronic Delivery
As part of our commitment to the environment, Bank of America continues to focus on reducing paper consumption. In 2011, Bank of America delivered more than 368 million digital correspondences through Online Banking and other channels, preventing 24,312 metric tons of carbon dioxide emissions. Our deposit image ATMs also eliminated approximately 3.3 million pounds of envelopes, preventing an additional 4,280 metric tons of emissions. Customers can sign up to receive online statements through their Bank of America or Merrill Lynch account website. In 2012, we adopted the SEC's Notice and Access rule, which allows certain issuers to inform shareholders of the electronic availability of Proxy materials, including the Annual Report, which significantly reduced the number of printed copies we produce and mail to shareholders. Shareholders still receiving printed copies can join our efforts by electing to receive an electronic copy of the Annual Report and Proxy materials. If you have an account maintained in your name at Computershare Investor Services, you may sign up for this service at www.computershare.com/bac. If your shares are held by a broker, bank or other nominee you may elect to receive an electronic copy of the Annual Report and Proxy materials online at www.proxyvote.com, or contact your broker.

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Bank of America

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