



# **FORM 10-Q**

**BANK OF AMERICA CORP /DE/ - BAC**

**Filed: November 06, 2008 (period: September 30, 2008)**

Quarterly report which provides a continuing view of a company's financial position

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended September 30, 2008

or

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

For the transition period from        to

**Commission file number:**

1-6523

**Exact Name of Registrant as Specified in its Charter:**

Bank of America Corporation

**State or Other Jurisdiction of Incorporation or Organization:**

Delaware

**IRS Employer Identification Number:**

56-0906609

**Address of Principal Executive Offices:**

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

**Registrant's telephone number, including area code:**

(704) 386-5681

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

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

Yes     No

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

Large accelerated filer   

Accelerated filer

Non-accelerated filer  
(do not check if a smaller  
reporting company)

Smaller reporting company

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

Yes        No   

On October 31, 2008, there were 5,017,579,321 shares of Bank of America Corporation Common Stock outstanding.

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**Bank of America Corporation**

**September 30, 2008 Form 10-Q**

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**Part 1. Financial Information**

**Item 1. Financial Statements**

**Bank of America Corporation and Subsidiaries  
Consolidated Statement of Income**

(Dollars in millions, except per share information)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Interest income</b>				
Interest and fees on loans and leases	\$ 14,261	\$ 14,111	\$ 41,797	\$ 40,318
Interest on debt securities	3,621	2,334	9,295	7,046
Federal funds sold and securities purchased under agreements to resell	912	1,839	2,920	5,974
Trading account assets	2,344	2,519	6,937	7,059
Other interest income	1,058	1,230	3,133	3,428
<b>Total interest income</b>	<b>22,196</b>	<b>22,033</b>	<b>64,082</b>	<b>63,825</b>
<b>Interest expense</b>				
Deposits	3,846	4,545	11,954	12,840
Short-term borrowings	3,223	5,519	10,452	16,369
Trading account liabilities	661	906	2,250	2,619
Long-term debt	2,824	2,446	7,172	6,721
<b>Total interest expense</b>	<b>10,554</b>	<b>13,416</b>	<b>31,828</b>	<b>38,549</b>
<b>Net interest income</b>	<b>11,642</b>	<b>8,617</b>	<b>32,254</b>	<b>25,276</b>
<b>Noninterest income</b>				
Card income	3,122	3,595	10,212	10,486
Service charges	2,722	2,221	7,757	6,493
Investment and brokerage services	1,238	1,378	3,900	3,720
Investment banking income	474	389	1,645	1,801
Equity investment income (loss)	(316)	904	1,330	3,747
Trading account profits (losses)	(384)	(1,388)	(1,810)	491
Mortgage banking income	1,674	155	2,564	516
Insurance premiums	678	235	1,092	548
Gains on sales of debt securities	10	7	362	71
Other income (loss)	(1,239)	(16)	(2,204)	880
<b>Total noninterest income</b>	<b>7,979</b>	<b>7,480</b>	<b>24,848</b>	<b>28,753</b>
<b>Total revenue, net of interest expense</b>	<b>19,621</b>	<b>16,097</b>	<b>57,102</b>	<b>54,029</b>
<b>Provision for credit losses</b>	<b>6,450</b>	<b>2,030</b>	<b>18,290</b>	<b>5,075</b>
<b>Noninterest expense</b>				
Personnel	5,198	4,169	14,344	13,931
Occupancy	926	754	2,623	2,211
Equipment	440	336	1,208	1,018
Marketing	605	552	1,813	1,644
Professional fees	424	258	1,071	770
Amortization of intangibles	464	429	1,357	1,209
Data processing	755	463	1,905	1,372
Telecommunications	288	255	814	750
Other general operating	2,313	1,411	4,818	3,940
Merger and restructuring charges	247	84	629	270
<b>Total noninterest expense</b>	<b>11,660</b>	<b>8,711</b>	<b>30,582</b>	<b>27,115</b>
<b>Income before income taxes</b>	<b>1,511</b>	<b>5,356</b>	<b>8,230</b>	<b>21,839</b>
<b>Income tax expense</b>	<b>334</b>	<b>1,658</b>	<b>2,433</b>	<b>7,125</b>
<b>Net income</b>	<b>\$ 1,177</b>	<b>\$ 3,698</b>	<b>\$ 5,797</b>	<b>\$ 14,714</b>
<b>Preferred stock dividends</b>	<b>473</b>	<b>43</b>	<b>849</b>	<b>129</b>
<b>Net income available to common shareholders</b>	<b>\$ 704</b>	<b>\$ 3,655</b>	<b>\$ 4,948</b>	<b>\$ 14,585</b>
<b>Per common share information</b>				
Earnings	\$ 0.15	\$ 0.83	\$ 1.11	\$ 3.30
Diluted earnings	0.15	0.82	1.10	3.25
Dividends paid	0.64	0.64	1.92	1.76
<b>Average common shares issued and outstanding (in thousands)</b>	<b>4,543,963</b>	<b>4,420,616</b>	<b>4,469,517</b>	<b>4,424,269</b>
<b>Average diluted common shares issued and outstanding (in thousands)</b>	<b>4,563,508</b>	<b>4,475,917</b>	<b>4,493,506</b>	<b>4,483,465</b>

See accompanying Notes to Consolidated Financial Statements.

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<b>Bank of America Corporation and Subsidiaries</b>		
<b>Consolidated Balance Sheet</b>		
(Dollars in millions)	September 30 2008	December 31 2007
<b>Assets</b>		
Cash and cash equivalents	\$ 39,341	\$ 42,531
Time deposits placed and other short-term investments	11,709	11,773
Federal funds sold and securities purchased under agreements to resell (includes \$2,636 and \$2,578 measured at fair value, and \$86,722 and \$128,887 pledged as collateral)	87,038	129,552
Trading account assets (includes \$134,775 and \$88,745 pledged as collateral)	174,859	162,064
Derivative assets	45,792	34,662
Debt securities:		
Available-for-sale (includes \$120,113 and \$107,440 pledged as collateral)	257,427	213,330
Held-to-maturity, at cost (fair value - \$1,250 and \$726)	1,250	726
Total debt securities	258,677	214,056
Loans and leases (includes \$5,383 and \$4,590 measured at fair value and \$167,728 and \$115,285 pledged as collateral)	942,676	876,344
Allowance for loan and lease losses	(20,346)	(11,588)
Loans and leases, net of allowance	922,330	864,756
Premises and equipment, net	13,000	11,240
Mortgage servicing rights (includes \$20,811 and \$3,053 measured at fair value)	21,131	3,347
Goodwill	81,756	77,530
Intangible assets	9,167	10,296
Loans held-for-sale (includes \$15,610 and \$15,765 measured at fair value)	27,414	34,424
Other assets (includes \$26,499 and \$25,323 measured at fair value)	138,963	119,515
<b>Total assets</b>	<b>\$ 1,831,177</b>	<b>\$ 1,715,746</b>
<b>Liabilities</b>		
Deposits in domestic offices:		
Noninterest-bearing	\$ 201,025	\$ 188,466
Interest-bearing (includes \$1,737 and \$2,000 measured at fair value)	577,503	501,882
Deposits in foreign offices:		
Noninterest-bearing	3,524	3,761
Interest-bearing	91,999	111,068
Total deposits	874,051	805,177
Federal funds purchased and securities sold under agreements to repurchase	225,729	221,435
Trading account liabilities	68,229	77,342
Derivative liabilities	26,466	22,423
Commercial paper and other short-term borrowings	145,812	191,089
Accrued expenses and other liabilities (includes \$1,854 and \$660 measured at fair value and \$427 and \$518 of reserve for unfunded lending commitments)	72,141	53,969
Long-term debt	257,710	197,508
<b>Total liabilities</b>	<b>1,670,138</b>	<b>1,568,943</b>
Commitments and contingencies (Note 9 – Variable Interest Entities and Note 12 – Commitments and Contingencies)		
<b>Shareholders' equity</b>		
Preferred stock, \$0.01 par value; authorized – 100,000,000 shares; issued and outstanding – 7,602,067 shares	24,151	4,409
Common stock and additional paid-in capital, \$0.01 par value; authorized – 7,500,000,000 shares; issued and outstanding – 4,562,054,554 and 4,437,885,419 shares	65,361	60,328
Retained earnings	77,695	81,393
Accumulated other comprehensive income (loss)	(5,647)	1,129
Other	(521)	(456)
<b>Total shareholders' equity</b>	<b>161,039</b>	<b>146,803</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,831,177</b>	<b>\$ 1,715,746</b>

See accompanying Notes to Consolidated Financial Statements.

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Bank of America Corporation and Subsidiaries								
Consolidated Statement of Changes in Shareholders' Equity								
(Dollars in millions, shares in thousands)	Preferred Stock	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss) (1)	Other	Total Shareholders' Equity	Comprehensive Income
		Shares	Amount					
<b>Balance, December 31, 2006</b>	\$ 2,851	4,458,151	\$ 61,574	\$ 79,024	\$ (7,711)	\$ (466)	\$ 135,272	
Cumulative adjustment for accounting changes (2):								
Leveraged leases				(1,381)			(1,381)	
Fair value option and measurement				(208)			(208)	
Income tax uncertainties				(146)			(146)	
Net income				14,714			14,714	\$ 14,714
Net changes in available-for-sale debt and marketable equity securities					(1,130)		(1,130)	(1,130)
Net changes in foreign currency translation adjustments					156		156	156
Net changes in derivatives					(22)		(22)	(22)
Employee benefit plan adjustments					92		92	92
Cash dividends paid:								
Common				(7,847)			(7,847)	
Preferred				(129)			(129)	
Issuance of preferred stock	550						550	
Common stock issued under employee plans and related tax benefits		49,734	2,366			(113)	2,253	
Common stock repurchased		(71,030)	(3,664)				(3,664)	
<b>Balance, September 30, 2007</b>	\$ 3,401	4,436,855	\$ 60,276	\$ 84,027	\$ (8,615)	\$ (579)	\$ 138,510	\$ 13,810
<b>Balance, December 31, 2007</b>	\$ 4,409	4,437,885	\$ 60,328	\$ 81,393	\$ 1,129	\$ (456)	\$ 146,803	
Net income				5,797			5,797	\$ 5,797
Net changes in available-for-sale debt and marketable equity securities					(7,054)		(7,054)	(7,054)
Net changes in foreign currency translation adjustments					(242)		(242)	(242)
Net changes in derivatives					485		485	485
Employee benefit plan adjustments					35		35	35
Cash dividends paid:								
Common				(8,646)			(8,646)	
Preferred				(849)			(849)	
Issuance of preferred stock	19,742						19,742	
Stock issued in acquisition (3)		106,776	4,201				4,201	
Common stock issued under employee plans and related tax benefits		17,394	832			(65)	767	
<b>Balance, September 30, 2008</b>	\$ 24,151	4,562,055	\$ 65,361	\$ 77,695	\$ (5,647)	\$ (521)	\$ 161,039	\$ (979)

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

(2) Effective January 1, 2007, the Corporation adopted FSP 13-2, SFAS 157, SFAS 159 and FIN 48. For additional information on the adoption of these accounting pronouncements, see Note 1 – Summary of Significant Accounting Principles to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

(3) Includes adjustments for the fair value of certain Countrywide stock-based compensation awards of 507 thousand shares and \$86 million.

See accompanying Notes to Consolidated Financial Statements.

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**Bank of America Corporation and Subsidiaries**

**Consolidated Statement of Cash Flows**

(Dollars in millions)	Nine Months Ended September 30	
	2008	2007
<b>Operating activities</b>		
Net income	\$ 5,797	\$ 14,714
Reconciliation of net income to net cash provided by (used in) operating activities:		
Provision for credit losses	18,290	5,075
Gains on sales of debt securities	(362)	(71)
Depreciation and premises improvements amortization	1,074	836
Amortization of intangibles	1,357	1,209
Deferred income tax benefit	(1,429)	(213)
Net increase in trading and derivative instruments	(13,615)	(14,252)
Net (increase) decrease in other assets	6,422	(19,157)
Net increase in accrued expenses and other liabilities	13,639	7,238
Other operating activities, net	103	3,429
Net cash provided by (used in) operating activities	31,276	(1,192)
<b>Investing activities</b>		
Net decrease in time deposits placed and other short-term investments	64	5,135
Net decrease in federal funds sold and securities purchased under agreements to resell	49,163	148
Proceeds from sales of available-for-sale debt securities	69,218	10,956
Proceeds from paydowns and maturities of available-for-sale debt securities	18,825	15,231
Purchases of available-for-sale debt securities	(109,219)	(7,217)
Proceeds from maturities of held-to-maturity debt securities	176	547
Purchases of held-to-maturity debt securities	(840)	(116)
Proceeds from sales of loans and leases	42,209	45,058
Other changes in loans and leases, net	(62,464)	(138,371)
Net purchases of premises and equipment	(1,526)	(1,318)
Proceeds from sales of foreclosed properties	506	60
(Acquisition) divestiture of business activities, net	6,650	(3,694)
Other investing activities, net	(214)	2,078
Net cash provided by (used in) investing activities	12,548	(71,503)
<b>Financing activities</b>		
Net increase in deposits	5,884	2,318
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(15,398)	(18,809)
Net increase (decrease) in commercial paper and other short-term borrowings	(45,277)	59,928
Proceeds from issuance of long-term debt	24,038	60,580
Retirement of long-term debt	(26,559)	(23,018)
Proceeds from issuance of preferred stock	19,742	550
Proceeds from issuance of common stock	229	1,022
Common stock repurchased	-	(3,664)
Cash dividends paid	(9,495)	(7,976)
Excess tax benefits of share-based payments	34	233
Other financing activities, net	(85)	(52)
Net cash provided by (used in) financing activities	(46,887)	71,112
Effect of exchange rate changes on cash and cash equivalents	(127)	110
Net decrease in cash and cash equivalents	(3,190)	(1,473)
Cash and cash equivalents at January 1	42,531	36,429
<b>Cash and cash equivalents at September 30</b>	<b>\$ 39,341</b>	<b>\$ 34,956</b>

During the nine months ended September 30, 2008, the Corporation reclassified \$12.6 billion of AFS debt securities to trading account assets in connection with the Countrywide acquisition.

The Corporation securitized \$23.4 billion of residential mortgage loans into mortgage-backed securities and \$4.9 billion of automobile loans into asset-backed securities which were retained by the Corporation during the nine months ended September 30, 2008.

The fair values of noncash assets acquired and liabilities assumed in the Countrywide acquisition were \$157.6 billion and \$158.0 billion.

Approximately 107 million shares of common stock, valued at approximately \$4.2 billion were issued in connection with the Countrywide acquisition.

During the nine months ended September 30, 2007, the Corporation sold its operations in Chile and Uruguay for approximately \$750 million in equity in Banco Itaú Holding Financeira S.A., and its assets in BankBoston Argentina for the assumption of its liabilities. The total assets and liabilities in these divestitures were \$6.1 billion and \$5.6 billion.

On January 1, 2007, the Corporation transferred \$3.7 billion of AFS debt securities to trading account assets following the adoption of SFAS 159.

See accompanying Notes to Consolidated Financial Statements.



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### **Bank of America Corporation and Subsidiaries**

#### **Notes to Consolidated Financial Statements**

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On July 1, 2008, Bank of America Corporation and its subsidiaries (the Corporation) acquired Countrywide Financial Corporation (Countrywide) through its merger with a subsidiary of the Corporation in exchange for stock with a value of \$4.2 billion. For more information related to our Countrywide acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements. On October 1, 2007, the Corporation acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for \$21.0 billion in cash. On July 1, 2007, the Corporation acquired all the outstanding shares of U.S. Trust Corporation for \$3.3 billion in cash. These mergers were accounted for under the purchase method of accounting. Consequently, Countrywide's, LaSalle's and U.S. Trust Corporation's results of operations were included in the Corporation's results from their dates of acquisition.

The Corporation, through its banking and nonbanking subsidiaries, provides a diverse range of financial services and products throughout the U.S. and in selected international markets. At September 30, 2008, the Corporation operated its banking activities primarily under four charters: Bank of America, National Association (Bank of America, N.A.), FIA Card Services, N.A., LaSalle Bank, N.A. and Countrywide Bank, FSB. Effective October 17, 2008, LaSalle Bank, N.A. merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

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### **NOTE 1 – Summary of Significant Accounting Principles**

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#### ***Principles of Consolidation and Basis of Presentation***

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

The information contained in the Consolidated Financial Statements is unaudited. In the opinion of management, normal recurring adjustments necessary for a fair statement of the interim period results have been made.

Certain prior period amounts have been reclassified to conform to current period presentation.

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#### ***Recently Proposed and Issued Accounting Pronouncements***

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On October 10, 2008 the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" (FSP 157-3). FSP 157-3 clarifies how Statement of Financial Accounting Standards (SFAS) No. 157 "Fair Value Measurements" (SFAS 157) should be applied when valuing securities in markets that are not active. The adoption of FSP 157-3, effective September 30, 2008, did not impact the Corporation's financial condition and results of operations.

On September 15, 2008 the FASB released exposure drafts which would amend SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125" (SFAS 140), and FASB Interpretation (FIN) No. 46 (revised December 2003) "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51" (FIN 46R). As written, the proposed amendments would, among other things, eliminate the concept of a qualifying special purpose entity (QSPE) and change the standards for consolidation of variable interest entities (VIEs). The changes would be effective for both existing and newly-created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not

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currently recorded on the Consolidated Balance Sheet of the Corporation. However, the impact on the Corporation cannot be determined with any degree of certainty until the FASB issues the final amendments to SFAS 140 and FIN 46R.

On September 12, 2008, the FASB issued FSP No. 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161" (FSP 133-1). FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 are effective for the Corporation's financial statements for the year ending December 31, 2008 and earlier adoption is not permitted. The adoption of FSP 133-1 will not impact the Corporation's financial condition and results of operations.

On June 16, 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" (FSP 03-6-1). FSP 03-6-1 defines unvested share-based payment awards that contain nonforfeitable rights to dividends as participating securities that should be included in computing earnings per share (EPS) using the two-class method under SFAS No. 128, "Earnings per Share." FSP 03-6-1 is effective for the Corporation's financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. Additionally, all prior-period EPS data shall be adjusted retrospectively. The adoption of FSP 03-6-1 is not expected to have a material impact on the Corporation's financial condition and results of operations.

On March 19, 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS 161) which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation's financial position, financial performance and cash flows. SFAS 161 is effective for the Corporation's financial statements for the year beginning on January 1, 2009. The adoption of SFAS 161 will not impact the Corporation's financial condition and results of operations.

On February 20, 2008, the FASB issued FSP No. FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. FSP 140-3 is effective for the Corporation's financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. The adoption of FSP 140-3 will not have a material impact on the Corporation's financial condition and results of operations.

On December 4, 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS 141R). SFAS 141R modifies the accounting for business combinations and requires, with limited exceptions, the acquirer in a business combination to recognize 100 percent of the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition-date fair value. In addition, SFAS 141R requires the expensing of acquisition-related transaction and restructuring costs, and certain contingent assets and liabilities acquired, as well as contingent consideration, to be recognized at fair value. SFAS 141R also modifies the accounting for certain acquired income tax assets and liabilities. SFAS 141R is effective for new acquisitions consummated on or after January 1, 2009 and earlier adoption is not permitted.

On December 4, 2007, the FASB also issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160). SFAS 160 requires all entities to report noncontrolling (i.e., minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. SFAS 160 also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for the Corporation's financial statements for the year beginning on January 1, 2009 and earlier adoption is not permitted. Management is currently evaluating the impact of the adoption of SFAS 160 on the Corporation's financial condition. The adoption of SFAS 160 will not have any impact on the Corporation's results of operations.

On January 1, 2008, the Corporation adopted the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 109, "Written Loan Commitments Recorded at Fair Value Through Earnings" (SAB 109) for loan commitments measured at fair value through earnings which were issued or modified since adoption on a prospective basis. SAB 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 generally has resulted in higher fair values being recorded upon initial recognition of derivative interest rate lock commitments.

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On January 1, 2008, the Corporation adopted Emerging Issues Task Force (EITF) consensus on Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11) effective January 1, 2008. EITF 06-11 requires on a prospective basis that the tax benefit related to dividend equivalents paid on restricted stock and restricted stock units which are expected to vest be recorded as an increase to additional paid-in capital. The adoption of EITF 06-11 did not have a material impact on the Corporation's financial condition and results of operations.

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## **NOTE 2 – Merger and Restructuring Activity**

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### ***Merrill Lynch***

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In September 2008, the Corporation announced an agreement to acquire Merrill Lynch & Co., Inc. (Merrill Lynch) in an all-stock transaction. The transaction has been approved by the board of directors of each company. Merrill Lynch common shareholders would receive 0.8595 of a share of Bank of America Corporation common stock in exchange for one share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders would receive Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock will remain outstanding and will thereafter be convertible into Bank of America common stock at an equivalent exchange ratio. The acquisition would add Merrill Lynch's more than 16,000 financial advisors and its interest in BlackRock, Inc., a publicly traded investment management company. In addition, the acquisition is expected to increase the Corporation's underwriting capabilities for debt and equity offerings, as well as its ability to advise on global mergers and acquisitions. The completion of this transaction is subject to closing conditions, and shareholder and regulatory approvals, and is expected to close on or around December 31, 2008.

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### ***Countrywide***

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

As provided by the merger agreement, 583 million shares of Countrywide common stock were exchanged for 107 million shares of the Corporation's common stock. This represents approximately two percent of the Corporation's outstanding common stock at the date of acquisition. Countrywide shareholders also received cash of \$346 thousand in place of any fractional shares of the Corporation's common stock that would have otherwise been issued on July 1, 2008. The \$2.0 billion of Countrywide's Series B convertible preferred shares that were previously held by the Corporation were cancelled.

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The merger is being accounted for as a purchase in accordance with SFAS 141. Accordingly, the purchase price was preliminarily allocated to the acquired assets and liabilities based on their estimated fair values at the merger date as summarized below. The final allocation of the purchase price will be finalized upon completing the analysis of the fair values of Countrywide's assets and liabilities.

### Countrywide Preliminary Purchase Price Allocation

(Dollars in billions)	
<b>Purchase price</b> <sup>(1)</sup>	<b>\$ 4.2</b>
<b>Preliminary allocation of the purchase price</b>	
Countrywide stockholders' equity <sup>(2)</sup>	8.4
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Loans <sup>(3)</sup>	(9.3)
Investments in other financial instruments	(0.3)
Mortgage servicing rights	(1.5)
Other assets	(0.7)
Deposits	(0.2)
Notes payable and other liabilities	(1.0)
Pre-tax total adjustments	(13.0)
Deferred income taxes	4.7
After-tax total adjustments	(8.3)
Fair value of net assets acquired	0.1
<b>Preliminary goodwill resulting from the Countrywide merger</b> <sup>(4)</sup>	<b>\$ 4.1</b>

(1) The value of the shares of common stock exchanged with Countrywide shareholders was based upon the average of the closing prices of the Corporation's common stock for the period commencing two trading days before, and ending two trading days after January 11, 2008, the date of the Countrywide merger agreement.

(2) Represents the remaining Countrywide shareholders' equity as of the acquisition date after the cancellation of the \$2.0 billion of Series B convertible preferred shares owned by the Corporation, as part of the merger.

(3) Represents the loan portfolio credit adjustment of \$14.3 billion less the allowance for loan and lease losses of \$5.0 billion at the acquisition date and other miscellaneous adjustments.

(4) No goodwill is expected to be deductible for federal income tax purposes. All the goodwill was allocated to *Global Consumer and Small Business Banking*.

### LaSalle

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

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The LaSalle acquisition was accounted for under the purchase method of accounting in accordance with SFAS 141. The purchase price has been allocated to the assets acquired and the liabilities assumed based on their fair values at the LaSalle acquisition date as summarized in the following table.

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### LaSalle Purchase Price Allocation

(Dollars in billions)

<b>Purchase price</b>	<b>\$ 21.0</b>
<b>Allocation of the purchase price</b>	
LaSalle stockholders' equity	12.5
LaSalle goodwill and other intangible assets	(2.7)
Adjustments to reflect assets acquired and liabilities assumed at fair value:	
Loans and leases	(0.1)
Premises and equipment	(0.2)
Identified intangibles	1.0
Other assets	(0.3)
Exit and termination liabilities	(0.4)
Fair value of net assets acquired	9.8
<b>Goodwill resulting from the LaSalle merger</b> <sup>(2)</sup>	<b>\$ 11.2</b>

(1) Includes core deposit intangibles of \$0.7 billion, and other intangibles of \$0.3 billion. The amortization life for core deposit intangibles and other intangibles is 10 years. These intangibles are amortized on an accelerated basis.

(2) No goodwill is deductible for federal income tax purposes. The goodwill has been allocated across all of the Corporation's business segments.

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### U.S. Trust

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

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### MBNA

On January 1, 2006, the Corporation acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA) and as a result, 1,260 million shares of MBNA common stock were exchanged for 631 million shares of the Corporation's common stock. MBNA shareholders also received cash of \$5.2 billion. MBNA's results of operations were included in the Corporation's results beginning January 1, 2006.

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**Merger and Restructuring Charges**

Merger and restructuring charges are recorded in the Consolidated Statement of Income and include incremental costs to integrate the operations of the Corporation and those of acquired entities. These charges represent costs associated with these one-time activities and do not represent ongoing costs of the fully integrated combined organization. The following table presents severance and employee-related charges, systems integrations and related charges, and other merger-related charges for the three and nine months ended September 30, 2008 and 2007.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Severance and employee-related charges	\$ 15	\$ 21	\$ 90	\$ 39
Systems integrations and related charges	186	47	431	183
Other	46	16	108	48
<b>Total merger and restructuring charges <sup>(1)</sup></b>	<b>\$ 247</b>	<b>\$ 84</b>	<b>\$ 629</b>	<b>\$ 270</b>

(1) Included for the three and nine months ended September 30, 2008, are merger-related charges of \$72 million for both periods related to the Countrywide merger, \$159 million and \$462 million related to the LaSalle merger and \$16 million and \$95 million related to the U.S. Trust Corporation merger.

**Merger-related Exit Cost and Restructuring Reserves**

The following table presents the changes in exit cost and restructuring reserves for the three and nine months ended September 30, 2008 and 2007.

(Dollars in millions)	Exit Cost Reserves <sup>(1)</sup>		Restructuring Reserves <sup>(2)</sup>	
	2008	2007	2008	2007
<b>Balance, January 1</b>	\$ 377	\$ 125	\$ 108	\$ 67
Exit cost and restructuring charges:				
LaSalle	87	-	46	-
U.S. Trust Corporation	-	-	26	-
MBNA	(2)	-	-	16
Cash payments	(112)	(45)	(67)	(47)
<b>Balance, June 30</b>	<b>350</b>	<b>80</b>	<b>113</b>	<b>36</b>
Exit cost and restructuring charges:				
Countrywide	588	-	32	-
LaSalle	(56)	-	(22)	-
U.S. Trust Corporation	-	35	5	19
MBNA	(4)	-	(3)	2
Cash payments	(203)	(12)	(50)	(7)
<b>Balance, September 30</b>	<b>\$ 675</b>	<b>\$ 103</b>	<b>\$ 75</b>	<b>\$ 50</b>

(1) Exit cost reserves were established in purchase accounting resulting in an increase in goodwill.

(2) Restructuring reserves were established by a charge to merger and restructuring charges.

As of December 31, 2007, there were \$377 million of exit cost reserves related to the MBNA, U.S. Trust Corporation and LaSalle mergers, including \$187 million for severance, relocation and other employee-related costs and \$190 million for contract terminations. During the three months ended September 30, 2008, \$528 million was added to the exit cost reserves primarily related to the Countrywide acquisition, including \$453 million for severance, relocation and other employee-related costs and \$75 million for contract terminations. The \$528 million included \$56 million in exit cost reserve adjustments related to the LaSalle acquisition primarily due to lower than expected lease terminations with the offset being recorded as a reduction to goodwill. Cash payments of \$203 million during the three months ended September 30, 2008 consisted of \$160 million in severance, relocation and other employee-related costs and \$43 million for contract

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terminations. During the nine months ended September 30, 2008, a net amount of \$613 million was added to the exit cost reserves related to the Countrywide, LaSalle and MBNA mergers, including \$538 million for severance, relocation and other employee-related costs and \$75 million for contract terminations. Cash payments of \$315 million during the nine months ended September 30, 2008 consisted of \$260 million in severance, relocation and other employee-related costs and \$55 million for contract terminations. As of September 30, 2008, exit cost reserves of \$675 million included \$465 million for Countrywide and \$194 million for LaSalle.

As of December 31, 2007, there were \$108 million of restructuring reserves related to the MBNA, U.S. Trust Corporation and LaSalle mergers, including \$104 million related to severance and other employee-related costs and \$4 million related to contract terminations. During the three and nine months ended September 30, 2008, \$12 million and \$84 million were added to the restructuring reserves, related to severance and other employee-related costs. Cash payments of \$50 million during the three months ended September 30, 2008 were all related to severance and other employee-related costs. Cash payments of \$117 million during the nine months ended September 30, 2008 consisted of \$115 million in severance and other employee-related costs and \$2 million in contract terminations.

Payments under exit cost and restructuring reserves associated with the MBNA merger were substantially completed in 2007 while payments associated with the U.S. Trust Corporation, LaSalle and Countrywide mergers will continue into 2009.

## NOTE 3 – Trading Account Assets and Liabilities

The following table presents the fair values of the components of trading account assets and liabilities at September 30, 2008 and December 31, 2007.

(Dollars in millions)	September 30 2008	December 31 2007
<b>Trading account assets</b>		
U.S. Government and agency securities <sup>(1)</sup>	\$ 87,778	\$ 48,240
Corporate securities, trading loans, and other	47,542	55,360
Foreign sovereign debt	14,610	17,161
Equity securities	14,352	22,910
Mortgage trading loans and asset-backed securities	10,577	18,393
<b>Total trading account assets</b>	<b>\$ 174,859</b>	<b>\$ 162,064</b>
<b>Trading account liabilities</b>		
U.S. Government and agency securities	\$ 37,366	\$ 35,375
Equity securities	17,842	25,926
Foreign sovereign debt	7,373	9,292
Corporate securities and other	5,648	6,749
<b>Total trading account liabilities</b>	<b>\$ 68,229</b>	<b>\$ 77,342</b>

(1) Includes \$56.2 billion and \$21.5 billion at September 30, 2008 and December 31, 2007 of government-sponsored enterprise obligations.

## NOTE 4 – Derivatives

All derivatives are recognized 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 or quoted prices for instruments with similar characteristics. These fair values are further adjusted to take into account the Corporation's and counterparties' credit risk. The Corporation designates at inception whether the derivative contract is considered hedging or non-hedging for SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) accounting purposes. Derivatives held for trading purposes are included in derivative assets or derivative liabilities with

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changes in fair value reflected in trading account profits (losses). Other derivatives that are used as economic hedges, but not designated in a hedging relationship for accounting purposes, are also included in derivative assets or derivative liabilities with changes in fair value recorded in mortgage banking income or other income (loss). A detailed discussion of derivative trading activities and asset and liability management (ALM) activities is presented in *Note 1 – Summary of Significant Accounting Principles* and *Note 4 – Derivatives* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

The following table presents the contract/notional amounts and credit risk amounts at September 30, 2008 and December 31, 2007 of all the Corporation's derivative positions. These derivative positions are primarily executed in the over-the-counter market. The credit risk amounts take into consideration the effects of legally enforceable master netting agreements, and on an aggregate basis have been reduced by the cash collateral applied against derivative assets. At September 30, 2008 and December 31, 2007, the cash collateral applied against derivative assets was \$18.1 billion and \$12.8 billion. In addition, at September 30, 2008 and December 31, 2007, the cash collateral applied against derivative liabilities was \$10.0 billion. The average fair value of derivative assets, less cash collateral, for the three months ended September 30, 2008 and December 31, 2007 was \$43.7 billion and \$33.9 billion. The average fair value of derivative liabilities, less cash collateral, for the three months ended September 30, 2008 and December 31, 2007 was \$22.1 billion and \$20.7 billion.

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Contract/ Notional (1)	Credit Risk	Contract/ Notional (1)	Credit Risk
<b>Interest rate contracts</b>				
Swaps	\$ 26,231,470	\$ 22,692	\$ 22,472,949	\$ 15,368
Futures and forwards	4,524,377	276	2,596,146	10
Written options	1,655,861	-	1,402,626	-
Purchased options	1,681,905	3,009	1,479,985	2,508
<b>Foreign exchange contracts</b>				
Swaps	442,839	5,070	505,878	7,350
Spot, futures and forwards	2,029,134	8,468	1,600,683	4,124
Written options	241,301	-	341,148	-
Purchased options	215,581	1,356	339,101	1,033
<b>Equity contracts</b>				
Swaps	30,865	2,250	56,300	2,026
Futures and forwards	20,900	318	12,174	10
Written options	257,855	-	166,736	-
Purchased options	282,074	8,175	195,240	6,337
<b>Commodity contracts</b>				
Swaps	5,019	974	13,627	770
Futures and forwards	11,756	64	14,391	12
Written options	22,455	-	14,206	-
Purchased options	19,335	390	13,093	372
<b>Credit derivatives</b>	<b>2,467,386</b>	<b>10,876</b>	<b>3,046,381</b>	<b>7,493</b>
Credit risk before cash collateral		63,918		47,413
Less: Cash collateral applied		18,126		12,751
<b>Total derivative assets</b>		<b>\$ 45,792</b>		<b>\$ 34,662</b>

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



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The Corporation executes the majority of its derivative positions in the over-the-counter market with large, international financial institutions, including broker/dealers and to a lesser degree with a variety of other investors. The Corporation is subject to counterparty credit risk in the event that these counterparties fail to perform under the terms of their contracts and records valuation adjustments against the derivative assets to reflect counterparty credit risk. Substantially all of the derivative transactions are executed on a daily margin basis. Therefore, events such as a credit downgrade (depending on the ultimate rating level) or a breach of credit covenants would typically require an increase in the amount of collateral required of the counterparty (where applicable), and/or allow the Corporation to take additional protective measures such as early termination of all trades. Further, as discussed above, the Corporation enters into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. During the three and nine months ended September 30, 2008, valuation adjustments of \$467 million and \$1.4 billion were recognized as trading account losses for counterparty credit risk. At September 30, 2008 the cumulative counterparty credit risk valuation adjustment that was netted against the derivative asset balance was \$2.0 billion.

In addition, the fair value of the Corporation's derivative liabilities is adjusted to reflect the impact of the Corporation's credit quality. During the three and nine months ended September 30, 2008, valuation adjustments of \$106 million and \$346 million were recognized as trading account profits for changes in the Corporation's credit risk. At September 30, 2008 the Corporation's cumulative credit risk valuation adjustment that was netted against the derivative liabilities balance was \$555 million.

## Fair Value, Cash Flow and Net Investment Hedges

The Corporation uses various types of interest rate and foreign exchange derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates (fair value hedges). The Corporation also uses these types of contracts to protect against changes in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). During the next 12 months, net losses on derivative instruments included in accumulated OCI of approximately \$1.5 billion (\$947 million after-tax) are expected to be reclassified into earnings. These net losses reclassified into earnings are expected to reduce net interest income related to the respective hedged items.

The following table summarizes certain information related to the Corporation's derivative hedges accounted for under SFAS 133 for the three and nine months ended September 30, 2008 and 2007.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Fair value hedges</b>				
Hedge ineffectiveness recognized in net interest income	\$ (10)	\$ 35	\$ (8)	\$ (1)
<b>Cash flow hedges</b>				
Hedge ineffectiveness recognized in net interest income	1	(8)	(7)	(1)
Net losses on transactions which are probable of not occurring recognized in other income	-	32	-	18

The Corporation hedges its net investment in consolidated foreign operations determined to have functional currencies other than the U.S. dollar using forward foreign exchange contracts that typically settle in 90 days as well as by issuing foreign denominated debt. The Corporation recorded a net derivative gain of \$1.4 billion in accumulated OCI associated with net investment hedges for both the three and nine months ended September 30, 2008 as compared to losses of \$266 million and \$568 million for the same periods in the prior year.

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**NOTE 5 – Securities**

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale (AFS) debt and marketable equity securities at September 30, 2008 and December 31, 2007 were:

(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available-for-sale debt securities, September 30, 2008</b>				
U.S. Treasury securities and agency debentures	\$ 906	\$ 10	\$ (5)	\$ 911
Mortgage-backed securities	221,390	129	(8,756)	212,763
Foreign securities	5,657	13	(112)	5,558
Corporate/Agency bonds <sup>(2)</sup>	3,790	2	(574)	3,218
Other taxable securities	26,469	9	(357)	26,121
Total taxable securities	258,212	163	(9,804)	248,571
Tax-exempt securities	9,896	1	(1,041)	8,856
<b>Total available-for-sale debt securities</b>	<b>\$ 268,108</b>	<b>\$ 164</b>	<b>\$ (10,845)</b>	<b>\$ 257,427</b>
<b>Available-for-sale marketable equity securities<sup>(3)</sup></b>	<b>\$ 9,469</b>	<b>\$ 10,733</b>	<b>\$ (903)</b>	<b>\$ 19,299</b>
<b>Available-for-sale debt securities, December 31, 2007</b>				
U.S. Treasury securities and agency debentures	\$ 749	\$ 10	-	\$ 759
Mortgage-backed securities	166,768	92	(3,144)	163,716
Foreign securities	6,568	290	(101)	6,757
Corporate/Agency bonds <sup>(2)</sup>	3,107	2	(76)	3,033
Other taxable securities	24,608	69	(84)	24,593
Total taxable securities	201,800	463	(3,405)	198,858
Tax-exempt securities	14,468	73	(69)	14,472
<b>Total available-for-sale debt securities</b>	<b>\$ 216,268</b>	<b>\$ 536</b>	<b>\$ (3,474)</b>	<b>\$ 213,330</b>
<b>Available-for-sale marketable equity securities<sup>(3)</sup></b>	<b>\$ 6,562</b>	<b>\$ 13,530</b>	<b>\$ (352)</b>	<b>\$ 19,740</b>

(1) Substantially all securities were issued by U.S. government-backed or government-sponsored enterprises.

(2) Includes asset-backed securities.

(3) Represents those AFS marketable equity securities that are recorded in other assets on the Consolidated Balance Sheet.

At September 30, 2008 and December 31, 2007, both the amortized cost and fair value of held-to-maturity debt securities was \$1.3 billion and \$726 million and the accumulated net unrealized gains (losses) on AFS debt and marketable equity securities included in accumulated OCI were \$(518) million and \$6.6 billion, net of the related income tax expense (benefit) of \$(333) million and \$3.7 billion.

The Corporation recognized \$1.6 billion and \$2.7 billion of other-than-temporary impairment losses on AFS debt, primarily CDO-related, and marketable equity securities during the three and nine months ended September 30, 2008. No such losses were recognized during the three and nine months ended September 30, 2007. At September 30, 2008 and December 31, 2007, the Corporation had nonperforming AFS debt securities of \$436 million and \$180 million.

The impairment of 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 cost; the historical and implied volatility of the security; the financial condition of the issuer of the security; and the Corporation's intent and ability to hold the security to recovery. Based on the Corporation's evaluation of the above and other relevant factors, the Corporation does not believe that the AFS debt and marketable equity securities that are in an unrealized loss position at September 30, 2008 are other-than-temporarily impaired.

The Corporation obtained certain securities as part of the Countrywide acquisition with evidence of deterioration and for which it was probable that all contractually required payments would not be collected. The securities' par value was approximately \$4.2 billion and fair value was approximately \$2.5 billion as of the merger date.

*Certain Corporate and Strategic Investments*

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At September 30, 2008 and December 31, 2007, the Corporation owned approximately 11 percent, or 25.1 billion common shares and eight percent, or 19.1 billion common shares, of China Construction Bank (CCB). On July 21, 2008, under the terms of the purchase option the Corporation increased its ownership by purchasing approximately \$1.9 billion of the common shares of CCB. These recently purchased shares are accounted for at cost, recorded in other assets and are non-transferable until August 2011. The initial investment of 19.1 billion common shares is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset to accumulated OCI. These shares became transferable in October 2008. At September 30, 2008 and December 31, 2007, the cost of the CCB investment was \$4.9 billion and \$3.0 billion and the carrying value was \$14.5 billion and \$16.4 billion. Dividend income on this investment is recorded in equity investment income. We also hold an option to increase our ownership interest in CCB to 19.1 percent. Additional shares received upon exercise of this option are restricted through August 2011. The strike price of the option is based on the greater of 1.2 times the book value per share for the most recent calendar year end or the IPO price that steps up on an annual basis and is currently at 107 percent of the IPO price. When based on the IPO price the strike price is capped at 118 percent.

Additionally, the Corporation owned approximately 171.3 million and 137.0 million of preferred shares, and 51.3 million and 41.1 million of common shares of Banco Itaú Holding Financeira S.A. (Banco Itaú) at September 30, 2008 and December 31, 2007. This investment in Banco Itaú is accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset to accumulated OCI. Prior to the second quarter of 2008, these shares were accounted for at cost. Dividend income on this investment is recorded in equity investment income. At September 30, 2008 and December 31, 2007, the cost of this investment was \$2.6 billion and the fair value was \$3.7 billion and \$4.6 billion.

At September 30, 2008 and December 31, 2007, the Corporation had a 24.9 percent, or \$2.9 billion and \$2.6 billion, investment in Grupo Financiero Santander, S.A., the subsidiary of Grupo Santander, S.A. This investment is recorded in other assets and is accounted for under the equity method of accounting with income being recorded in equity investment income.

For additional information on securities, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

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### NOTE 6 – Outstanding Loans and Leases

Outstanding loans and leases at September 30, 2008 and December 31, 2007 were:

(Dollars in millions)	September 30 2008	December 31 2007
<b>Consumer</b>		
Residential mortgage	\$ 256,989	\$ 274,949
Home equity <sup>(1)</sup>	151,938	114,820
Discontinued real estate	22,081	n/a
Credit card – domestic	63,012	65,774
Credit card – foreign <sup>(2)</sup>	18,338	14,950
Direct/Indirect consumer <sup>(3)</sup>	82,849	76,538
Other consumer	3,680	4,170
<b>Total consumer</b>	<b>598,887</b>	<b>551,201</b>
<b>Commercial</b>		
Commercial – domestic <sup>(4)</sup>	219,303	208,297
Commercial real estate <sup>(5)</sup>	63,736	61,298
Commercial lease financing	22,416	22,582
Commercial – foreign	32,951	28,376
Total commercial loans	338,406	320,553
Commercial loans measured at fair value <sup>(6)</sup>	5,383	4,590
<b>Total commercial</b>	<b>343,789</b>	<b>325,143</b>
<b>Total loans and leases</b>	<b>\$ 942,676</b>	<b>\$ 876,344</b>

(1) Includes \$20.1 billion of pay option loans and \$1.9 billion of subprime loans obtained as part of the acquisition of Countrywide. The Corporation no longer originates these products.

(2) Includes foreign consumer loans of \$2.4 billion and \$3.4 billion at September 30, 2008 and December 31, 2007.

(3) Includes consumer finance loans of \$2.7 billion and \$3.0 billion, and other foreign consumer loans of \$736 million and \$829 million at September 30, 2008 and December 31, 2007.

(4) Includes small business commercial – domestic loans, primarily card related, of \$19.4 billion and \$19.3 billion at September 30, 2008 and December 31, 2007.

(5) Includes domestic commercial real estate loans of \$62.7 billion and \$60.2 billion, and foreign commercial real estate loans of \$1.0 billion and \$1.1 billion at September 30, 2008 and December 31, 2007.

(6) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial – domestic loans of \$4.0 billion and \$3.5 billion, commercial – foreign loans of \$1.2 billion and \$790 million, and commercial real estate loans of \$213 million and \$304 million at September 30, 2008 and December 31, 2007. See Note 16 – Fair Value Disclosures to the Consolidated Financial Statements for additional discussion of fair value for certain financial instruments.

n/a = not applicable

### Nonperforming Loans and Leases

At September 30, 2008 and December 31, 2007, nonperforming loans and leases, including impaired and nonaccrual consumer loans and excluding acquired loans that were accounted for under SOP 03-3, totaled \$11.8 billion and \$5.6 billion. In addition, included in other assets were consumer and commercial nonperforming loans held-for-sale of \$848 million and \$188 million at September 30, 2008 and December 31, 2007. Impaired loans also include loans that have been modified in troubled debt restructurings where concessions to borrowers who experienced financial difficulties have been granted.

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The following table presents the recorded loan amounts, without consideration for the specific component of the allowance for loan and lease losses, that were considered individually impaired in accordance with SFAS 114 at September 30, 2008 and December 31, 2007. SFAS 114 defines impairment to include performing loans which had previously been accounted for as a troubled debt restructuring and excludes all commercial leases.

### Impaired Loans

(Dollars in millions)	September 30 2008	December 31 2007
<b>Commercial</b> <sup>(1)</sup>		
Commercial – domestic	\$ 1,761	\$ 1,018
Commercial real estate	3,090	1,099
Commercial – foreign	48	19
<b>Total impaired loans</b>	<b>\$ 4,899</b>	<b>\$ 2,136</b>

(1) Includes small business commercial – domestic loans of \$183 million and \$152 million at September 30, 2008 and December 31, 2007.

### SOP 03-3

Loans acquired with evidence of credit quality deterioration since origination and for which it is probable at purchase that the Corporation will be unable to collect all contractually required payments are accounted for under American Institute of Certified Public Accountants Statement of Position 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer” (SOP 03-3). 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), some of which are not immediately available as of the purchase date. The Corporation will continue to evaluate this information and other credit related information as it becomes available. SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from the Corporation’s initial investment in loans if those differences are attributable, at least in part, to credit quality. SOP 03-3 requires acquired impaired loans be recorded at fair value and prohibits “carrying over” or the creation of valuation allowances in the initial accounting for loans acquired in a transfer that are within the scope of this SOP.

The fair values for loans within the scope of SOP 03-3 are determined by discounting both principal and interest cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. The Corporation estimates the cash flows expected to be collected at acquisition 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.

As of July 1, 2008 and September 30, 2008 acquired loans within the scope of SOP 03-3 had an unpaid principal balance of \$54.4 billion and \$52.8 billion and carrying value of \$41.1 billion and \$39.9 billion. The following table provides details on loans obtained in connection with the Countrywide acquisition within the scope of SOP 03-3.

### Acquired Loan Information

(Dollars in millions)	As of July 1, 2008 <sup>(1)</sup>
Contractually required payments including interest	\$ 77,534
Less: Nonaccretable difference	(19,574)
Cash flows expected to be collected <sup>(2)</sup>	57,960
Less: Accretable yield	(16,841)
Fair value of loans acquired	\$ 41,119

(1) Date of the Countrywide acquisition.

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

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Under SOP 03-3, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to the expected cash flows will generally result in a charge to the provision for credit losses resulting in an increase to the allowance for loan and lease losses, and a reclassification from accretable yield to nonaccretable difference. Subsequent increases in cash flows will result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield. There was no allowance for loan and lease losses related to loans acquired within the scope of SOP 03-3 as of September 30, 2008. Disposals of loans, which may include sales of loans, receipt of payments in full by the borrower, foreclosure, or troubled debt restructurings result in removal of the loan from the SOP 03-3 portfolio at its carrying amount.

The following table provides activity for the accretable yield of loans acquired from Countrywide within the scope of SOP 03-3 for the three months ended September 30, 2008.

### Accretable Yield Activity

<b>(Dollars in millions)</b>	<b>Three Months Ended September 30, 2008</b>
Accretable yield, beginning balance	\$ 16,841
Accretions	(748)
Disposals (1)	(413)
Reclassifications (to)/from nonaccretable difference	-
Accretable yield, September 30	\$ 15,680

(1) Nonaccretable difference represents gross contractually required payments including interest less expected cash flows.

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**NOTE 7 – Allowance for Credit Losses**

The following table summarizes the changes in the allowance for credit losses for the three and nine months ended September 30, 2008 and 2007.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Allowance for loan and lease losses, beginning of period</b>	\$ 17,130	\$ 9,060	\$ 11,588	\$ 9,016
Adjustment due to the adoption of SFAS 159	-	-	-	(32)
Loans and leases charged off	(4,698)	(1,897)	(11,760)	(5,445)
Recoveries of loans and leases previously charged off	342	324	1,070	950
Net charge-offs	(4,356)	(1,573)	(10,690)	(4,495)
Provision for loan and lease losses	6,530	2,014	18,381	5,050
Other	1,042	34	1,067	(4)
<b>Allowance for loan and lease losses, September 30</b>	<b>20,346</b>	<b>9,535</b>	<b>20,346</b>	<b>9,535</b>
<b>Reserve for unfunded lending commitments, beginning of period</b>	<b>507</b>	<b>376</b>	<b>518</b>	<b>397</b>
Adjustment due to the adoption of SFAS 159	-	-	-	(28)
Provision for unfunded lending commitments	(80)	16	(91)	25
Other	-	-	-	(2)
<b>Reserve for unfunded lending commitments, September 30</b>	<b>427</b>	<b>392</b>	<b>427</b>	<b>392</b>
<b>Allowance for credit losses, September 30</b>	<b>\$ 20,773</b>	<b>\$ 9,927</b>	<b>\$ 20,773</b>	<b>\$ 9,927</b>

(1) Includes the \$1.3 billion addition of the Countrywide allowance for loan losses.

**NOTE 8 – Securitizations**

The Corporation securitizes loans which may be serviced by the Corporation or by third parties. With each securitization, the Corporation may retain all or a portion of the securities, subordinated tranches, interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables, and, in some cases, over-collateralization and cash reserve accounts, all of which are called retained interests. These retained interests are recorded in other assets, AFS debt securities, and/or trading account assets and are carried at fair value or amounts that approximate fair value with changes recorded in income or accumulated OCI. Changes in the fair value for credit card related interest-only strips are recorded in card income.

***Mortgage-related Securitizations***

The Corporation securitizes a portion of its residential mortgage loan originations in conjunction with or shortly after loan closing. In addition, the Corporation may, from time to time, securitize commercial mortgages and first lien residential mortgages that it originates or purchases from other entities. During the three and nine months ended September 30, 2008, the Corporation converted a total of \$51.9 billion (including \$525 million originated by other entities) and \$116.7 billion (including \$12.4 billion originated by other entities), compared to \$24.9 billion (including \$2.2 billion originated by other entities) and \$62.8 billion (including \$12.6 billion originated by other entities) during the same periods in 2007, of commercial mortgages and first lien residential mortgages into mortgage-backed securities issued through government sponsored entities (GSE) or through subsidiaries of the Corporation. At September 30, 2008 and December 31, 2007, the Corporation held senior securities issued by its securitization vehicles of \$16.3 billion (\$11.9 billion issued in 2008) and \$9.2 billion (\$5.9 billion issued in 2007), substantially all of which are valued using quoted market prices. Of these senior securities, \$14.6 billion and \$7.8 billion were classified as AFS debt securities and \$1.7 billion and \$1.4 billion were classified as trading account assets at September 30, 2008 and December 31, 2007. In addition, the Corporation retained

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subordinated securities, which totaled \$42 million (none of which were issued in 2008) and \$196 million (\$137 million issued in 2007) at September 30, 2008 and December 31, 2007, which are typically valued using quantitative models, and are classified in trading account assets.

During the three and nine months ended September 30, 2008, the Corporation reported \$740 million and \$1.3 billion in gains, net of hedges, on loans converted into securities and sold, as compared to \$30 million and \$273 million during the same periods in 2007. At September 30, 2008 and December 31, 2007, the Corporation had recourse obligations of \$158 million and \$150 million with varying terms up to seven years on loans that had been securitized and sold.

Included in the information above for the third quarter of 2008 are mortgage-related securitizations related to Countrywide. During the three months ended September 30, 2008, \$37.3 billion of first lien residential mortgages were converted into mortgage-backed securities issued through a GSE or through subsidiaries of the Corporation. In addition, the Corporation reported \$525 million in gains, net of hedges, on these loans converted into securities and sold.

The Corporation sells loans with various representations and warranties related to among other things, the ownership of the loan, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, process used in selecting the loans for inclusion in a transaction, the loan's compliance with any applicable loan criteria established by the buyer, and the loan's compliance with applicable local, state and federal laws. In the event of a breach of the Corporation's representations and warranties, the Corporation may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer. In such cases, the Corporation bears any subsequent credit loss on the mortgage loans. The Corporation's representations and warranties are generally not subject to stated limits. However, the Corporation's contractual liability arises only when the representations and warranties are breached. The Corporation attempts to limit its risk of incurring these losses by structuring its operations to ensure consistent production of quality mortgages and servicing those mortgages at levels that meet secondary mortgage market standards. In addition, certain of our securitizations include a corporate guarantee, which are contracts written to protect purchasers of our loans from credit losses up to a specified amount. We estimate the losses to be absorbed by the guarantees when we sell loans with guarantees and update our estimates every quarter. The Corporation records its liability for representations and warranties, and corporate guarantees in accrued expenses and other liabilities and records the related expense through mortgage banking income.

During the three and nine months ended September 30, 2008, the Corporation purchased \$3.8 billion and \$11.1 billion of mortgage-backed securities from third parties and resecuritized them, as compared to \$2.8 billion and \$16.4 billion during the same periods in 2007. Net gains, which include net interest income earned during the holding period, totaled \$26 million and \$64 million for the three and nine months ended September 30, 2008, as compared to net losses of \$4 million and net gains of \$10 million during the same periods in 2007. At September 30, 2008 and December 31, 2007 the Corporation retained \$403 million and \$540 million of the securities issued in these transactions which were recorded in trading account assets.

The Corporation has retained consumer MSR's from the sale or securitization of mortgage loans, including discontinued mortgage and home equity loans. Servicing fee and ancillary fee income on all consumer mortgage loans serviced, including securitizations, was \$1.5 billion and \$196 million during the three months ended September 30, 2008 and 2007 and \$2.0 billion and \$593 million during the nine months ended September 30, 2008 and 2007. For more information on MSR's, see *Note 17 – Mortgage Servicing Rights* to the Consolidated Financial Statements.

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## ***Home Equity and Other Securitizations Acquired***

With the purchase of Countrywide, the Corporation acquired residual and other interests held in its home equity securitizations which totaled \$128 million at September 30, 2008. The aggregate debt securities outstanding related to these securitizations totaled \$30.8 billion at September 30, 2008. In addition, the Corporation acquired residual and other interests held by Countrywide in its subprime mortgage and Alt-A mortgage securitizations which totaled \$20 million at September 30, 2008. The aggregate debt securities outstanding related to these securitizations totaled \$39.6 billion at September 30, 2008.

At September 30, 2008, the Corporation held senior securities issued by its securitization vehicles of \$896 million, all of which are valued using quoted market prices and which \$111 million were classified as AFS debt securities and \$785 million were classified as trading account assets. At September 30, 2008, the Corporation also held subordinated securities issued by its securitization vehicles of \$19 million, all of which are valued using quoted market prices and classified as AFS debt securities.



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Under the terms of the Corporation's home equity securitizations, advances are made to borrowers when they make a subsequent draw on their line of credit and the Corporation is reimbursed for those advances from the cash flows in the securitization. During the revolving period of the securitization, this reimbursement normally occurs within a short period after the advance. However, when the securitization transaction has begun its rapid amortization period, reimbursement of the Corporation's advance occurs only after other parties in the securitization have received all of the cash flows to which they are entitled. This has the effect of extending the time period for which the Corporation's advances are outstanding. In particular, if loan losses requiring draws on monoline insurer's policies (which protect the bondholders in the securitization) exceed a specified threshold or duration, the Corporation may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurer have priority for repayment. The available credit lines for the securitizations that have triggered or are expected to trigger a rapid amortization event are approximately \$1.2 billion at September 30, 2008. At September 30, 2008 the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was \$422 million.

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## ***Credit Card Securitizations***

For the three and nine months ended September 30, 2008, the Corporation securitized \$3.3 billion and \$16.3 billion of credit card receivables resulting in \$14 million and \$62 million in gains (net of securitization transaction costs of \$3 million and \$15 million) which were recorded in card income. For the three and nine months ended September 30, 2007, the Corporation securitized \$4.6 billion and \$14.3 billion of credit card receivables resulting in \$29 million and \$71 million in gains (net of securitization transaction costs of \$1 million and \$11 million) which were recorded in card income. At September 30, 2008 and December 31, 2007, the aggregate debt securities outstanding for the Corporation's credit card securitization trusts were \$100.5 billion and \$101.3 billion.

At September 30, 2008, the Corporation held senior securities issued by its credit card securitization vehicles of \$439 million (issued in 2008). There were no senior securities held at December 31, 2007. At September 30, 2008 and December 31, 2007, the Corporation held subordinated securities issued by its securitization vehicles of \$2.2 billion (\$1.8 billion issued in 2008) and \$425 million (issued in 2007). All of these securities were classified as AFS debt securities and valued using quoted market prices at September 30, 2008 and December 31, 2007.

At September 30, 2008 and December 31, 2007, there were no recognized servicing assets or liabilities associated with any of these credit card securitization transactions.

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Key economic assumptions used in measuring the fair value of certain residual interests that continue to be held by the Corporation (included in other assets) in credit card securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are as follows:

(Dollars in millions)	Credit Card	
	September 30 2008	December 31 2007
<b>Carrying amount of residual interests (at fair value) <sup>(1)</sup></b>	\$ 2,303	\$ 2,766
<b>Balance of unamortized securitized loans</b>	102,048	102,967
<b>Weighted average life to call or maturity (in years)</b>	0.3	0.3
<b>Monthly payment rate</b>	10.3-14.3 %	11.6-16.6 %
Impact on fair value of 10% favorable change	\$ 20	\$ 51
Impact on fair value of 25% favorable change	64	158
Impact on fair value of 10% adverse change	(14)	(35)
Impact on fair value of 25% adverse change	(31)	(80)
<b>Weighted average of expected credit losses (annual rate)</b>	7.0 %	5.3 %
Impact on fair value of 10% favorable change	\$ 209	\$ 141
Impact on fair value of 25% favorable change	522	374
Impact on fair value of 10% adverse change	(165)	(133)
Impact on fair value of 25% adverse change	(173)	(333)
<b>Residual cash flows discount rate (annual rate)</b>	12.5 %	11.5 %
Impact on fair value of 100 bps favorable change	\$ 2	\$ 9
Impact on fair value of 200 bps favorable change	2	13
Impact on fair value of 100 bps adverse change	(4)	(12)
Impact on fair value of 200 bps adverse change	(10)	(23)

(1) Residual interests include interest-only strips, subordinated interests in accrued interest and fees on the securitized receivables and cash reserve accounts which are carried at fair value or amounts that approximate fair value.

The sensitivities in the preceding table are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of an interest that continues to be held by the Corporation is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Additionally, the Corporation has the ability to hedge interest rate risk associated with retained residual positions. The above sensitivities do not reflect any hedge strategies that may be undertaken to mitigate such risk.

Principal proceeds from collections reinvested in revolving credit card securitizations were \$37.3 billion and \$126.1 billion for the three and nine months ended September 30, 2008 compared to \$45.7 billion and \$135.0 billion for the same periods in 2007. Contractual credit card servicing fee income totaled \$544 million and \$1.6 billion for the three and nine months ended September 30, 2008 compared to \$526 million and \$1.5 billion for the same periods in 2007. Other cash flows received on retained interests, such as cash flow from interest-only strips, were \$1.4 billion and \$4.6 billion for the three and nine months ended September 30, 2008 compared to \$1.7 billion and \$4.9 billion for the same periods in 2007, for credit card securitizations.

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### Other Securitizations

In September 2008, the Corporation securitized \$5.7 billion of automobile loans and recorded a loss of \$33 million on the transaction. At September 30, 2008 aggregate debt securities outstanding for the Corporation's automobile securitization vehicle were \$5.6 billion. At September 30, 2008, the Corporation held debt securities of \$4.9 billion of which \$1.6 billion were senior and \$3.3 billion were subordinated and all were classified as AFS debt securities and valued using quoted market prices. The Corporation also held a residual asset of \$35 million pertaining to this securitization. The Corporation did not securitize any automobile loans during the three and nine months ended September 30, 2007.

### Managed Asset Quality Indicators

Portfolio balances, delinquency and historical loss amounts of the managed loans and leases portfolios at September 30, 2008 and December 31, 2007 and for the three and nine months ended September 30, 2008 and 2007, are presented in the following tables.

(Dollars in millions)	September 30, 2008			December 31, 2007		
	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More (1)	Nonperforming Loans and Leases (1)	Total Loans and Leases	Accruing Loans and Leases Past Due 90 Days or More	Nonperforming Loans and Leases
Residential mortgage (2)	\$ 256,989	\$ 268	\$ 4,638	\$ 274,949	\$ 237	\$ 1,999
Home equity	151,938	-	2,049	114,820	-	1,340
Discontinued real estate	22,081	-	33	n/a	n/a	n/a
Credit card – domestic	151,118	4,545	n/a	151,862	4,170	n/a
Credit card – foreign	32,280	743	n/a	31,829	714	n/a
Direct/Indirect consumer	82,849	1,113	13	76,538	745	8
Other consumer	3,680	4	89	4,170	4	95
Total consumer	700,935	6,673	6,822	654,168	5,870	3,442
Commercial – domestic (3, 4)	219,303	850	1,749	208,297	546	1,004
Commercial real estate	63,736	204	3,090	61,298	36	1,099
Commercial lease financing	22,416	45	35	22,582	25	33
Commercial – foreign	32,951	5	48	28,376	16	19
Total commercial	338,406	1,104	4,922	320,553	623	2,155
Total managed loans and leases excluding loans measured at fair value (5)	1,039,341	7,777	11,744	974,721	6,493	5,597
Total measured at fair value	5,383	-	-	4,590	-	-
Managed loans in securitizations	(102,048)	(2,958)	n/a	(102,967)	(2,757)	n/a
<b>Total held loans and leases</b>	<b>\$ 942,676</b>	<b>\$ 4,819</b>	<b>\$ 11,744</b>	<b>\$ 876,344</b>	<b>\$ 3,736</b>	<b>\$ 5,597</b>

(1) Balances do not include loans accounted for in accordance with SOP 03-3 even though the customer may be contractually past due. Loans accounted for in accordance with SOP 03-3 were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.

(2) Accruing loans and leases past due 90 days or more represent residential mortgage loans related to repurchases pursuant to the Corporation's servicing agreements with GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

(3) Includes small business commercial – domestic loans.

(4) Includes small business – commercial domestic accruing loans and leases past due 90 days or more of \$598 million and \$427 million and nonperforming loans and leases of \$183 million and \$152 million at September 30, 2008 and December 31, 2007.

(5) Does not include first mortgage and home equity securitizations that were part of the Countrywide acquisition. As of September 30, 2008, the total loans and leases related to these securitizations were \$71.1 billion, with \$4.9 billion in nonperforming loans and leases. At September 30, 2008 and December 31, 2007, the remaining other consumer and commercial loan securitization vehicles were not material to the Corporation.

n/a = not applicable

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(Dollars in millions)	Three Months Ended September 30, 2008			Three Months Ended September 30, 2007		
	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)
Residential mortgage	\$ 260,748	\$ 242	0.37 %	\$ 274,385	\$ 13	0.02 %
Home equity	151,142	964	2.53	98,611	50	0.20
Discontinued real estate	22,031	(3)	(0.05)	n/a	n/a	n/a
Credit card – domestic	153,037	2,643	6.87	142,369	1,707	4.76
Credit card – foreign	33,371	353	4.21	29,633	317	4.24
Direct/Indirect consumer	85,392	845	3.94	72,978	353	1.92
Other consumer	3,723	106	11.36	4,322	78	7.18
Total consumer	709,444	5,150	2.89	622,298	2,518	1.61
Commercial – domestic (2)	220,847	644	1.16	173,488	250	0.57
Commercial real estate	63,013	262	1.65	38,732	28	0.28
Commercial lease financing	22,585	8	0.13	20,044	(3)	(0.07)
Commercial – foreign	32,376	46	0.56	24,560	(4)	(0.06)
Total commercial	338,821	960	1.13	256,824	271	0.42
<b>Total managed loans and leases excluding loans measured at fair value (3)</b>	<b>1,048,265</b>	<b>6,110</b>	<b>2.32</b>	<b>879,122</b>	<b>2,789</b>	<b>1.26</b>
Total measured at fair value	4,568	n/a	n/a	3,910	n/a	n/a
Managed loans in securitizations	(105,919)	(1,754)	6.59	(102,516)	(1,216)	4.71
<b>Total held loans and leases</b>	<b>\$ 946,914</b>	<b>\$ 4,356</b>	<b>1.84 %</b>	<b>\$ 780,516</b>	<b>\$ 1,573</b>	<b>0.80 %</b>

(Dollars in millions)	Nine Months Ended September 30, 2008			Nine Months Ended September 30, 2007		
	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)	Average Loans and Leases Outstanding	Net Losses	Net Loss Ratio (1)
Residential mortgage	\$ 262,478	\$ 459	0.23 %	\$ 260,469	\$ 30	0.02 %
Home equity	129,402	2,383	2.46	94,179	95	0.13
Discontinued real estate	7,397	(3)	(0.05)	n/a	n/a	n/a
Credit card – domestic	152,495	7,125	6.24	140,074	5,144	4.91
Credit card – foreign	32,763	994	4.06	28,931	932	4.31
Direct/Indirect consumer	82,242	2,060	3.35	68,281	917	1.79
Other consumer	3,908	275	9.45	4,614	182	5.29
Total consumer	670,685	13,293	2.65	596,548	7,300	1.64
Commercial – domestic (2)	215,213	1,632	1.01	167,960	662	0.53
Commercial real estate	62,516	505	1.08	37,148	30	0.11
Commercial lease financing	22,364	29	0.17	19,828	(15)	(0.10)
Commercial – foreign	31,252	44	0.18	22,221	(1)	(0.01)
Total commercial	331,345	2,210	0.89	247,157	676	0.37
<b>Total managed loans and leases excluding loans measured at fair value (3)</b>	<b>1,002,030</b>	<b>15,503</b>	<b>2.07</b>	<b>843,705</b>	<b>7,976</b>	<b>1.25</b>
Total measured at fair value	4,721	n/a	n/a	1,620	n/a	n/a
Managed loans in securitizations	(106,177)	(4,813)	6.06	(100,163)	(3,481)	4.65
<b>Total held loans and leases</b>	<b>\$ 900,574</b>	<b>\$ 10,690</b>	<b>1.59 %</b>	<b>\$ 745,162</b>	<b>\$ 4,495</b>	<b>0.80 %</b>

(1) The net loss ratio is calculated by dividing annualized net losses by average outstanding loans and leases excluding loans measured at fair value for each loan and lease category.

(2) Includes small business – commercial domestic net losses of \$527 million, or 10.64 percent, and \$1.4 billion, or 9.23 percent, for the three and nine months ended September 30, 2008, compared to \$239 million, or 5.38 percent, and \$598 million, or 4.82 percent, for the same periods in 2007.

(3) Does not include first mortgage and home equity securitizations that were part of the Countrywide acquisition. For the three months ended September 30, 2008, average total loans and leases related to these securitizations were \$72.4 billion with \$1.5 billion in net losses, or 8.33 percent. For the nine months ended September 30, 2008, average total loans and leases related to these securitizations were \$24.3 billion with \$1.5 billion in net losses, or 8.33 percent. For the three and nine months ended September 30, 2008 and 2007, the remaining other consumer and commercial loan securitization vehicles were not material to the Corporation.

n/a = not applicable

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### NOTE 9 – Variable Interest Entities

The following table presents total assets of those VIEs in which the Corporation holds a significant variable interest and, in the unlikely event that all of the assets in the VIEs become worthless, the Corporation's maximum exposure to loss. The Corporation's maximum exposure to loss incorporates not only potential losses associated with assets recorded on the Corporation's balance sheet but also off-balance sheet commitments, such as unfunded liquidity and lending commitments and other contractual arrangements. In addition to the table below, the Corporation also provided support to certain cash funds managed within *Global Wealth and Investment Management (GWIM)* as described in more detail in *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements.

(Dollars in millions)	Consolidated (1)		Unconsolidated	
	Total Assets	Loss Exposure	Total Assets	Loss Exposure
<b>Variable interest entities, September 30, 2008</b>				
Corporation-sponsored multi-seller conduits	\$ 10,932	\$ 13,110	\$ 28,363	\$ 42,440
Collateralized debt obligation vehicles	4,756	4,756	2,543	1,913
Leveraged lease trusts	5,769	5,769	-	-
Other	9,176	7,388	9,147	7,607
<b>Total variable interest entities</b>	<b>\$ 30,633</b>	<b>\$ 31,023</b>	<b>\$ 40,053</b>	<b>\$ 51,960</b>
<b>Variable interest entities, December 31, 2007</b>				
Corporation-sponsored multi-seller conduits	\$ 11,944	\$ 16,984	\$ 29,363	\$ 47,335
Collateralized debt obligation vehicles	4,464	4,311	8,324	7,410
Leveraged lease trusts	6,236	6,236	-	-
Other	13,771	12,347	8,260	5,953
<b>Total variable interest entities</b>	<b>\$ 36,415</b>	<b>\$ 39,878</b>	<b>\$ 45,947</b>	<b>\$ 60,698</b>

(1) The Corporation consolidates VIEs when it is the primary beneficiary that will absorb the majority of the expected losses or expected residual returns of the VIEs or both.

#### Corporation-Sponsored Multi-Seller Conduits

The Corporation administers four multi-seller conduits, three of which are unconsolidated, which provide a low-cost funding alternative to its customers by facilitating their access to the commercial paper market. These customers sell or otherwise transfer assets to the conduits, which in turn issue short-term commercial paper that is rated high-grade and is collateralized by the underlying assets. The Corporation receives fees for providing combinations of liquidity and standby letters of credit (SBLCs) or similar loss protection commitments to the conduits. Third parties participate in a small number of the liquidity facilities on a pari passu basis with the Corporation. At September 30, 2008, the Corporation's liquidity commitments to the conduits were collateralized by various classes of assets. Assets held in the conduits incorporate features such as overcollateralization and cash reserves which are designed to provide credit support to the conduits.

The Corporation is the primary beneficiary of one of the above conduits and consequently it is included in the Consolidated Financial Statements. The assets of this conduit are included in AFS and held-to-maturity debt securities, and other assets. At September 30, 2008, liquidity commitments to the conduit were mainly collateralized by credit card loans (25 percent), auto loans (11 percent), and both capital commitments and corporate and commercial loans (seven percent each). None of these assets are subprime residential mortgages. In addition, 33 percent of the Corporation's liquidity commitments were collateralized by projected cash flows from long-term contracts (e.g., television broadcast contracts, stadium revenues and royalty payments) which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements will be repaid when cash flows due under the long-term contracts are received. Approximately 65 percent of this exposure is insured. At September 30, 2008, the weighted average life of assets in the consolidated conduit was 5.5 years and the weighted average maturity of commercial paper issued by this conduit was 25 days. Assets of the Corporation are not available to pay creditors of the consolidated conduit except to the extent the Corporation may be obligated to perform under the liquidity commitments and SBLCs. Assets of the consolidated conduit are not available to pay creditors of the Corporation.

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The Corporation does not consolidate the other three conduits which issued capital notes and equity interests to independent third parties as it does not expect to absorb a majority of the variability of the conduits. At September 30, 2008, the Corporation's liquidity commitments to the unconsolidated conduits were collateralized by credit card loans (24 percent), student loans (23 percent), auto loans (14 percent), and equipment loans (eight percent). Less than one percent of these assets are subprime residential mortgages. In addition, 17 percent of the Corporation's commitments were collateralized by the conduits' short-term lending arrangements with investment funds, primarily real estate funds, which, as mentioned above, incorporate features that provide credit support. Amounts advanced under these arrangements are secured by a diverse group of high quality equity investors. Outstanding advances under these facilities will be repaid when the investment funds issue capital calls. At September 30, 2008, the weighted average life of assets in the unconsolidated conduits was 2.7 years and the weighted average maturity of commercial paper issued by these conduits was 34 days.

Net revenues earned from fees associated with these commitments were \$98 million and \$245 million for the three and nine months ended September 30, 2008 compared to \$51 million and \$135 million for the same periods in 2007.

### **Collateralized Debt Obligation Vehicles**

CDO vehicles hold diversified pools of fixed income securities. They issue multiple tranches of debt securities, including commercial paper, and equity securities. The Corporation also provides liquidity support to certain CDO vehicles.

The Corporation is the primary beneficiary of certain CDOs which are included in the Consolidated Financial Statements at September 30, 2008 and December 31, 2007. Assets held at fair value in the consolidated CDOs include AFS debt securities of \$3.8 billion and \$2.8 billion and trading account assets of \$907 million and \$1.3 billion at September 30, 2008 and December 31, 2007. Substantially all of these investments were acquired in connection with liquidity support in the form of written put options that had been provided to CDO vehicles and other liquidity support which had been provided to the CDO conduit which are discussed below. The creditors of the consolidated CDOs have no recourse to the general credit of the Corporation. The Corporation had no unrealized losses on super senior exposure in accumulated OCI at September 30, 2008.

The Corporation's exposure to unconsolidated CDOs relates principally to liquidity support in the form of written put options with a notional amount of \$1.1 billion and \$6.8 billion at September 30, 2008 and December 31, 2007. The written put options pertain to commercial paper which is the most senior class of securities issued by the CDOs and benefits from the subordination of all other securities issued by the CDOs. The Corporation is obligated to provide funding to the CDOs by purchasing the commercial paper at predetermined contractual yields in the event of a severe disruption in the short-term funding market. The underlying collateral for commitments outstanding at September 30, 2008 consists principally of commercial mortgage-backed securities, ABS and other securities, including trust preferred securities. Subprime residential mortgage-backed securities comprise less than 20 percent of total collateral. These written put options are recorded as derivatives and are carried at fair value with changes in fair value recorded in trading account profits (losses).

Prior to the third quarter of 2008, the Corporation's liquidity support to unconsolidated CDOs also included other liquidity support of \$2.3 billion at December 31, 2007 to a CDO conduit administered by the Corporation that obtained funds by issuing commercial paper to third party investors. The conduit held \$2.3 billion of assets at December 31, 2007 consisting of super senior tranches of debt securities issued by other CDOs. During the second quarter of 2008, the CDO conduit was liquidated due to a threatened downgrade of its commercial paper. In accordance with its liquidity obligation, the Corporation purchased the assets of the CDO conduit.

At September 30, 2008 and December 31, 2007, the Corporation held commercial paper with a carrying value of \$686 million and \$5.0 billion on the balance sheet that was issued by unconsolidated CDO vehicles related to these written put options. In addition, at December 31, 2007 the Corporation held commercial paper with a carrying value of \$1.6 billion related to other liquidity support.

### **Leveraged Lease Trusts**

The Corporation's net investment in leveraged lease trusts totaled \$5.8 billion and \$6.2 billion at September 30, 2008 and December 31, 2007. These amounts, which were recorded in loans and leases, represent the Corporation's maximum loss exposure to these entities in the unlikely event that the leveraged lease investments become worthless. Debt issued by

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the leveraged lease trusts is nonrecourse to the Corporation. The Corporation has no liquidity exposure to these leveraged lease trusts.

**Other**

Other consolidated VIEs at September 30, 2008 and December 31, 2007 consisted primarily of securitization vehicles, including an asset acquisition conduit that holds securities on the Corporation's behalf and term securitization vehicles that did not meet QSPE status, as well as managed investment vehicles that invest in financial assets, primarily debt securities. Included within maximum exposure to loss of these VIEs was \$4.1 billion and \$7.4 billion of liquidity exposure to consolidated trusts that hold municipal bonds and \$1.1 billion and \$1.6 billion of liquidity exposure to the consolidated asset acquisition conduit at September 30, 2008 and December 31, 2007. The assets of these consolidated VIEs were recorded in trading account assets, AFS debt securities and other assets. Other unconsolidated VIEs at September 30, 2008 and December 31, 2007 consisted primarily of securitization vehicles, managed investment vehicles that invest in financial assets, primarily debt securities, and investments in affordable housing investment partnerships. Revenues associated with administration, asset management, liquidity, and other services were \$2 million and \$6 million for the three and nine months ended September 30, 2008 compared to \$4 million and \$13 million for the same periods in 2007.

**NOTE 10 – Goodwill and Intangible Assets**

The following tables present goodwill and intangible assets at September 30, 2008 and December 31, 2007, which includes approximately \$4.1 billion of goodwill related to the acquisition of Countrywide. For more information on the Countrywide acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

(Dollars in millions)	September 30 2008	December 31 2007
Global Consumer and Small Business Banking	\$ 44,538	\$ 40,340
Global Corporate and Investment Banking	29,569	29,648
Global Wealth and Investment Management	6,505	6,451
All Other	1,144	1,091
<b>Total goodwill</b>	<b>\$ 81,756</b>	<b>\$ 77,530</b>

The gross carrying values and accumulated amortization related to intangible assets at September 30, 2008 and December 31, 2007 are presented below:

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Purchased credit card relationships	\$ 7,193	\$ 2,548	\$ 7,027	\$ 1,970
Core deposit intangibles	4,594	3,173	4,594	2,828
Affinity relationships	1,664	543	1,681	406
Other intangibles	3,129	1,149	3,050	852
<b>Total intangible assets</b>	<b>\$ 16,580</b>	<b>\$ 7,413</b>	<b>\$ 16,352</b>	<b>\$ 6,056</b>

Amortization of intangibles expense was \$464 million and \$429 million for the three months ended September 30, 2008 and 2007 and \$1.4 billion and \$1.2 billion for the nine months ended September 30, 2008 and 2007. The Corporation estimates that aggregate amortization expense is expected to be approximately \$450 million for the fourth quarter of 2008. In addition, the Corporation estimates the aggregate amortization expense will be approximately \$1.6 billion, \$1.4 billion, \$1.2 billion, \$1.0 billion and \$840 million for 2009 through 2013, respectively.

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The following table presents the balance of long-term debt, the related rates and maturity dates at September 30, 2008 obtained in connection with the Countrywide acquisition:

	September 30 2008
(Dollars in millions)	
<b>Long-term debt issued by Countrywide Financial Corporation and subsidiaries</b>	
Advances from Federal Home Loan Banks	
Fixed, with a weighted average rate of 4.86%, ranging from 2.91% to 5.52%, due 2008 to 2014	\$ 44,445
Senior notes:	
Fixed, with a weighted average rate of 5.16%, ranging from 4.00% to 7.23%, due 2008 to 2036	8,536
Floating, with a weighted average rate of 4.36%, ranging from 2.93% to 7.66%, due 2008 to 2012	4,172
Convertible debentures:	
Floating, with a weighted average rate of 0.28%, ranging from 0.00% to 0.55%, due 2037	3,900
Junior subordinated notes (related to trust preferred securities):	
Fixed, with a weighted average rate of 7.04%, ranging from 6.75% to 8.05%, due 2027 to 2036	1,616
Subordinated notes:	
Fixed, 6.25%, due 2016	1,000
<b>Total long-term debt issued by Countrywide Financial Corporation and subsidiaries</b>	<b>63,669</b>
<b>Other long-term debt issued by Bank of America Corporation and subsidiaries</b>	<b>194,041</b>
<b>Total long-term debt</b>	<b>\$ 257,710</b>

Including the Countrywide acquisition, the Corporation has aggregate annual maturities on its long-term debt obligations of \$9.0 billion for the fourth quarter of 2008 and \$37.3 billion, \$44.5 billion, \$23.8 billion and \$25.7 billion for 2009 through 2012, respectively, and \$117.4 billion for all years thereafter.



**NOTE 12 – Commitments and Contingencies**

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

**Credit Extension Commitments**

The Corporation enters into commitments to extend credit such as loan commitments, SBLCs and commercial letters of credit to meet the financing needs of its customers. The unfunded legally binding lending commitments shown in the following table are net of amounts distributed (e.g., syndicated) to other financial institutions of \$45.8 billion and \$39.2 billion at September 30, 2008 and December 31, 2007. At September 30, 2008, the carrying amount of these commitments, excluding fair value adjustments, was \$459 million, including deferred revenue of \$32 million and a reserve for unfunded legally binding lending commitments of \$427 million. At December 31, 2007, the comparable amounts were \$550 million, \$32 million and \$518 million. The carrying amount of these commitments is recorded in accrued expenses and other liabilities. For information regarding the Corporation's loan commitments accounted for at fair value, see *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements.

(Dollars in millions)	Expires in 1 year or less	Expires after 1 year through 3 years	Expires after 3 years through 5 years	Expires after 5 years	Total
<b>Credit extension commitments, September 30, 2008</b>					
Loan commitments	\$ 165,291	\$ 104,864	\$ 89,504	\$ 25,543	\$ 385,202
Home equity lines of credit	10,005	1,811	3,221	103,430	118,467
Standby letters of credit and financial guarantees	32,709	21,921	8,307	12,710	75,647
Commercial letters of credit <sup>(1)</sup>	3,156	39	8	1,892	5,095
Legally binding commitments	211,161	128,635	101,040	143,575	584,411
Credit card lines	857,633	22,832	-	-	880,465
<b>Total credit extension commitments</b>	<b>\$ 1,068,794</b>	<b>\$ 151,467</b>	<b>\$ 101,040</b>	<b>\$ 143,575</b>	<b>\$ 1,464,876</b>
<b>Credit extension commitments, December 31, 2007</b>					
Loan commitments	\$ 178,931	\$ 92,153	\$ 106,904	\$ 27,902	\$ 405,890
Home equity lines of credit	8,482	1,828	2,758	107,055	120,123
Standby letters of credit and financial guarantees	31,629	14,493	7,943	8,731	62,796
Commercial letters of credit <sup>(1)</sup>	3,753	50	33	717	4,553
Legally binding commitments	222,795	108,524	117,638	144,405	593,362
Credit card lines	876,393	17,864	-	-	894,257
<b>Total credit extension commitments</b>	<b>\$ 1,099,188</b>	<b>\$ 126,388</b>	<b>\$ 117,638</b>	<b>\$ 144,405</b>	<b>\$ 1,487,619</b>

(1) Includes commitments to VIEs disclosed in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements, including \$42.4 billion and \$47.3 billion to corporation-sponsored multi-seller conduits and \$0 and \$2.3 billion to CDOs at September 30, 2008 and December 31, 2007. Also includes commitments to SPEs that are not disclosed in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements because the Corporation does not hold a significant variable interest or because they are QSPEs, including \$7.8 billion and \$6.1 billion to municipal bond trusts and \$1.1 billion and \$1.7 billion to customer-sponsored conduits at September 30, 2008 and December 31, 2007.

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

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The Corporation also facilitates bridge financing (high grade debt, high yield debt and equity) to fund acquisitions, recapitalizations and other short-term needs as well as provide syndicated financing for clients. These concentrations are managed, in part, through the Corporation's established "originate to distribute" strategy. These client transactions are sometimes large and leveraged. They can also have a higher degree of risk as the Corporation is providing offers or commitments for various components of the clients' capital structures, including lower-rated unsecured and subordinated debt tranches and/or equity. In many cases, these offers to finance will not be accepted. If accepted, these conditional commitments are often retired prior to or shortly following funding via the placement of securities, syndication or the client's decision to terminate. Where the Corporation has a commitment and there is a market disruption or other unexpected event, there may be heightened exposure in the portfolios, and higher potential for loss, unless an orderly disposition of the exposure can be made. These commitments are not necessarily indicative of actual risk or funding requirements as the commitments may expire unused, the borrower may not be successful in completing the proposed transaction or may utilize multiple financing sources, including other investment and commercial banks, as well as accessing the general capital markets instead of drawing on the commitment. In addition, the Corporation may reduce its portion of the commitment through syndications to investors and/or lenders prior to funding. Therefore, these commitments are generally significantly greater than the amounts the Corporation will ultimately fund. Additionally, the borrower's ability to draw on the commitment may be subject to there being no material adverse change in the borrower's financial condition, among other factors. Commitments also generally contain certain flexible pricing features to adjust for changing market conditions prior to closing.

At September 30, 2008 and December 31, 2007, the Corporation's share of the leveraged finance forward calendar was \$2.3 billion and \$12.2 billion. During the nine months ended September 30, 2008, the Corporation had new transactions of \$10.3 billion, syndications of \$11.1 billion, closed but not yet syndicated of \$5.8 billion, and client terminations and other transactions of \$3.3 billion related to the leveraged finance forward calendar. The Corporation also had unfunded capital markets commercial real estate commitments of \$700 million at September 30, 2008 compared to \$2.2 billion at December 31, 2007 with the primary change resulting from \$1.2 billion of transactions that were funded. There were no leveraged finance forward calendar pre-market disruption exposures (i.e., originated prior to September 30, 2007) at September 30, 2008 compared to \$10.7 billion at December 31, 2007. The Corporation has not originated any material unfunded capital markets commercial real estate commitments subsequent to September 30, 2007.

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## **Other Commitments**

### **Principal Investing and Other Equity Investments**

At September 30, 2008 and December 31, 2007, the Corporation had unfunded equity investment commitments of approximately \$1.9 billion and \$2.6 billion. These commitments relate primarily to the Strategic Investments portfolio, as well as equity commitments included in the Corporation's Principal Investing business, which is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. These investments are made either directly in a company or held through a fund and are accounted for at fair value. Bridge equity commitments provide equity bridge financing to facilitate clients' investment activities. These conditional commitments are often retired prior to or shortly following funding via syndication or the client's decision to terminate. Where the Corporation has a binding equity bridge commitment and there is a market disruption or other unexpected event, there may be heightened exposure in the portfolio and higher potential for loss, unless an orderly disposition of the exposure can be made. At September 30, 2008, the Corporation did not have any unfunded bridge equity commitments and had previously funded \$1.2 billion of equity bridges which are considered held for investment. During the three and nine months ended September 30, 2008, the Corporation recorded \$34 million and \$218 million in losses related to these investments through equity investment income.

### **U.S. Government Guaranteed Charge Cards**

At September 30, 2008 and December 31, 2007, the unfunded lending commitments related to charge cards (nonrevolving card lines) to individuals and government entities guaranteed by the U.S. Government in the amount of \$9.2 billion and \$9.9 billion were not included in credit card line commitments in the previous table. The outstanding balances related to these charge cards were \$266 million and \$193 million at September 30, 2008 and December 31, 2007.

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### **Loan Purchases**

In 2005, the Corporation entered into an agreement for the committed purchase of retail automotive loans over a five-year period, ending June 30, 2010. The Corporation purchased \$9.0 billion of such loans under this agreement for the nine months ended September 30, 2008 compared to \$4.5 billion of such loans for the year ended December 31, 2007. As of September 30, 2008, the Corporation was committed for additional purchases of up to \$16.0 billion over the remaining term of the agreement of which \$6.0 billion will be purchased by June 30, 2009. All loans purchased under this agreement are subject to a comprehensive set of credit criteria.

### **Operating Leases**

The Corporation is a party to operating leases for certain of its premises and equipment. Commitments under these leases approximate \$580 million for the remaining quarter of 2008, and \$2.2 billion, \$2.0 billion, \$1.7 billion and \$1.4 billion for 2009 through 2012, respectively, and \$9.2 billion for all years thereafter.

### **Other Commitments**

Beginning in the second half of 2007, the Corporation provided support to certain cash funds managed within *GWIM*. The funds for which the Corporation provided support typically invest in high quality, short-term securities with a portfolio weighted average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and senior debt securities issued by financial services companies were downgraded by the rating agencies and experienced a decline in fair value. The Corporation entered into capital commitments, which required the Corporation to provide cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. The capital commitments expire no later than the third quarter of 2010. At September 30, 2008 and December 31, 2007, the Corporation had gross (i.e., funded and unfunded) capital commitments to the funds of \$1.1 billion and \$565 million. For the three and nine months ended September 30, 2008, the Corporation incurred losses of \$358 million and \$521 million related to these capital commitments. At September 30, 2008 and December 31, 2007, the remaining loss exposure was \$160 million and \$183 million. Additionally, during the three and nine months ended September 30, 2008, the Corporation purchased \$525 million and \$1.5 billion of certain investments from the funds and recorded losses of \$272 million and \$365 million.

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

The Corporation does not consolidate the cash funds managed within *GWIM* because the subordinated support provided by the Corporation will not absorb a majority of the variability created by the assets of the funds. The cash funds had total assets under management of \$174.9 billion and \$189.5 billion at September 30, 2008 and December 31, 2007.

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### ***Other Guarantees***

#### **Written Put Options**

At September 30, 2008 and December 31, 2007, the Corporation provided liquidity support in the form of written put options on \$1.1 billion and \$10.0 billion of commercial paper issued by CDOs, including \$3.2 billion issued by a consolidated CDO and \$6.8 billion issued by unconsolidated CDOs at December 31, 2007. These agreements have various maturities ranging from two to five years. For more information regarding written put options, see *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements.

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### Merchant Services

The Corporation provides credit and debit card processing services to various merchants by processing credit and debit card transactions on their behalf. In connection with these services, a liability may arise in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor and the merchant defaults upon its obligation to reimburse the cardholder. A cardholder, through its issuing bank, generally has until the later of up to six months after the date a transaction is processed or the delivery of the product or service to present a chargeback to the Corporation as the merchant processor. If the Corporation is unable to collect this amount from the merchant, it bears the loss for the amount paid to the cardholder. For the three months ended September 30, 2008 and 2007, the Corporation processed \$95.7 billion and \$90.1 billion of transactions and recorded losses as a result of these chargebacks of \$5 million and \$2 million. For the nine months ended September 30, 2008 and 2007, the Corporation processed \$279.0 billion and \$264.5 billion of transactions and recorded losses as a result of these chargebacks of \$15 million and \$10 million.

At September 30, 2008 and December 31, 2007, the Corporation held as collateral \$26 million and \$19 million of merchant escrow deposits which the Corporation has the right to offset against amounts due from the individual merchants. The Corporation also has the right to offset any payments with cash flows otherwise due to the merchant. Accordingly, the Corporation believes that the maximum potential exposure is not representative of the actual potential loss exposure. The Corporation believes the maximum potential exposure for chargebacks would not exceed the total amount of merchant transactions processed through Visa and MasterCard for the last six months, which represents the claim period for the cardholder, plus any outstanding delayed-delivery transactions. As of September 30, 2008 and December 31, 2007, the maximum potential exposure totaled approximately \$152.6 billion and \$151.2 billion.

### Other Guarantees

For additional information on other guarantees, see *Note 13 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K. For additional information on recourse obligations related to residential mortgage loans sold and other guarantees related to securitizations, see *Note 8 – Securitizations* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

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## **Litigation and Regulatory Matters**

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The following supplements the disclosure in *Note 13 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K and in the Corporation's Quarterly Report on Form 10-Q for the periods ended March 31, 2008 and June 30, 2008.

### Auction Rate Securities Litigation and Investigations

The *Bearman, Cattell and Ben-Tal* putative class actions have been voluntarily dismissed. In September 2008, two civil antitrust putative class actions (*City of Baltimore v. Citigroup et al.*, and *Mayfield v. Citigroup et al.*) were filed against the Corporation and other financial institutions. These antitrust actions allege that the defendants conspired to restrain trade in auction rate securities (ARS) by artificially supporting auctions and later withdrawing that support. Plaintiff in *Bondar* has petitioned the Judicial Panel on Multi-District Litigation to consolidate all of the ARS cases nationwide (including the remaining Bank cases and the industry-wide antitrust cases), into one legal proceeding in federal court. Additionally, approximately 26 separate Financial Industry Regulatory Authority arbitrations have been filed nationwide against Banc of America Investment Services, Inc., Banc of America Securities LLC (BAS) and LaSalle Financial Services.

On September 10, 2008, Bank of America announced an agreement in principle with the Massachusetts Securities Division, without admitting or denying allegations of wrongdoing, under which it will offer to purchase at par ARS held by certain customers. On October 8, 2008, Bank of America announced agreements in principle with the Securities and Exchange Commission (SEC), the Office of the New York State Attorney General (NYAG), and the North American Securities Administrators Association. The agreements are substantially similar except that the agreement with the NYAG requires the payment of a \$50 million penalty to be allocated among and at the discretion of the settling states. In addition, the agreement with the SEC provides that the SEC reserves the right to seek an additional penalty in the event it concludes Bank of America has not satisfied its obligations under the agreement. Including the penalty discussed above, Bank of America recorded a pre-tax charge of \$363 million in connection with the purchase of ARS from clients. Most of this charge results from the difference between the purchase price and the estimated value of the securities.

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### **Countrywide Bond Insurance Litigation**

Countrywide Financial Corporation (CFC) and other Countrywide entities have been named as defendants in an action filed by MBIA Insurance Corporation (MBIA) in New York Supreme Court. The action relates to bond insurance policies provided by MBIA with regard to certain securitized pools of home equity lines of credit and fixed-rate second lien mortgage loans. MBIA allegedly has paid claims as a result of defaults in the underlying loans, and claims that these defaults are the result of improper underwriting. The complaint alleges misrepresentation and breach of contract, among other claims, and seeks unspecified actual and punitive damages, and attorneys' fees.

### **Countrywide Consolidated Securities Litigation**

*Argent Classic Convertible Arbitrage Fund L.P. v. Countrywide Financial Corp. et al.*, was filed in U. S. District Court for the Central District of California allegedly on behalf of purchasers of certain Series A and B debentures issued in various private placements pursuant to a May 16, 2007 CFC offering memorandum. This matter makes allegations similar to the allegations in the *In re Countrywide Financial Corporation Securities Litigation* case and seeks unspecified damages.

### **Countrywide Mortgage-Backed Securities Litigation**

CFC and certain other Countrywide entities, as well as BAS, have been named as defendants in two putative securities class actions (*Luther v. Countrywide Home Loans Servicing LP, et al. and Washington State Plumbing & Pipefitting Pension Trust v. Countrywide Financial Corporation, et al.*) filed in Los Angeles Superior Court relating to the public offering of various mortgage-backed securities. These cases have been consolidated. The cases have been allegedly brought on behalf of purchasers of certain mortgage-backed securities for which certain Countrywide entities filed registration statements and prospectus supplements. The consolidated complaint alleges, among other things, that the mortgage loans underlying these securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements. The consolidated complaint seeks unspecified compensatory damages, among other relief. In addition, a complaint has been filed in the First Judicial Court for the County of Santa Fe by three New Mexico governmental entities that allegedly acquired certain of these securities, which asserts similar claims and also seeks unspecified monetary damages and other forms of relief.

### **Countrywide State and Local Enforcement Actions**

The state lawsuits have been settled in principle, except for substantially similar lawsuits brought by West Virginia and Indiana. The settlement provides for a loan modification program, principally for subprime and pay option ARM borrowers, and a nationwide fund of up to \$150 million for foreclosure relief programs designated by certain settling states and for payments to individuals whose property was foreclosed and, prior to foreclosure, had made few mortgage payments. The settlements are subject to the negotiation and execution of agreements and the court's approval of such agreements.

### **Heilig-Meyers Litigation**

In *AIG Global Securities Lending Corp., et al. v. Banc of America Securities LLC*, pending in the U. S. District Court for the Southern District of New York, the plaintiffs purchased asset-backed securities issued by a trust formed by Heilig-Meyers Co., and allege that BAS, as underwriter, made misrepresentations in connection with the sale of those securities. The plaintiffs are asserting claims against BAS for violations of Section 10(b) of the Securities Exchange Act of 1934, Rule 10 b-5 and common law fraud. Plaintiffs seek approximately \$200 million in compensatory damages as well as punitive damages. The trial in the case commenced on October 27, 2008.

### **Interchange Antitrust Litigation and Visa-Related Litigation**

#### ***Discover***

The case *Discover Financial Services v. Visa USA, et al.*, has been settled. The Corporation expects that the escrow that was initially funded in connection with the Visa IPO will pay, in whole or in part, the liabilities resulting from the settlement.

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**[Table of Contents](#)****Lehman Brothers Holdings, Inc.**

In September 2008, BAS, along with a number of other underwriters and individuals, was named as a defendant in a putative class action complaint filed in the U.S. District Court for the Southern District of New York, captioned *Fogel Capital Management, Inc. v. Richard S. Fuld, Jr., et al.* Plaintiffs allege that BAS and the other underwriter defendants violated Section 11 of the Securities Act of 1933 by making false or misleading disclosures in connection with a February 2008 offering of preferred stock of Lehman Brothers Holdings, Inc. Plaintiffs seek unspecified damages.

**Parmalat Finanziaria S.p.A**

On August 12, 2008, the District Court dismissed the class action entitled *In re Parmalat Securities Litigation* against the Corporation in its entirety.

On October 9, 2008 the Public Prosecutor of the Court of Parma, Italy filed a notice of intent to file criminal charges against twelve former and current employees of the Corporation in connection with the insolvency of Parmalat S.p.A. The notice of intent to file charges alleges that the Corporation's transactions with Parmalat contributed to the insolvency of Parmalat, that certain transactions violated the Italian usury laws, and that certain former employees of the Corporation wrongly diverted funds in connection with certain transactions.

**Pension Plan Matters*****Richards***

On October 15, 2008, the Court granted final approval of the settlement.

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**NOTE 13 – Shareholders' Equity and Earnings Per Common Share**

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In October 2008, the Corporation issued common stock, preferred stock and warrants to purchase common stock. For additional information, see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

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***Common Stock***

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The Corporation may repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions through the Corporation's approved repurchase program. For the nine months ended September 30, 2008, the Corporation did not repurchase any shares of common stock and issued 107 million shares in connection with the Countrywide acquisition and 17.4 million shares under employee stock plans. The declaration of common stock dividends and the repurchase of common shares are subject to certain restrictions. For more information see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

In October 2008, the Board declared a quarterly cash dividend of \$0.32 per common share payable on December 26, 2008 to common shareholders of record on December 5, 2008. In July 2008, the Board declared a third quarter cash dividend of \$0.64 per common share which was paid on September 26, 2008 to common shareholders of record on September 5, 2008. In April 2008, the Board declared a second quarter cash dividend of \$0.64 per common share which was paid on June 27, 2008 to shareholders of record on June 6, 2008. In January 2008, the Board declared a first quarter cash dividend of \$0.64 per common share which was paid on March 28, 2008 to shareholders of record on March 7, 2008.

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***Preferred Stock***

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During the first, second and third quarters of 2008, the aggregate dividends declared on preferred stock were \$190 million, \$186 million and \$473 million. The declaration of preferred stock dividends and the repurchase of preferred shares is subject to certain restrictions. For more information see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

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In May and June 2008, the Corporation issued 117 thousand shares of Bank of America Corporation 8.20% Non-Cumulative Preferred Stock, Series H (Series H Preferred Stock) with a par value of \$0.01 per share for \$2.9 billion. Ownership is held in the form of depositary shares, each representing a 1/1,000<sup>th</sup> interest in a share of Series H Preferred Stock, paying a quarterly cash dividend on the liquidation preference of \$25,000 per share of Series H Preferred Stock at an annual rate of 8.20 percent. On any dividend date on or after May 1, 2013, the Corporation may redeem Series H Preferred Stock, in whole or in part, at its option, at \$25,000 per share, plus declared and unpaid dividends. The Series H Preferred Stock is not convertible.

In April 2008, the Corporation issued 160 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M (Series M Preferred Stock) with a par value of \$0.01 per share for \$4.0 billion. The fixed rate is 8.125 percent through May 14, 2018 and then adjusts to three-month LIBOR plus 364 basis points (bps) thereafter. Ownership is held in the form of depositary shares, each representing a 1/25<sup>th</sup> interest in a share of Series M Preferred Stock, paying a semiannual cash dividend through May 14, 2018 then adjusts to a quarterly cash dividend, on the liquidation preference of \$25,000 per share of Series M Preferred Stock. On any dividend date on or after May 15, 2018, the Corporation may redeem the Series M Preferred Stock, in whole or in part, at its option, at \$25,000 per share, plus declared and unpaid dividends. The Series M Preferred Stock is not convertible.

In January 2008, the Corporation issued 240 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K (Series K Preferred Stock) with a par value of \$0.01 per share for \$6.0 billion. The fixed rate is 8.00 percent through January 29, 2018 and then adjusts to three-month LIBOR plus 363 bps thereafter. Ownership is held in the form of depositary shares, each representing a 1/25<sup>th</sup> interest in a share of Series K Preferred Stock, paying a semiannual cash dividend through January 29, 2018 then adjusts to a quarterly cash dividend, on the liquidation preference of \$25,000 per share of Series K Preferred Stock. On any dividend date on or after January 30, 2018, the Corporation may redeem the Series K Preferred Stock, in whole or in part, at its option, at \$25,000 per share, plus declared and unpaid dividends. The Series K Preferred Stock is not convertible.

Also in January 2008, the Corporation issued 6.9 million shares of Bank of America Corporation 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L (Series L Preferred Stock) with a par value of \$0.01 per share for \$6.9 billion, paying a quarterly cash dividend on the liquidation preference of \$1,000 per share of Series L Preferred Stock at an annual rate of 7.25 percent. 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 right 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.

The shares of the series of preferred stock discussed above are not subject to the operation of a sinking fund and have no participation rights. The holders of these series have no general voting rights. If any dividend payable on these series is in arrears for three or more semiannual 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 semiannual or four quarterly dividend periods, as applicable, following the dividend arrearage.

For a more detailed discussion of the Corporation's preferred stock, see *Note 14 – Shareholders' Equity and Earnings per Common Share* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.



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### Accumulated OCI

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The following table presents the changes in accumulated OCI for the nine months ended September 30, 2008 and 2007, net-of-tax.

(Dollars in millions)	Securities (1)	Derivatives (2)	Employee Benefit Plans	Foreign Currency (4)	Total
<b>Balance, December 31, 2007</b>	\$ 6,536	\$ (4,402)	\$ (1,301)	\$ 296	\$ 1,129
Net change in fair value recorded in accumulated OCI	(8,405)	(95)	-	(242)	(8,742)
Net realized losses reclassified into earnings	1,351	580	35	-	1,966
<b>Balance, September 30, 2008</b>	\$ (518)	\$ (3,917)	\$ (1,266)	\$ 54	\$ (5,647)
<b>Balance, December 31, 2006</b>	\$ (2,733)	\$ (3,697)	\$ (1,428)	\$ 147	\$ (7,711)
Net change in fair value recorded in accumulated OCI	(792)	(409)	-	149	(1,052)
Net realized (gains) losses reclassified into earnings	(338)	387	92	7	148
<b>Balance, September 30, 2007</b>	\$ (3,863)	\$ (3,719)	\$ (1,336)	\$ 303	\$ (8,615)

(1) For the nine months ended September 30, 2008 and 2007, the Corporation reclassified net realized (gains) losses into earnings on the sale and other-than-temporary impairments of AFS debt securities of \$1.1 billion and \$(45) million, net-of-tax, and net realized (gains) losses on the sales and other-than-temporary impairments of AFS marketable equity securities of \$206 million and \$(293) million, net-of-tax.

(2) The amounts included in accumulated OCI for terminated interest rate derivative contracts were losses of \$3.8 billion and \$3.2 billion, net-of-tax, at September 30, 2008 and 2007.

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

(4) For the nine months ended September 30, 2008, the net change in fair value recorded in accumulated OCI represented \$1.6 billion in losses associated with the Corporation's foreign currency translation adjustments on its net investment in consolidated foreign operations partially offset by gains of \$1.4 billion on the related foreign currency exchange hedging results.

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### Earnings per Common Share

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Earnings per common share is computed by dividing net income available to common shareholders by the weighted average common shares issued and outstanding. For diluted earnings per common share, net income available to common shareholders can be affected by the conversion of the registrant's convertible preferred stock. Where the effect of this conversion would have been dilutive, net income available to common shareholders is adjusted by the associated preferred dividends. This adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units and the dilution resulting from the conversion of the registrant's convertible preferred stock, if applicable. The effects of convertible preferred stock, restricted stock, restricted stock units and stock options are excluded from the computation of diluted earnings per common share in periods in which the effect would be antidilutive.



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The calculation of earnings per common share and diluted earnings per common share for the three and nine months ended September 30, 2008 and 2007 is presented below.

(Dollars in millions, except per share information; shares in thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Earnings per common share</b>				
Net income	\$ 1,177	\$ 3,698	\$ 5,797	\$ 14,714
Preferred stock dividends	(473)	(43)	(849)	(129)
Net income available to common shareholders	\$ 704	\$ 3,655	\$ 4,948	\$ 14,585
Average common shares issued and outstanding	4,543,963	4,420,616	4,469,517	4,424,269
<b>Earnings per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.83</b>	<b>\$ 1.11</b>	<b>\$ 3.30</b>
<b>Diluted earnings per common share</b>				
Net income available to common shareholders	\$ 704	\$ 3,655	\$ 4,948	\$ 14,585
Average common shares issued and outstanding	4,543,963	4,420,616	4,469,517	4,424,269
Dilutive potential common shares	19,545	55,301	23,989	59,196
Total diluted average common shares issued and outstanding	4,563,508	4,475,917	4,493,506	4,483,465
<b>Diluted earnings per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.82</b>	<b>\$ 1.10</b>	<b>\$ 3.25</b>

(1) For the three and nine months ended September 30, 2008, average options to purchase 211 million and 176 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and nine months ended September 30, 2007, average options to purchase 33 million and 27 million shares were outstanding but not included in the computation of earnings per common share because they were antidilutive. For the three and nine months ended September 30, 2008, 138 million and 124 million average dilutive potential common shares associated with the convertible Series L Preferred Stock issued in January of 2008 were excluded from the diluted share count because the result would have been antidilutive under the "if-converted" method.

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

## NOTE 14 – Pension and Postretirement Plans

The Corporation sponsors noncontributory trustee qualified pension plans that cover substantially all officers and employees, a number of noncontributory nonqualified pension plans, and postretirement health and life plans. 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. For account balances based on compensation credits subsequent to December 31, 2007, the account balance earnings rate is based on a benchmark rate. A detailed discussion of these plans is presented in *Note 16 – Employee Benefit Plans* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

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As a result of the Countrywide acquisition, the Corporation assumed the obligations related to the Countrywide plans.

Net periodic benefit cost (income) of the Corporation's plans including Countrywide plans, for the three and nine months ended September 30, 2008 and 2007 included the following components:

(Dollars in millions)	Three Months Ended September 30					
	Qualified Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
	2008 (1)	2007	2008 (1)	2007	2008 (1)	2007
<b>Components of net periodic benefit cost (income)</b>						
Service cost	\$ 92	\$ 78	\$ 2	\$ 2	\$ 4	\$ 4
Interest cost	213	186	20	18	22	21
Expected return on plan assets	(364)	(322)	-	-	(3)	(2)
Amortization of transition obligation	-	-	-	-	8	8
Amortization of prior service cost (credits)	8	12	(2)	(2)	-	-
Recognized net actuarial loss (gain)	19	38	3	4	(18)	(16)
<b>Net periodic benefit cost (income)</b>	<b>\$ (32)</b>	<b>\$ (8)</b>	<b>\$ 23</b>	<b>\$ 22</b>	<b>\$ 13</b>	<b>\$ 15</b>

(Dollars in millions)	Nine Months Ended September 30					
	Qualified Pension Plans		Nonqualified Pension Plans		Postretirement Health and Life Plans	
	2008 (1)	2007	2008 (1)	2007	2008 (1)	2007
<b>Components of net periodic benefit cost (income)</b>						
Service cost	\$ 249	\$ 229	\$ 5	\$ 6	\$ 12	\$ 11
Interest cost	624	546	58	52	65	62
Expected return on plan assets	(1,080)	(950)	-	-	(9)	(5)
Amortization of transition obligation	-	-	-	-	24	24
Amortization of prior service cost (credits)	25	36	(6)	(6)	-	-
Recognized net actuarial loss (gain)	57	114	10	13	(54)	(47)
Recognized loss due to settlements and curtailments	-	-	-	13	-	-
<b>Net periodic benefit cost (income)</b>	<b>\$ (125)</b>	<b>\$ (25)</b>	<b>\$ 67</b>	<b>\$ 78</b>	<b>\$ 38</b>	<b>\$ 45</b>

(1) Includes the results of Countrywide. The net periodic benefit cost of the Countrywide Qualified Pension Plan was \$15 million for the three and nine months ended September 30, 2008. The net periodic benefit cost of the Countrywide Nonqualified Pension Plan was not material and Countrywide did not have a Postretirement Health and Life Plan.

During 2008, the Corporation expects to contribute \$147 million and \$101 million to its nonqualified pension plans and postretirement health and life plans. For the nine months ended September 30, 2008, the Corporation contributed \$125 million and \$76 million to these plans. The Corporation does not expect to contribute to its qualified pension plans during 2008.

## NOTE 15 – Income Taxes

In August 2008, the Internal Revenue Service (IRS) announced a settlement initiative related to lease-in, lease-out (LILO) and sale-in, lease-out (SILO) leveraged lease transactions. Pursuant to the settlement initiative, the Corporation received offers to settle its LILOs and SILOs and accepted these offers. According to the terms of the settlement initiative, an acceptance will not be binding until a closing agreement is executed by both parties.

The Corporation revised the assumptions associated with the projected cash flows of the relevant leases to reflect its expectation as of September 30, 2008 of receiving the tax treatment offered by the leasing settlement initiative. The recalculation resulted in an after-tax charge of \$107 million, which included a reduction of \$40 million, after tax, of accrued interest expense associated with income taxes expected to be due upon settlement.

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As of September 30, 2008 and December 31, 2007, the balance of the Corporation's unrecognized tax benefits was \$3.7 billion and \$3.1 billion. This increase resulted primarily from the acquisition of Countrywide and the evaluation of new information in the remeasurement of prior period tax positions relating to both temporary and permanent differences.

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**Note 16 – Fair Value Disclosures**

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***Fair Value Option***

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**Corporate Loans and Loan Commitments**

The Corporation accounts for certain large corporate loans and loan commitments which exceeded the Corporation's single name credit risk concentration guidelines at fair value in accordance with SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). Lending commitments, both funded and unfunded, are actively managed and monitored, and, as appropriate, credit risk for these lending relationships may be mitigated through the use of credit derivatives, with the Corporation's credit view and market perspectives determining the size and timing of the hedging activity. These credit derivatives do not meet the requirements for hedge accounting under SFAS 133 and are therefore carried at fair value with changes in fair value recorded in other income. SFAS 159 allows the Corporation to account for these loans and loan commitments at fair value, which is more consistent with the manner in which they are managed. In addition, accounting for these loans and loan commitments at fair value reduces the accounting asymmetry that would otherwise result from carrying the loans at historical cost and the credit derivatives at fair value.

At September 30, 2008 and December 31, 2007, funded loans that the Corporation fair values had an aggregate fair value of \$5.38 billion and \$4.59 billion recorded in loans and leases and an aggregate outstanding principal balance of \$5.85 billion and \$4.82 billion. At September 30, 2008 and December 31, 2007, unfunded loan commitments that the Corporation fair values had an aggregate fair value of \$716 million and \$660 million recorded in accrued expenses and other liabilities and an aggregate committed exposure of \$17.3 billion and \$20.9 billion. Interest income on these loans and commitment fees on these loan commitments are recorded in interest and fees on loans and leases. At September 30, 2008 and December 31, 2007, none of these loans were 90 days or more past due and still accruing interest or have been placed on nonaccrual status. Net losses resulting from changes in fair value of these loans and loan commitments of \$187 million and \$140 million were recorded in other income during the three months ended September 30, 2008 and 2007 while net losses of \$314 million and \$180 million were recorded during the nine months ended September 30, 2008 and 2007. These gains and losses were primarily attributable to changes in instrument-specific credit risk. These changes in fair value were predominately offset by hedging activities.

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**Loans Held-for-Sale**

The Corporation also accounts for certain LHFS at fair value. Using fair value allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. The Corporation does not fair value other LHFS primarily because these loans are floating rate loans that are not economically hedged using derivative instruments. Fair values for 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 and adjusted to reflect the inherent credit risk. At September 30, 2008 and December 31, 2007, residential mortgage loans, commercial mortgage loans, and other LHFS that the Corporation fair values had an aggregate fair value of \$15.61 billion and \$15.77 billion and an aggregate outstanding principal balance of \$17.32 billion and \$16.72 billion, primarily within *GCSBB*. Interest income on LHFS is recorded in other interest income. Net gains resulting from changes in fair value of these loans during the three months ended September 30, 2008 and 2007, including realized gains (losses) on sale, of \$520 million and \$81 million were recorded in mortgage banking income, \$(176) million and \$59 million were recorded in trading account profits (losses), and \$(38) million and \$(46) million were recorded in other income. Approximately \$87 million of losses were attributable to instrument-specific credit risk during the three months ended September 30, 2008. During the nine months ended September 30, 2008 and 2007 net gains (losses), including realized gains on sale, of \$637 million and \$120 million were recorded in mortgage banking income, \$(673) million and \$(186) million were recorded in trading account profits (losses), and \$(56) million and \$(53) million were recorded in other income. Approximately \$137 million of losses were attributable to instrument-specific credit risk during the nine months ended September 30, 2008. These changes in fair value were predominately offset by hedging activities.

**Structured Reverse Repurchase Agreements**

The Corporation fair values certain structured reverse repurchase agreements which are hedged with derivatives. Using fair value allows the Corporation to reduce volatility in earnings without the burden of complying with the requirements of hedge accounting under SFAS 133. At September 30, 2008 and December 31, 2007, these instruments had an aggregate fair value of \$2.64 billion and \$2.58 billion and a principal balance of \$2.64 billion and \$2.54 billion recorded in federal funds sold and securities purchased under agreements to resell. Interest earned on these instruments continues to be recorded in interest income. Net gains (losses) resulting from changes in fair value of these instruments of \$(8) million and \$8 million were recorded in other income for the three months ended September 30, 2008 and 2007, while gains (losses) of \$(15) million and \$16 million were recorded for the nine months ended September 30, 2008 and 2007. The Corporation does not fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

**Long-term Deposits**

The Corporation fair values certain long-term fixed rate deposits which are economically hedged with derivatives. At September 30, 2008 and December 31, 2007, these instruments had an aggregate fair value of \$1.74 billion and \$2.00 billion and a principal balance of \$1.75 billion and \$1.99 billion recorded in interest-bearing deposits. Interest paid on these instruments continues to be recorded in interest expense. Net gains (losses) resulting from changes in fair value of these instruments of \$43 million and \$(25) million were recorded in other income for the three months ended September 30, 2008 and 2007 while net gains (losses) of \$22 million and \$(4) million were recorded for the nine months ended September 30, 2008 and 2007. Using fair value allows the Corporation to reduce the accounting volatility that would otherwise result from the accounting asymmetry created by accounting for the financial instruments at historical cost and the economic hedges at fair value. The Corporation does not fair value other financial instruments within the same balance sheet category because they were not economically hedged using derivatives.

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Corporation determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. The Corporation carries certain corporate loans and loan commitments, LHFS, structured reverse repurchase agreements, and long-term deposits at fair value in accordance with SFAS 159. The Corporation also carries at fair value trading account assets and liabilities, derivative assets and liabilities, AFS debt securities, mortgage servicing rights (MSRs), and certain other assets. A detailed discussion on how the Corporation measures fair value is presented in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

#### **Level 1, 2 and 3 Valuation Techniques**

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

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

#### **Corporate Loans and Loan Commitments**

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

#### **Structured Reverse Repurchase Agreements and Long-term Deposits**

The fair values of structured reverse repurchase agreements and long-term deposits 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, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The Corporation does incorporate, consistent with the requirements of SFAS 157, within its fair value measurements of long-term deposits the net credit differential between the counterparty credit risk and our own credit risk. The value of the net credit differential is 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 within the determination of fair value, primarily based on historical experience, adjusted for any more recent name specific expectations.

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

The fair values of trading account assets and liabilities are primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. The fair values of AFS debt securities are generally based on quoted market prices or market prices for similar assets. Liquidity is a significant factor in the determination of the fair values of trading account assets or liabilities and AFS debt securities. Market price quotes may not be readily available for some positions, or positions within a market sector where trading activity has slowed significantly or ceased such as certain CDO positions and other ABS. Some of these instruments are valued using a net asset value approach, which considers the value of the underlying securities. Underlying assets are valued using external pricing services, where available, or matrix

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pricing based on the vintage and ratings. Situations of illiquidity generally are triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial statements and changes in credit ratings made by one or more rating agencies.

### **Derivative Assets and Liabilities**

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case, quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality and other deal specific factors, where appropriate. Consistent with the way the Corporation fair values long-term deposits as discussed above, the Corporation incorporates, within its fair value measurements of over-the-counter derivatives, the net credit differential between the counterparty credit risk and our own credit risk.

### **Mortgage Servicing Rights**

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

### **Loans Held-for-Sale**

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

### **Other Assets**

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

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

(Dollars in millions)	September 30, 2008				
	Fair Value Measurements Using			Netting Adjustments <sup>(1)</sup>	Assets/Liabilities at Fair Value
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Federal funds sold and securities purchased under agreements to resell	\$ -	\$ 2,636	\$ -	\$ -	\$ 2,636
Trading account assets	38,777	128,371	7,711	-	174,859
Derivative assets	935	614,063	9,071	(578,277)	45,792
Available-for-sale debt securities	3,224	244,474	9,729	-	257,427
Loans and leases	-	-	5,383	-	5,383
Mortgage servicing rights	-	-	20,811	-	20,811
Loans held-for-sale	-	12,123	3,487	-	15,610
Other assets	21,408	1,356	3,735	-	26,499
<b>Total assets</b>	<b>\$ 64,344</b>	<b>\$ 1,003,023</b>	<b>\$ 59,927</b>	<b>\$ (578,277)</b>	<b>\$ 549,017</b>
<b>Liabilities</b>					
Interest-bearing deposits in domestic offices	\$ -	\$ 1,737	\$ -	\$ -	\$ 1,737
Trading account liabilities	53,091	15,138	-	-	68,229
Derivative liabilities	1,160	588,093	7,359	(570,146)	26,466
Accrued expenses and other liabilities	-	-	1,854	-	1,854
<b>Total liabilities</b>	<b>\$ 54,251</b>	<b>\$ 604,968</b>	<b>\$ 9,213</b>	<b>\$ (570,146)</b>	<b>\$ 98,286</b>
December 31, 2007					
<b>Assets</b>					
Federal funds sold and securities purchased under agreements to resell	\$ -	\$ 2,578	\$ -	\$ -	\$ 2,578
Trading account assets	42,986	115,051	4,027	-	162,064
Derivative assets	516	442,471	8,972	(417,297)	34,662
Available-for-sale debt securities	2,089	205,734	5,507	-	213,330
Loans and leases	-	-	4,590	-	4,590
Mortgage servicing rights	-	-	3,053	-	3,053
Loans held-for-sale	-	14,431	1,334	-	15,765
Other assets	19,796	1,540	3,987	-	25,323
<b>Total assets</b>	<b>\$ 65,387</b>	<b>\$ 781,805</b>	<b>\$ 31,470</b>	<b>\$ (417,297)</b>	<b>\$ 461,365</b>
<b>Liabilities</b>					
Interest-bearing deposits in domestic offices	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
Trading account liabilities	57,331	20,011	-	-	77,342
Derivative liabilities	534	426,223	10,175	(414,509)	22,423
Accrued expenses and other liabilities	-	-	660	-	660
<b>Total liabilities</b>	<b>\$ 57,865</b>	<b>\$ 448,234</b>	<b>\$ 10,835</b>	<b>\$ (414,509)</b>	<b>\$ 102,425</b>

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

<sup>(2)</sup>Loans and leases at September 30, 2008 and December 31, 2007 included \$22.4 billion and \$22.6 billion of leases that were not eligible for the fair value option as leases are specifically excluded from fair value option election in accordance with SFAS 159.

<sup>(3)</sup>Other assets include equity investments held by Principal Investing, AFS equity securities and certain retained residual interests in securitization vehicles, including interest-only strips. Substantially all of other assets are eligible for, and the Corporation has not chosen to elect, fair value accounting at September 30, 2008 and December 31, 2007.

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The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine months ended September 30, 2008 and 2007, including realized and unrealized gains (losses) included in earnings and OCI.

### Level 3 - Fair Value Measurements

(Dollars in millions)

	Three Months Ended September 30, 2008							
	Net Derivatives <sup>(1)</sup>	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(2)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(2)</sup>	Other Assets <sup>(3)</sup>	Accrued Expenses and Other Liabilities <sup>(2)</sup>
Balance, June 30, 2008	\$ 1,317	\$ 5,646	\$ 8,324	\$ 5,014	\$ 4,250	\$ 2,011	\$ 4,013	\$ (723)
Countrywide acquisition	(185)	1,407	528	-	17,188	1,425	-	(1,212)
Included in earnings	1,795	(1,332)	(802)	(179)	(179)	(275)	(344)	22
Included in other comprehensive income	-	-	(556)	-	-	-	-	-
Purchases, issuances, and settlements	(425)	(642)	1,468	548	(448)	(219)	66	59
Transfers in to (out of) Level 3	(790)	2,632	767	-	-	545	-	-
Balance, September 30, 2008	\$ 1,712	\$ 7,711	\$ 9,729	\$ 5,383	\$ 20,811	\$ 3,487	\$ 3,735	\$ (1,854)
	Three Months Ended September 30, 2007							
Balance, June 30, 2007	\$ (1,301)	\$ 289	\$ 226	\$ 3,606	\$ 3,269	\$ 507	\$ 6,163	\$ (391)
Included in earnings	411	(248)	-	(79)	(151)	(45)	273	(63)
Included in other comprehensive income	-	-	(83)	-	-	-	(10)	-
Purchases, issuances, and settlements	207	412	385	998	61	(41)	(1,878)	-
Transfers in to (out of) Level 3	61	3,258	-	-	-	1,952	(40)	-
Balance, September 30, 2007	\$ (622)	\$ 3,711	\$ 528	\$ 4,525	\$ 3,179	\$ 2,373	\$ 4,508	\$ (454)
	Nine Months Ended September 30, 2008							
Balance, January 1, 2008	\$ (1,203)	\$ 4,027	\$ 5,507	\$ 4,590	\$ 3,053	\$ 1,334	\$ 3,987	\$ (660)
Countrywide acquisition	(185)	1,407	528	-	17,188	1,425	-	(1,212)
Included in earnings	1,484	(2,103)	(1,601)	(249)	409	(380)	305	(41)
Included in other comprehensive income	-	-	(1,060)	-	-	-	-	-
Purchases, issuances, and settlements	2,048	(1,437)	457	1,042	161	(604)	(414)	59
Transfers in to (out of) Level 3	(432)	5,817	5,898	-	-	1,712	(143)	-
Balance, September 30, 2008	\$ 1,712	\$ 7,711	\$ 9,729	\$ 5,383	\$ 20,811	\$ 3,487	\$ 3,735	\$ (1,854)
	Nine Months Ended September 30, 2007							
Balance, January 1, 2007	\$ 788	\$ 303	\$ -	\$ 3,947	\$ 2,869	\$ -	\$ 6,605	\$ (349)
Included in earnings	(172)	(297)	-	(78)	388	(49)	2,218	(105)
Included in other comprehensive income	-	-	(79)	-	-	-	(73)	-
Purchases, issuances, and settlements	(252)	436	376	656	(78)	107	(4,176)	-
Transfers in to (out of) Level 3	(986)	3,269	231	-	-	2,315	(66)	-
Balance, September 30, 2007	\$ (622)	\$ 3,711	\$ 528	\$ 4,525	\$ 3,179	\$ 2,373	\$ 4,508	\$ (454)

(1) Net derivatives at September 30, 2008 and 2007 included derivative assets of \$9.07 billion and \$9.00 billion and derivative liabilities of \$7.36 billion and \$9.63 billion. Net derivatives acquired in connection with Countrywide included derivative assets of \$107 million and derivative liabilities of \$292 million.

(2) Amounts represent items which are accounted for at fair value in accordance with SFAS 159 including commercial loan commitments and certain secured financings recorded in accrued expenses and other liabilities.

(3) Other assets include equity investments held by Principal Investing and certain retained interests in securitization vehicles, including interest-only strips.



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The table below summarizes gains and losses due to changes in fair value, including both realized and unrealized gains and losses, recorded in earnings for Level 3 assets and liabilities during the three and nine months ended September 30, 2008 and 2007. These amounts include those gains and losses generated by loans, LHFS and loan commitments which are accounted for at fair value in accordance with SFAS 159.

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

	Three Months Ended September 30, 2008								
	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(1)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(1)</sup>	Other Assets	Accrued Expenses and Other Liabilities <sup>(1)</sup>	Total
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (396)	\$ -	\$ (396)
Equity investment income	-	-	-	-	-	-	52	-	52
Trading account profits (losses)	1,068	(1,308)	-	3	-	(165)	-	12	(390)
Mortgage banking income (loss)	727	(24)	(25)	-	(179)	(110)	-	15	404
Other income (loss)	-	-	(777)	(182)	-	-	-	(5)	(964)
<b>Total</b>	<b>\$ 1,795</b>	<b>\$ (1,332)</b>	<b>\$ (802)</b>	<b>\$ (179)</b>	<b>\$ (179)</b>	<b>\$ (275)</b>	<b>\$ (344)</b>	<b>\$ 22</b>	<b>\$ (1,294)</b>

	Three Months Ended September 30, 2007								
	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(1)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(1)</sup>	Other Assets	Accrued Expenses and Other Liabilities <sup>(1)</sup>	Total
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (34)	\$ -	\$ (34)
Equity investment income	-	-	-	-	-	-	297	-	297
Trading account profits (losses)	332	(248)	-	-	-	(39)	-	(2)	43
Mortgage banking income (loss)	79	-	-	-	(151)	(6)	-	-	(78)
Other income (loss)	-	-	-	(79)	-	-	10	(61)	(130)
<b>Total</b>	<b>\$ 411</b>	<b>\$ (248)</b>	<b>\$ -</b>	<b>\$ (79)</b>	<b>\$ (151)</b>	<b>\$ (45)</b>	<b>\$ 273</b>	<b>\$ (63)</b>	<b>\$ 98</b>

	Nine Months Ended September 30, 2008								
	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(1)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(1)</sup>	Other Assets	Accrued Expenses and Other Liabilities <sup>(1)</sup>	Total
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (19)	\$ -	\$ (19)
Equity investment income	-	-	-	-	-	-	316	-	316
Trading account profits (losses)	718	(2,079)	-	1	-	(205)	-	8	(1,557)
Mortgage banking income (loss)	766	(24)	(25)	-	409	(175)	-	15	966
Other income (loss)	-	-	(1,576)	(250)	-	-	8	(64)	(1,882)
<b>Total</b>	<b>\$ 1,484</b>	<b>\$ (2,103)</b>	<b>\$ (1,601)</b>	<b>\$ (249)</b>	<b>\$ 409</b>	<b>\$ (380)</b>	<b>\$ 305</b>	<b>\$ (41)</b>	<b>\$ (2,176)</b>

	Nine Months Ended September 30, 2007								
	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(1)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(1)</sup>	Other Assets	Accrued Expenses and Other Liabilities <sup>(1)</sup>	Total
Card income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246	\$ -	\$ 246
Equity investment income	-	-	-	-	-	-	1,908	-	1,908
Trading account profits (losses)	(133)	(297)	-	-	-	(39)	-	(3)	(472)
Mortgage banking income (loss)	(39)	-	-	-	388	(6)	-	-	343
Other income (loss)	-	-	-	(78)	-	(4)	64	(102)	(120)
<b>Total</b>	<b>\$ (172)</b>	<b>\$ (297)</b>	<b>\$ -</b>	<b>\$ (78)</b>	<b>\$ 388</b>	<b>\$ (49)</b>	<b>\$ 2,218</b>	<b>\$ (105)</b>	<b>\$ 1,905</b>

<sup>(1)</sup> Amounts represent items which are accounted for at fair value in accordance with SFAS 159.

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The table below summarizes changes in unrealized gains or losses recorded in earnings during the three and nine months ended September 30, 2008 and 2007 for Level 3 assets and liabilities that were still held at September 30, 2008 and 2007. These amounts include changes in fair value of loans, LHFS and loan commitments which are accounted for at fair value in accordance with SFAS 159.

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

(Dollars in millions)

	Three Months Ended September 30, 2008								
	Net Derivatives	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(1)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(1)</sup>	Other Assets	Accrued Expenses and Other Liabilities <sup>(1)</sup>	Total
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (323)	\$ -	\$ (323)
Equity investment income	-	-	-	-	-	-	(92)	-	(92)
Trading account profits (losses)	1,480	(1,306)	-	-	-	(144)	-	-	30
Mortgage banking income	221	-	(3)	-	(344)	(97)	-	(31)	(254)
Other income (loss)	-	-	(520)	(269)	-	-	-	(31)	(820)
<b>Total</b>	<b>\$ 1,701</b>	<b>\$ (1,306)</b>	<b>\$ (523)</b>	<b>\$ (269)</b>	<b>\$ (344)</b>	<b>\$ (241)</b>	<b>\$ (415)</b>	<b>\$ (62)</b>	<b>\$ (1,459)</b>
	Three Months Ended September 30, 2007								
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (53)	\$ -	\$ (53)
Equity investment income	-	-	-	-	-	-	139	-	139
Trading account profits (losses)	475	(248)	-	-	-	(39)	-	-	188
Mortgage banking income	40	-	-	-	(229)	(6)	-	-	(195)
Other income (loss)	-	-	-	(88)	-	-	-	(97)	(185)
<b>Total</b>	<b>\$ 515</b>	<b>\$ (248)</b>	<b>\$ -</b>	<b>\$ (88)</b>	<b>\$ (229)</b>	<b>\$ (45)</b>	<b>\$ 86</b>	<b>\$ (97)</b>	<b>\$ (106)</b>
	Nine Months Ended September 30, 2008								
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (223)	\$ -	\$ (223)
Equity investment income	-	-	-	-	-	-	60	-	60
Trading account profits (losses)	1,200	(2,053)	-	-	-	(186)	-	-	(1,039)
Mortgage banking income	199	-	(3)	-	174	(131)	-	(31)	208
Other income (loss)	-	-	(1,142)	(424)	-	(1)	-	(360)	(1,927)
<b>Total</b>	<b>\$ 1,399</b>	<b>\$ (2,053)</b>	<b>\$ (1,145)</b>	<b>\$ (424)</b>	<b>\$ 174</b>	<b>\$ (318)</b>	<b>\$ (163)</b>	<b>\$ (391)</b>	<b>\$ (2,921)</b>
	Nine Months Ended September 30, 2007								
Card income (loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ -	\$ 39
Equity investment income	-	-	-	-	-	-	262	-	262
Trading account profits (losses)	(1)	(297)	-	-	-	(37)	-	(1)	(336)
Mortgage banking income	8	-	-	-	174	(6)	-	-	176
Other income (loss)	-	-	-	(98)	-	(2)	-	(176)	(276)
<b>Total</b>	<b>\$ 7</b>	<b>\$ (297)</b>	<b>\$ -</b>	<b>\$ (98)</b>	<b>\$ 174</b>	<b>\$ (45)</b>	<b>\$ 301</b>	<b>\$ (177)</b>	<b>\$ (135)</b>

<sup>(1)</sup> Amounts represented items which are accounted for at fair value in accordance with SFAS 159.

Certain assets and liabilities are measured at fair value on a non-recurring basis (e.g., LHFS, unfunded loan commitments held-for-sale, and commercial and residential reverse mortgage MSRs, all of which are carried at the lower of cost or market). The following does not reflect any hedge strategies that may be undertaken to mitigate such risk. At September 30, 2008 and December 31, 2007, LHFS that the Corporation accounts for at the lower of cost or market with an aggregate cost of \$14.16 billion and \$14.70 billion had been written down to fair value of \$13.34 billion and \$14.50 billion (of which \$2.55 billion and \$1.20 billion were measured using Level 2 inputs, and \$10.79 billion and \$13.30 billion were measured using Level 3 inputs within the fair value hierarchy). During the three months ended September 30, 2008 and 2007, losses of \$208 million and \$207 million were recorded in other income (primarily commercial mortgage LHFS and leveraged LHFS), losses of \$1 million and \$44 million were recorded in trading account profits (losses) (primarily commercial mortgage LHFS) and losses of \$31 million and \$6 million were recorded in mortgage banking income (primarily consumer mortgage LHFS). During the nine months ended September 30, 2008 and 2007, losses of \$524 million and \$233 million were recorded in other income (primarily commercial mortgage LHFS and leveraged LHFS), losses of \$195 million and \$47 million were recorded within trading account profits (losses) (primarily commercial

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mortgage LHFS) and losses of \$40 million and \$10 million were recorded in mortgage banking income (primarily consumer mortgage LHFS).

### NOTE 17 – Mortgage Servicing Rights

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

The following table presents activity for consumer MSRs for the three and nine months ended September 30, 2008 and 2007.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Balance, beginning of period</b>	<b>\$ 4,250</b>	<b>\$ 3,269</b>	<b>\$ 3,053</b>	<b>\$ 2,869</b>
Countrywide balance, July 1, 2008	17,188	-	17,188	-
Additions	875	271	1,910	539
Impact of customer payments	(1,425)	(187)	(1,855)	(554)
Other changes in MSR market value	(77)	(174)	515	325
<b>Balance, September 30</b>	<b>\$ 20,811</b>	<b>\$ 3,179</b>	<b>\$ 20,811</b>	<b>\$ 3,179</b>
<b>Mortgage loans serviced for investors (in billions)</b>	<b>\$ 1,654</b>	<b>\$ 245</b>		

For the three and nine months ended September 30, 2008 other changes in MSR market value were \$(77) million and \$515 million compared to \$(174) million and \$325 million for the same periods in 2007. These amounts reflect the changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates, as well as the effect of changes in other assumptions. For the three and nine months ended September 30, 2008, the amounts did not include \$(102) million and \$(106) million resulting from the actual cash received that was less than expected prepayments. For the three and nine months ended September 30, 2007, the amounts did not include \$23 million and \$63 million resulting from the actual cash received exceeding expected prepayments. The net amounts of \$(179) million and \$409 million for the current periods, and \$(151) million and \$388 million for the comparable periods in the prior year are included in the line “mortgage banking income (loss)” in the table “Total Realized and Unrealized Gains (Losses) Included in Earnings” in *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements.

As of September 30, 2008, the fair value of consumer MSRs was \$20.8 billion. The Corporation uses an option-adjusted spread valuation approach to determine the fair value of MSRs which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSRs include weighted average lives of the MSRs and the option adjusted spread levels.

Key economic assumptions used in determining the fair value of MSRs at September 30, 2008 and December 31, 2007 were as follows:

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Fixed	Adjustable	Fixed	Adjustable
Weighted average option adjusted spread	1.50%	6.13%	0.59%	2.54%
Weighted average life, in years	5.38	3.79	4.80	2.75

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

(Dollars in millions)	September 30, 2008				
	Change in Weighted-Average Lives		Change in Fair Value		
	Fixed	Adjustable			
<b>Prepayment rates</b>					
Impact of 10% decrease	0.27	years	0.17	years	\$ 757
Impact of 20% decrease	0.58		0.37		1,611
Impact of 10% increase	(0.24)		(0.15)		(677)
Impact of 20% increase	(0.46)		(0.28)		(1,288)
<b>OAS level</b>					
Impact of 100 bps decrease	n/a		n/a		873
Impact of 200 bps decrease	n/a		n/a		1,821
Impact of 100 bps increase	n/a		n/a		(805)
Impact of 200 bps increase	n/a		n/a		(1,551)

n/a = not applicable

Commercial and residential reverse mortgage MSRs are accounted for using the amortization method (i.e., lower of cost or market). Commercial and residential reverse mortgage MSRs totaled \$320 million and \$294 million at September 30, 2008 and December 31, 2007 and are not included in the tables above.

## NOTE 18 – Business Segment Information

The Corporation reports the results of its operations through three business segments: *Global Consumer and Small Business Banking (GCSBB)*, *Global Corporate and Investment Banking (GCIB)* and *Global Wealth and Investment Management (GWIM)*. The Corporation may periodically reclassify business segment results based on modifications to its management reporting methodologies and changes in organizational alignment.

### Global Consumer and Small Business Banking

*GCSBB* provides a diversified range of products and services to individuals and small businesses. The Corporation reports *GCSBB*'s results, specifically credit card and certain unsecured lending portfolios, on a managed basis. Reporting on a managed basis is consistent with the way that management evaluates the results of *GCSBB*. Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. This basis of presentation excludes the Corporation's securitized mortgage and home equity portfolios for which the Corporation retains servicing. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE which is excluded from the Corporation's Consolidated Financial Statements in accordance with GAAP.

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

- Managed net interest income includes *GCSBB*'s net interest income on held loans and interest income on the securitized loans less the internal funds transfer pricing allocation related to securitized loans.
- Managed noninterest income includes *GCSBB*'s noninterest income on a held basis less the reclassification of certain components of card income (e.g., excess servicing income) to record securitized net interest income and provision for credit losses. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strip that are recorded in card income as management continues to manage this impact within *GCSBB*.
- Provision for credit losses represents the provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

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### ***Global Corporate and Investment Banking***

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*GCIB* provides a wide range of financial services to both the Corporation's issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products and advisory solutions.

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### ***Global Wealth and Investment Management***

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*GWIM* offers investment and brokerage services, estate management, financial planning services, fiduciary management, credit and banking expertise, and diversified asset management products to institutional clients, as well as affluent and high net-worth individuals. *GWIM* also includes the impact of migrated qualifying affluent customers, including their related deposit balances, from *GCSBB*. After migration, the associated net interest income, service charges and noninterest expense on the deposit balances are recorded in *GWIM*.

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### ***All Other***

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*All Other* consists of equity investment activities including Principal Investing, Corporate Investments and Strategic Investments, the residual impact of the allowance for credit losses and the cost allocation processes, merger and restructuring charges, and the results of certain businesses that are expected to be or have been sold or are in the process of being liquidated. *All Other* also includes certain amounts associated with ALM activities and a corresponding "securitization offset" which removes the "securitization impact" of sold loans in *GCSBB*, in order to present the consolidated results of the Corporation on a GAAP basis (i.e., held basis).

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### ***Basis of Presentation***

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

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

The following tables present total revenue, net of interest expense, on a FTE basis and net income for the three and nine months ended September 30, 2008 and 2007, and total assets at September 30, 2008 and 2007 for each business segment, as well as *All Other*.

### Business Segments

#### Three Months Ended September 30

(Dollars in millions) (4)	Total Corporation (1)		Global Consumer and Small Business Banking (2, 3)		Global Corporate and Investment Banking (2)	
	2008	2007	2008	2007	2008	2007
Net interest income	\$ 11,920	\$ 8,992	\$ 8,938	\$ 7,257	\$ 4,124	\$ 2,713
Noninterest income	7,979	7,480	6,991	4,818	413	206
Total revenue, net of interest expense	19,899	16,472	15,929	12,075	4,537	2,919
Provision for credit losses	6,450	2,030	6,655	3,122	779	227
Amortization of intangibles	464	429	353	327	48	41
Other noninterest expense	11,196	8,282	6,922	4,954	2,859	2,497
Income before income taxes	1,789	5,731	1,999	3,672	851	154
Income tax expense	612	2,033	765	1,359	318	64
<b>Net income</b>	<b>\$ 1,177</b>	<b>\$ 3,698</b>	<b>\$ 1,234</b>	<b>\$ 2,313</b>	<b>\$ 533</b>	<b>\$ 90</b>
<b>Period-end total assets</b>	<b>\$ 1,831,177</b>	<b>\$ 1,578,763</b>	<b>\$ 506,154</b>	<b>\$ 402,773</b>	<b>\$ 753,495</b>	<b>\$ 739,427</b>

(Dollars in millions) (4)	Global Wealth and Investment Management (2)		All Other (2, 3)	
	2008	2007	2008	2007
Net interest income	\$ 1,249	\$ 1,002	\$ (2,391)	\$ (1,980)
Noninterest income	298	1,076	277	1,380
Total revenue, net of interest expense	1,547	2,078	(2,114)	(600)
Provision for credit losses	150	(29)	(1,134)	(1,290)
Amortization of intangibles	55	61	8	-
Other noninterest expense	1,229	1,157	186	(326)
Income (loss) before income taxes	113	889	(1,174)	1,016
Income tax expense (benefit)	46	331	(517)	279
<b>Net income (loss)</b>	<b>\$ 67</b>	<b>\$ 558</b>	<b>\$ (657)</b>	<b>\$ 737</b>
<b>Period-end total assets</b>	<b>\$ 179,347</b>	<b>\$ 138,725</b>	<b>\$ 392,181</b>	<b>\$ 297,838</b>

(1) There were no material intersegment revenues among the segments.

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

(3) *GCSBB* is presented on a managed basis with a corresponding offset recorded in *All Other*.

(4) FTE basis

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

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### Business Segments

Nine Months Ended September 30

(Dollars in millions) (4)	Global Consumer and Small					
	Total Corporation (1)		Business Banking (2,3)		Global Corporate and Investment Banking (2)	
	2008	2007	2008	2007	2008	2007
Net interest income	\$ 33,148	\$ 26,375	\$ 24,636	\$ 21,378	\$ 11,540	\$ 7,709
Noninterest income	24,848	28,753	17,856	13,953	2,116	6,576
Total revenue, net of interest expense	57,996	55,128	42,492	35,331	13,656	14,285
Provision for credit losses	18,290	5,075	19,655	8,626	1,665	384
Amortization of intangibles	1,357	1,209	1,015	987	145	125
Other noninterest expense	29,225	25,906	16,805	13,806	8,007	8,621
Income before income taxes	9,124	22,938	5,017	11,912	3,839	5,155
Income tax expense	3,327	8,224	1,849	4,393	1,441	1,914
<b>Net income</b>	<b>\$ 5,797</b>	<b>\$ 14,714</b>	<b>\$ 3,168</b>	<b>\$ 7,519</b>	<b>\$ 2,398</b>	<b>\$ 3,241</b>
<b>Period-end total assets</b>	<b>\$ 1,831,177</b>	<b>\$ 1,578,763</b>	<b>\$ 506,154</b>	<b>\$ 402,773</b>	<b>\$ 753,495</b>	<b>\$ 739,427</b>

(Dollars in millions) (4)	Global Wealth and Investment Management (2)				All Other (2,3)	
	2008	2007	2008	2007	2008	2007
	Net interest income	\$ 3,380	\$ 2,872	\$ (6,408)	\$ (5,584)	
Noninterest income	2,368	2,875	2,508	5,349		
Total revenue, net of interest expense	5,748	5,747	(3,900)	(235)		
Provision for credit losses	512	(20)	(3,542)	(3,915)		
Amortization of intangibles	175	93	22	4		
Other noninterest expense	3,661	3,090	752	389		
Income (loss) before income taxes	1,400	2,584	(1,132)	3,287		
Income tax expense (benefit)	529	958	(492)	959		
<b>Net income (loss)</b>	<b>\$ 871</b>	<b>\$ 1,626</b>	<b>\$ (640)</b>	<b>\$ 2,328</b>		
<b>Period-end total assets</b>	<b>\$ 179,347</b>	<b>\$ 138,725</b>	<b>\$ 392,181</b>	<b>\$ 297,838</b>		

(1) There were no material intersegment revenues among the segments.

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

(3) GCSBB is presented on a managed basis with a corresponding offset recorded in All Other.

(4) FTE basis

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

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

### GCSBB – Reconciliation

(Dollars in millions) <sup>(3)</sup>	Three Months Ended September 30, 2008			Three Months Ended September 30, 2007		
	Managed Basis <sup>(1)</sup>	Securitization Impact <sup>(2)</sup>	Held Basis	Managed Basis <sup>(1)</sup>	Securitization Impact <sup>(2)</sup>	Held Basis
Net interest income	\$ 8,938	\$ (2,207)	\$ 6,731	\$ 7,257	\$ (2,085)	\$ 5,172
Noninterest income:						
Card income	2,296	507	2,803	2,588	896	3,484
Service charges	1,822	-	1,822	1,519	-	1,519
Mortgage banking income	1,756	-	1,756	243	-	243
Insurance premiums	709	(44)	665	266	(58)	208
All other income	408	(10)	398	202	(12)	190
Total noninterest income	6,991	453	7,444	4,818	826	5,644
Total revenue, net of interest expense	15,929	(1,754)	14,175	12,075	(1,259)	10,816
Provision for credit losses	6,655	(1,754)	4,901	3,122	(1,259)	1,863
Noninterest expense	7,275	-	7,275	5,281	-	5,281
Income before income taxes	1,999	-	1,999	3,672	-	3,672
Income tax expense	765	-	765	1,359	-	1,359
<b>Net income</b>	<b>\$ 1,234</b>	<b>\$ -</b>	<b>\$ 1,234</b>	<b>\$ 2,313</b>	<b>\$ -</b>	<b>\$ 2,313</b>

(Dollars in millions) <sup>(3)</sup>	Nine Months Ended September 30, 2008			Nine Months Ended September 30, 2007		
	Managed Basis <sup>(1)</sup>	Securitization Impact <sup>(2)</sup>	Held Basis	Managed Basis <sup>(1)</sup>	Securitization Impact <sup>(2)</sup>	Held Basis
Net interest income	\$ 24,636	\$ (6,402)	\$ 18,234	\$ 21,378	\$ (5,956)	\$ 15,422
Noninterest income:						
Card income	7,583	1,768	9,351	7,567	2,528	10,095
Service charges	5,130	-	5,130	4,385	-	4,385
Mortgage banking income	2,820	-	2,820	842	-	842
Insurance premiums	1,203	(152)	1,051	662	(193)	469
All other income	1,120	(28)	1,092	497	(28)	469
Total noninterest income	17,856	1,588	19,444	13,953	2,307	16,260
Total revenue, net of interest expense	42,492	(4,814)	37,678	35,331	(3,649)	31,682
Provision for credit losses	19,655	(4,814)	14,841	8,626	(3,649)	4,977
Noninterest expense	17,820	-	17,820	14,793	-	14,793
Income before income taxes	5,017	-	5,017	11,912	-	11,912
Income tax expense	1,849	-	1,849	4,393	-	4,393
<b>Net income</b>	<b>\$ 3,168</b>	<b>\$ -</b>	<b>\$ 3,168</b>	<b>\$ 7,519</b>	<b>\$ -</b>	<b>\$ 7,519</b>

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

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

(3) FTE basis



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**All Other – Reconciliation**

(Dollars in millions) <sup>(3)</sup>	Three Months Ended September 30, 2008			Three Months Ended September 30, 2007		
	Reported Basis (1)	Securitization Offset (2)	As Adjusted	Reported Basis (1)	Securitization Offset (2)	As Adjusted
Net interest income	\$ (2,391)	\$ 2,207	\$ (184)	\$ (1,980)	\$ 2,085	\$ 105
Noninterest income:						
Card income	537	(507)	30	739	(896)	(157)
Equity investment income (loss)	(326)	-	(326)	852	-	852
Gains (losses) on sales of debt securities	(2)	-	(2)	7	-	7
All other income (loss)	68	54	122	(218)	70	(148)
Total noninterest income	277	(453)	(176)	1,380	(826)	554
Total revenue, net of interest expense	(2,114)	1,754	(360)	(600)	1,259	659
Provision for credit losses	(1,134)	1,754	620	(1,290)	1,259	(31)
Merger and restructuring charges	247	-	247	84	-	84
All other noninterest expense	(53)	-	(53)	(410)	-	(410)
Income (loss) before income taxes	(1,174)	-	(1,174)	1,016	-	1,016
Income tax expense (benefit)	(517)	-	(517)	279	-	279
<b>Net income (loss)</b>	<b>\$ (657)</b>	<b>\$ -</b>	<b>\$ (657)</b>	<b>\$ 737</b>	<b>\$ -</b>	<b>\$ 737</b>

(Dollars in millions) <sup>(3)</sup>	Nine Months Ended September 30, 2008			Nine Months Ended September 30, 2007		
	Reported Basis (1)	Securitization Offset (2)	As Adjusted	Reported Basis (1)	Securitization Offset (2)	As Adjusted
Net interest income	\$ (6,408)	\$ 6,402	\$ (6)	\$ (5,584)	\$ 5,956	\$ 372
Noninterest income:						
Card income	1,796	(1,768)	28	2,137	(2,528)	(391)
Equity investment income	652	-	652	3,467	-	3,467
Gains on sales of debt securities	349	-	349	70	-	70
All other income (loss)	(289)	180	(109)	(325)	221	(104)
Total noninterest income	2,508	(1,588)	920	5,349	(2,307)	3,042
Total revenue, net of interest expense	(3,900)	4,814	914	(235)	3,649	3,414
Provision for credit losses	(3,542)	4,814	1,272	(3,915)	3,649	(266)
Merger and restructuring charges	629	-	629	270	-	270
All other noninterest expense	145	-	145	123	-	123
Income (loss) before income taxes	(1,132)	-	(1,132)	3,287	-	3,287
Income tax expense (benefit)	(492)	-	(492)	959	-	959
<b>Net income (loss)</b>	<b>\$ (640)</b>	<b>\$ -</b>	<b>\$ (640)</b>	<b>\$ 2,328</b>	<b>\$ -</b>	<b>\$ 2,328</b>

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

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

(3) FTE basis

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The following table presents reconciliations of the three business segments' (*GCSBB*, *GCIB* and *GWIM*) total revenue, net of interest expense, on a FTE basis and net income to the Consolidated Statement of Income. The adjustments presented in the table below include consolidated income and expense amounts not specifically allocated to individual business segments.

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Segments' total revenue, net of interest expense	\$ 22,013	\$ 17,072	\$ 61,896	\$ 55,363
Adjustments:				
ALM activities	338	19	846	121
Equity investment income (loss)	(326)	852	652	3,467
Liquidating businesses	54	199	221	867
FTE basis adjustment	(278)	(375)	(894)	(1,099)
Managed securitization impact to total revenue, net of interest expense	(1,754)	(1,259)	(4,814)	(3,649)
Other	(426)	(411)	(805)	(1,041)
<b>Consolidated revenue, net of interest expense</b>	<b>\$ 19,621</b>	<b>\$ 16,097</b>	<b>\$ 57,102</b>	<b>\$ 54,029</b>
Segments' net income	\$ 1,834	\$ 2,961	\$ 6,437	\$ 12,386
Adjustments, net of taxes:				
ALM activities	(261)	(71)	(424)	(111)
Equity investment income (loss)	(205)	537	411	2,184
Liquidating businesses	37	98	90	534
Merger and restructuring charges	183	53	424	170
Other	(411)	120	(1,141)	(449)
<b>Consolidated net income</b>	<b>\$ 1,177</b>	<b>\$ 3,698</b>	<b>\$ 5,797</b>	<b>\$ 14,714</b>

(1) FTE basis

## NOTE 19 – Subsequent Events

In October 2008, the Corporation issued 455 million shares of common stock at \$22.00 per share which resulted in proceeds of \$9.8 billion, net of underwriting expenses.

In October 2008, in connection with the Troubled Asset Relief Program (TARP) Capital Purchase Program, established as part of the Emergency Economic Stabilization Act of 2008, the Corporation issued to the U.S. Treasury Department (U.S. Treasury) 600 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series N (Series N Preferred Stock) with a par value of \$0.01 per share for \$15.0 billion. The Series N Preferred Stock initially pays quarterly dividends at a five percent annual rate that increases to nine percent after five years on a liquidation preference of \$25,000 per share. The Series N Preferred Stock has a call feature after three years. In connection with this investment, the Corporation also issued to the U.S. Treasury 10-year warrants to purchase approximately 73.1 million shares of Bank of America Corporation common stock at an exercise price of \$30.79 per share. Upon the request of the U.S. Treasury, at any time, the Corporation has agreed to enter into a deposit arrangement pursuant to which the Series N Preferred Stock may be deposited and depositary shares, representing 1/25<sup>th</sup> of a share of Series N Preferred Stock, may be issued. The Corporation has agreed to register the Series N Preferred Stock, the warrants, the shares of common stock underlying the warrants and the depositary shares, if any, for resale under the Securities Act of 1933, as soon as practicable after the issuance of the Series N Preferred Stock and the warrants.

In connection with the sale of the Series N Preferred Stock, Merrill Lynch entered into an agreement with the U.S. Treasury which allows Merrill Lynch to sell preferred stock and 10-year warrants to the U.S. Treasury for a purchase price of \$10.0 billion prior to January 31, 2009 under certain circumstances. The U.S. Treasury has agreed with the Corporation that if the closing of the Merrill Lynch acquisition occurs prior to any such sale of preferred stock by Merrill Lynch to the

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U.S. Treasury, the U.S. Treasury will purchase, and the Corporation will issue, 400 thousand additional shares of Series N Preferred Stock (or a substantially similar series) and warrants to purchase approximately 48.7 million additional shares of common stock at an exercise price of \$30.79, for an aggregate purchase price of \$10.0 billion.

As required under the TARP Capital Purchase Program in connection with the sale of the Series N Preferred Stock to the U.S. Treasury, dividend payments on, and repurchases of, the Corporation's outstanding preferred and common stock are subject to certain restrictions. For as long as any Series N Preferred Stock is outstanding, no dividends may be declared or paid on the Corporation's outstanding preferred and common stock until all accrued and unpaid dividends on Series N Preferred Stock are fully paid. In addition, the U.S. Treasury's consent is required on any increase in dividends declared on shares of common stock in excess of \$0.32 per share before the third anniversary of the issuance of the Series N Preferred Stock unless the Series N Preferred Stock is redeemed by the Corporation or transferred in whole by the U.S. Treasury. Further, the U.S. Treasury's consent is required for any repurchase of any equity securities or trust preferred securities except for repurchases of Series N Preferred Stock or repurchases of common shares in connection with benefit plans consistent with past practice before the third anniversary of the issuance of the Series N Preferred Stock unless redeemed by the Corporation or transferred in whole by the U.S. Treasury.

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**Throughout the MD&A, we use certain acronyms and abbreviations which are defined in the Glossary beginning on page 171.**

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

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*This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "believes," "estimates" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. These statements are not historical facts, but instead represent Bank of America Corporation and its subsidiaries' (the Corporation) current expectations, intentions or forecasts of future events, circumstances or results. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including under Item 1A. "Risk Factors," as well as those discussed under Item 1A. "Risk Factors" of the Corporation's 2007 Annual Report on Form 10-K and in any of the Corporation's other subsequent SEC filings. Forward-looking statements speak only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.*

*In addition to the risk factors discussed under Item 1A. "Risk Factors" in this report and Item 1A. "Risk Factors" of the Corporation's 2007 Annual Report on Form 10-K, other possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: negative economic conditions that adversely affect the general economy, housing prices, the job market, consumer confidence and spending habits which may affect, among other things, the level of nonperforming assets, charge-offs and provision expense; changes in interest rates and market liquidity which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets; changes in foreign exchange rates; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial products including securities, loans, deposits, debt and derivative financial instruments, and other similar financial instruments; estimates of fair value of certain of the Corporation's assets and liabilities, which could change in value significantly from period to period; legislative and regulatory actions in the United States and internationally which may adversely affect the Corporation's businesses and economic conditions as a whole; liabilities resulting from litigation and regulatory investigations, including costs, expenses, settlements and judgments; changes in domestic or foreign tax laws, rules and regulations as well as court, Internal Revenue Service or other governmental agencies' interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Financial Services Authority; changes in accounting standards, rules and interpretations; increased competition with other large and well-capitalized banks and financial institutions; the Corporation's ability to grow its core businesses; the Corporation's ability to develop and introduce new banking-related products, services and enhancements, and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management's ability to identify and manage these and other risks.*

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

At September 30, 2008, the Corporation had \$1.8 trillion in assets and approximately 247,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

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### **2008 Economic Environment**

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During the third quarter, market and economic conditions were severely impacted where credit conditions rapidly deteriorated and financial markets experienced widespread illiquidity and elevated levels of volatility. Concerns about future economic growth, oil prices, lower consumer confidence, rapid contraction of credit availability and lower corporate earnings continued to challenge the economy. The rate of unemployment continued to increase, reaching its highest level in nearly five years. Mortgage, corporate and the related counterparty credit spreads widened and heightened concerns about the impact of monoline insurers (monolines), auction rate securities (ARS), and structured investment vehicles (SIVs) adversely impacted the financial markets. As a result of these unparalleled market conditions, federal government agencies including the U.S. Treasury Department (U.S. Treasury) and the Federal Reserve Board initiated several actions which changed the landscape of the U.S. financial services industry. For more information related to these initiatives, see the Regulatory Initiatives discussion below.

The deteriorating economy continued to negatively impact the credit quality of our loan portfolios with more rapid deterioration occurring in the latter part of the most recent quarter. The stress consumers experienced from depreciating home prices, rising unemployment and tighter credit conditions resulted in a higher level of bankruptcy filings during the quarter as well as higher levels of delinquencies and losses in our consumer and small business portfolios. Housing value declines, a slowdown in consumer spending and the turmoil in the global financial markets also impacted our commercial portfolios where we experienced higher levels of losses, particularly in the homebuilder sector of our commercial real estate portfolio. Commercial criticized utilized exposures have also increased due to broader-based economic pressures. During the first nine months of 2008, we increased the allowance for credit losses across most portfolios. For more information on credit quality, see the Credit Risk Management discussion beginning on page 123.

The market dislocations continued to significantly impact our results. We have incurred additional losses on CDOs and related subprime exposure and continue to reduce our exposure to these vehicles. Further, we have also incurred losses associated with investments in certain equity securities (e.g., Fannie Mae and Freddie Mac) and have incurred estimated losses on our commitment to buy back ARS from our clients as discussed in Recent Events below. For more information on CDOs, the related ongoing exposure and the impacts of the continuing market dislocations (e.g., leveraged finance and CMBS writedowns), see the *Capital Markets and Advisory Services (CMAS)* discussion beginning on page 91.

The market dislocations have continued to impact certain SIVs and have recently begun to impact senior debt issued by financial services companies. During the first nine months of 2008, we provided additional support to certain cash funds managed within *GWIM* by utilizing existing capital commitments and purchasing certain investments from these funds. Further, one of the SIV investments that we purchased from these funds was restructured resulting in additional losses. For more information on our cash fund support, see the *GWIM* discussion beginning on page 99.

Market conditions also impacted the ratings of certain monolines, which has affected the pricing of certain municipal securities and the liquidity of the short-term public finance markets. We have direct and indirect exposure to monolines and, in certain situations, recognized losses related to some of these exposures during the first nine months of 2008. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 146.

The above conditions, together with deterioration in the overall economy, will continue to affect these and other global markets in which we do business and will adversely impact our results throughout the remainder of 2008 and into 2009. The degree of the impact is dependent upon the duration and severity of such conditions.

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### **Regulatory Initiatives**

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On October 3, 2008, the President signed into law the Emergency Economic Stabilization Act of 2008 (EESA). Pursuant to the EESA, the U.S. Treasury has authority to, among other things, invest in financial institutions and purchase mortgages, mortgage-backed securities and certain other financial instruments from financial institutions, in an aggregate amount up to \$700 billion, for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, in connection with the Troubled Asset Relief Program (TARP) Capital Purchase Program, established as part of the EESA, the U.S. Treasury announced a plan to invest up to \$250 billion in certain eligible financial institutions in the form of non-voting, senior preferred stock initially paying quarterly dividends at a five percent annual

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rate. When the U.S. Treasury makes such preferred investments in any company, it will also receive 10-year warrants to acquire common shares having an aggregate market price of 15 percent of the amount of the senior preferred investment. In connection with the U.S. Treasury's announcement, we were identified as one of the nine financial institutions to participate in the first \$125 billion of U.S. Treasury investments. As a result, we issued to the U.S. Treasury 600 thousand shares of Bank of America Corporation Fixed Rate Cumulative Perpetual Preferred Stock, Series N (Series N Preferred Stock) with a par value of \$0.01 per share for \$15.0 billion. The Series N Preferred Stock initially pays quarterly dividends at a five percent annual rate that increases to nine percent after five years. The Series N Preferred Stock has a call feature after three years. In connection with this investment, we also issued to the U.S. Treasury warrants to purchase approximately 73.1 million shares of Bank of America Corporation common stock at an exercise price of \$30.79 per share.

In connection with the sale of the Series N Preferred Stock, Merrill Lynch & Co., Inc. (Merrill Lynch) entered into an agreement with the U.S. Treasury which allows Merrill Lynch to sell preferred stock and 10-year warrants to the U.S. Treasury for a purchase price of \$10.0 billion prior to January 31, 2009 under certain circumstances. The U.S. Treasury has agreed with the Corporation that if the closing of the Merrill Lynch acquisition occurs prior to any such sale of preferred stock by Merrill Lynch, the U.S. Treasury will purchase, and the Corporation will issue, 400 thousand additional shares of Series N Preferred Stock (or a substantially similar series) and warrants to purchase approximately 48.7 million additional shares of common stock at an exercise price of \$30.79, for an aggregate purchase price of \$10.0 billion.

Under the TARP Capital Purchase Program, dividend payments on, and repurchases of, our outstanding preferred and common stock are subject to certain restrictions. For more information on these restrictions, see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

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

Initially, these programs were provided at no cost for the first 30 days. On November 3, 2008, the FDIC extended the opt-out period to December 5, 2008 to provide eligible institutions additional time to consider the terms before making a final decision regarding participation in the program. An entity that chooses not to opt out of either or both programs will become a participating entity and will be assessed fees for participation. Participants in the DGP will be charged an annualized fee equal to 75 basis points (bps) multiplied by the debt issued, and calculated for the maturity period of that debt, or through June 30, 2012, whichever is earlier. Any eligible entity that has not chosen to opt out of the TAGP will be assessed, on a quarterly basis, an annualized 10 bps fee on balances in noninterest-bearing transaction accounts that exceed the existing deposit insurance limit of \$250,000. Details of these programs are being finalized by regulators. We have agreed in principle to participate in these programs.

In addition to the TLGP, in September 2008, the U.S. Treasury implemented the Temporary Guarantee Program for Money Market Funds. This is a voluntary and temporary program that is in effect through December 18, 2008 with the possibility of being extended. The program provides for a guarantee with respect to a fixed number of shares held by certain shareholders as of September 19, 2008, to receive \$1.00 per share in the event that a participating fund no longer has a \$1.00 per share net asset value and liquidates. With respect to such shares covered by the program, the guarantee payment would be equal to any shortfall between the amount received by a shareholder in a liquidation and \$1.00 per share. The eligible money market mutual funds pay a fee to the U.S. Treasury to participate in the program. Several money market funds managed within *GWIM* currently participate in the program.

In September and October 2008, the Federal Reserve Board announced the creation of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF) as well as the Money Market Investor Funding Facility (MMIFF). These facilities were created to provide liquidity to the U.S. short-term debt markets in an effort to increase the availability of credit. Under the AMLF, nonrecourse loans are provided to U.S. financial institutions for the purchase of U.S. dollar-denominated high-quality asset-backed commercial paper from money market mutual funds under certain conditions. The program is intended to assist money market funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the asset-backed commercial paper market and money markets more generally. Financial institutions will bear no credit risk associated with commercial paper purchased under the AMLF. Under the CPFF, registered issuers will be allowed to sell commercial paper through a

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primary dealer to the CPFF subject to certain fees. Pricing will be based on whether the commercial paper is secured or unsecured. In addition, there are issuer-based limits on the amount of commercial paper the facility will hold. Upon implementation of the MMIFF, senior secured funding will be provided to a series of special purpose vehicles to finance the purchase of U.S. dollar-denominated certificates of deposits and commercial paper with a remaining maturity of 90 days or less issued by highly rated financial institutions and from qualifying investors including U.S. money market mutual funds. We have participated in some of the above programs.

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

In May 2008, federal bank regulators in the U.S. proposed amendments to the rules regarding Unfair and Deceptive Acts or Practices (UDAP) and Truth in Lending that would restrict certain credit and charge card practices and require expanded disclosures to consumers. Similar legislative initiatives have been proposed. The proposed regulatory amendments include, among other matters, rules relating to the imposition by card issuers of interest rate increases on outstanding balances and the allocation of payments in respect of outstanding balances with different interest rates. If new regulations are adopted as proposed, we would likely make significant changes to our card practices. Also in the May 2008 proposal, federal bank regulators proposed new regulations under the same UDAP authority and under the Truth in Savings Act that would require banks to offer consumer deposit customers the opportunity to opt out of overdraft services and fees. If the new regulations are adopted as proposed, we would need to make significant changes in the manner in which we process transactions that affect consumer deposit accounts.

We are continuing to evaluate these proposals, our participation in the above programs and their impact on our financial condition and results of operations.

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## **Recent Events**

In October 2008, prior to the U.S. Treasury's announcement of the TARP Capital Purchase Program discussed above, we issued 455 million shares of common stock at \$22.00 per share resulting in proceeds of \$9.8 billion, net of underwriting expenses.

In October 2008, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of \$0.32 per share, payable on December 26, 2008 to common shareholders of record on December 5, 2008, as compared to the quarterly cash dividend on common stock of \$0.64 per share paid on September 26, 2008 to common shareholders of record on September 5, 2008. The 50 percent reduction in our regular quarterly cash dividend on common stock was a result of our earnings. In addition in October 2008, we declared aggregate dividends on preferred stock of \$297 million, and in the third quarter of 2008 declared aggregate dividends on preferred stock of \$473 million. For further discussion on our liquidity and capital, see Liquidity Risk and Capital Management beginning on page 116.

Also in October 2008, in connection with the Housing and Economic Recovery Act of 2008, we announced the creation of a home retention program that was developed in conjunction with several state attorneys general that will systematically modify troubled mortgages with up to \$8.4 billion in interest rate and principal reductions for up to 400,000 Countrywide Financial Corporation (Countrywide) customers. This program is eligible to those borrowers who financed their primary residence with subprime or pay option adjustable rate mortgages serviced by Countrywide and originated prior to December 31, 2007. We hold approximately 12 percent of the eligible loans for investment while the remaining 88 percent are loans that we service but do not own. The program is a proactive loan modification process to provide relief to eligible borrowers who are seriously delinquent or are likely to become seriously delinquent as a result of loan features, such as rate resets or payment recasts. Modification options, among others, include FHA refinancing under the Housing and Economic Recovery Act of 2008; interest rate reductions, which may be granted automatically; and principal reductions on certain pay option adjustable rate mortgages. Under this program, eligible borrowers will not be charged loan modification fees, and prepayment penalties will be waived for qualifying subprime and pay option adjustable rate mortgages Countrywide or its affiliates own. In addition, borrowers in participating states will have access to several programs to provide further financial relief. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors. This program is in line with the Corporation's original expectations upon acquisition and is not expected to impact the Corporation's purchase accounting adjustments.



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In September 2008, we announced an agreement to acquire Merrill Lynch in an all-stock transaction. The transaction has been approved by the board of directors of each company. Merrill Lynch common shareholders would receive 0.8595 of a share of Bank of America Corporation common stock in exchange for one share of Merrill Lynch common stock. In addition, Merrill Lynch non-convertible preferred shareholders would receive Bank of America Corporation preferred stock having substantially identical terms. Merrill Lynch convertible preferred stock will remain outstanding and will thereafter be convertible into Bank of America common stock at an equivalent exchange ratio. The acquisition would add Merrill Lynch's more than 16,000 financial advisors and its interest in BlackRock, Inc., a publicly traded investment management company. In addition, the acquisition is expected to increase our underwriting capabilities for debt and equity offerings, as well as our ability to advise on global mergers and acquisitions. The completion of this transaction is subject to closing conditions, and shareholder and regulatory approvals, and is expected to close on or around December 31, 2008.

In September 2008, we provided a \$7.5 billion bilateral secured credit facility to Merrill Lynch, which is collateralized by a variety of assets including corporate and commercial real estate loans. The facility matures on the earlier of March 26, 2009 or the completion or termination date of the pending acquisition of Merrill Lynch. Based on collateral delivered as of September 30, 2008, \$3.2 billion was available under the facility of which \$3.0 billion was outstanding. In October 2008, we provided a \$10.0 billion committed unsecured bank revolving credit facility to Merrill Lynch with borrowings guaranteed by the FDIC under the TLGP. This facility will be available to Merrill Lynch until January 30, 2009 but may expire at an earlier date if the pending acquisition of Merrill Lynch is terminated or consummated prior to January 30, 2009 or if Merrill Lynch elects to participate in the TARP Capital Purchase Program.

In September 2008, we announced an agreement in principle with the Massachusetts Securities Division under which we will offer to purchase at par ARS held by certain customers. The offer will cover approximately \$4.5 billion in ARS held by an estimated 5,600 of our customers. Further in October 2008, we announced other agreements in principle with the SEC, the Office of the New York State Attorney General (NYAG), and the North American Securities Administrators Association. These agreements are substantially similar except that the agreement with the NYAG requires the payment of a penalty. During the third quarter, we provided for estimated losses on our commitment to buy back ARS from our clients of \$313 million in other income and recorded a penalty of \$50 million in other general operating expense.

On July 1, 2008, the Corporation acquired Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for one share of Countrywide common stock. The acquisition of Countrywide significantly improved our mortgage originating and servicing capabilities while making us a leading mortgage originator and servicer. For more information related to our Countrywide acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

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## **Recent Accounting Developments**

On September 15, 2008, the FASB released exposure drafts which would amend SFAS 140 and FIN 46R. As written, the proposed amendments would eliminate the concept of a QSPE and change the standards for consolidation of VIEs. The changes would be effective for both existing and newly created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Consolidated Balance Sheet. These consolidations may result in an increase in outstanding loans and on-balance sheet funding, higher provision and allowance for credit losses as well as changes in the timing of recognition and location of where items are classified on our income statement. In addition, regulatory capital amounts and ratios may be negatively impacted based on the outcome of the FASB and regulatory agencies' decisions. However, the impact on the Corporation cannot be determined until the FASB issues the final amendments to SFAS 140 and FIN 46R and the banking regulators provide guidance on how these amendments will impact regulatory capital. See *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements for a further discussion of recently issued accounting pronouncements.

**Performance Overview**

Net income was \$1.2 billion, or \$0.15 per diluted common share for the three months ended September 30, 2008, as compared to \$3.7 billion, or \$0.82 per diluted common share, for the three months ended September 30, 2007. Net income was \$5.8 billion, or \$1.10 per diluted common share for the nine months ended September 30, 2008, as compared to \$14.7 billion, or \$3.25 per diluted common share, for the nine months ended September 30, 2007.

**Table 1**  
**Business Segment Total Revenue and Net Income**

(Dollars in millions)	Three Months Ended September 30				Nine Months Ended September 30			
	Total Revenue (1)		Net Income		Total Revenue (1)		Net Income	
	2008	2007	2008	2007	2008	2007	2008	2007
Global Consumer and Small Business Banking (2)	\$ 15,929	\$ 12,075	\$ 1,234	\$ 2,313	\$ 42,492	\$ 35,331	\$ 3,168	\$ 7,519
Global Corporate and Investment Banking	4,537	2,919	533	90	13,656	14,285	2,398	3,241
Global Wealth and Investment Management	1,547	2,078	67	558	5,748	5,747	871	1,626
All Other (2)	(2,114)	(600)	(657)	737	(3,900)	(235)	(640)	2,328
Total FTE basis	19,899	16,472	1,177	3,698	57,996	55,128	5,797	14,714
FTE adjustment	(278)	(375)	-	-	(894)	(1,099)	-	-
<b>Total Consolidated</b>	<b>\$ 19,621</b>	<b>\$ 16,097</b>	<b>\$ 1,177</b>	<b>\$ 3,698</b>	<b>\$ 57,102</b>	<b>\$ 54,029</b>	<b>\$ 5,797</b>	<b>\$ 14,714</b>

(1) Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 71.

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

The table above presents total revenue and net income for the business segments and *All Other* and the following discussion presents a summary of the related results. For more information on these results, see Business Segment Operations beginning on page 78.

- For the three months ended September 30, 2008, *GCSBB*'s net income decreased as higher revenue was more than offset by increased provision for credit losses and noninterest expense. Total revenue increased from merger-related and organic average loan and deposit growth, as well as higher mortgage banking income due to the acquisition of Countrywide. Higher provision for credit losses resulted from the impacts of the housing weakness and slowing economy. Noninterest expense increased due to the addition of Countrywide and LaSalle Bank Corporation (LaSalle).

In addition to the drivers discussed above, during the nine months ended September 30, 2008, *GCSBB*'s results were favorably impacted by the *Card Services*' portion of the Visa IPO transactions. For more information on *GCSBB*, see page 79.

- For the three months ended September 30, 2008, *GCIB*'s net income increased due to higher revenue, partially offset by increased commercial credit costs and noninterest expense. Revenue increased due to an increase in net interest income, primarily market-based, and service charges. Market-based disruptions continue to impact our *CMAS* business. The higher provision for credit losses was due to the impact of the housing markets slowdown on the homebuilder loan portfolio and higher commercial domestic net charge-offs.

In addition to the drivers discussed above, during the nine months ended September 30, 2008, *GCIB*'s results were favorably impacted by the *Treasury Services*' portion of the Visa IPO transactions. For more information on *GCIB*, see page 87.

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- For the three months ended September 30, 2008, *GWIM's* net income decreased due to lower revenue and higher provision for credit losses. Total revenue decreased as higher net interest income was more than offset by losses related to the support of certain cash funds. The increase in provision for credit losses was driven by deterioration in the housing markets. Noninterest expense increased due to the addition of LaSalle. In addition, total revenue and noninterest expense were adversely impacted by losses and a penalty associated with the ARS settlement.

In addition to the drivers discussed above, during the nine months ended September 30, 2008, *GWIM's* results were impacted by the July 1, 2007 acquisition of U.S. Trust Corporation. For more information on *GWIM*, see page 99.

- For the three months ended September 30, 2008, *All Other's* net income decreased due to losses in equity investment income, higher credit costs related to our ALM residential mortgage portfolio and an increase in merger and restructuring charges.

In addition to the drivers discussed above, during the nine months ended September 30, 2008, *All Other's* results were impacted by the absence of our Latin America operations, which were sold in the first quarter of 2007. For more information on *All Other*, see page 105.

## Financial Highlights

### Net Interest Income

Net interest income on a FTE basis increased \$2.9 billion to \$11.9 billion and \$6.8 billion to \$33.1 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007. The increases were driven by the acquisitions of Countrywide and LaSalle, strong loan and deposit growth, hedge income, and the contribution from market-based net interest income related to our *CMAS* business, which benefited from the steepening of the yield curve and product mix. The net interest yield on a FTE basis increased 32 bps to 2.93 percent and 26 bps to 2.86 percent for the three and nine months ended September 30, 2008 compared to the same periods in 2007, due to increased yields on market based activity, the beneficial impact of the current interest rate environment and hedge income. Partially offsetting these increases were the additions of lower yielding assets from the Countrywide and LaSalle acquisitions. For more information on net interest income on a FTE basis, see Tables 8 and 9 on pages 75 and 77.

### Noninterest Income

Table 2

### Noninterest Income

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Card income	\$ 3,122	\$ 3,595	\$ 10,212	\$ 10,486
Service charges	2,722	2,221	7,757	6,493
Investment and brokerage services	1,238	1,378	3,900	3,720
Investment banking income	474	389	1,645	1,801
Equity investment income (loss)	(316)	904	1,330	3,747
Trading account profits (losses)	(384)	(1,388)	(1,810)	491
Mortgage banking income	1,674	155	2,564	516
Insurance premiums	678	235	1,092	548
Gains on sales of debt securities	10	7	362	71
Other income (loss)	(1,239)	(16)	(2,204)	880
<b>Total noninterest income</b>	<b>\$ 7,979</b>	<b>\$ 7,480</b>	<b>\$ 24,848</b>	<b>\$ 28,753</b>

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Noninterest income increased \$499 million to \$8.0 billion and decreased \$3.9 billion to \$24.8 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007.

- Card income on a held basis decreased \$473 million and \$274 million primarily due to the unfavorable change in value of the interest-only strip and decreases in various fees, partially offset by an increase in debit card income. In addition, the decrease during the nine months ended September 30, 2008 was partially offset by an increase in cash advance fees.
- Service charges grew \$501 million and \$1.3 billion resulting from new account growth in deposit accounts and the beneficial impact of the LaSalle acquisition.
- Investment and brokerage services decreased \$140 million for the three months ended September 30, 2008 primarily due to the absence of fees related to Marsico Capital Management, LLC (Marsico) which was sold in late 2007. Investment and brokerage services increased \$180 million for the nine months ended September 30, 2008 primarily due to the U.S. Trust Corporation and LaSalle acquisitions, partially offset by the sale of Marsico.
- Investment banking income increased \$85 million for the three months ended September 30, 2008 driven by increased debt underwriting activity as customers' demand for liquidity rose. Investment banking income decreased \$156 million for the nine months ended September 30, 2008, driven by reduced advisory fees due to current market disruptions.
- Equity investment income decreased \$1.2 billion and \$2.4 billion due to a reduction in gains from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace when compared to the same periods in the prior year and other-than-temporary impairments taken on certain equity securities, including Freddie Mac and Fannie Mae. In addition, during the three months ended September 30, 2007, we recorded a \$353 million dividend from China Construction Bank (CCB) which included a special dividend of \$184 million due to CCB's share listing.
- Trading account losses were \$384 million and \$1.8 billion driven by continued losses related to CDO exposure and the continuing impact of the market disruptions on various parts of our *CMAS* business. For more information on the impact of these events refer to the *GCIB* discussion beginning on page 87.
- Mortgage banking income increased \$1.5 billion and \$2.0 billion primarily as a result of the Countrywide acquisition, which drove increases in servicing income of \$881 million and \$1.1 billion and production income of \$639 million and \$981 million.
- Insurance premiums increased \$443 million and \$544 million primarily due to the acquisition of Countrywide's life and casualty, and reinsurance businesses.
- Other income (loss) decreased \$1.2 billion and \$3.1 billion due to impairment writedowns of \$789 million and \$1.9 billion associated with CDOs classified as AFS debt securities and \$145 million and \$648 million of writedowns associated with our leveraged finance loans and commitments. We also recorded losses of \$630 million and \$886 million associated with the support provided to certain cash funds managed within *GWIM* and writedowns related to certain SIV investments that were purchased from the funds. In addition, during the three months ended September 30, 2008 we recorded losses of \$313 million on a commitment to buy back auction-rate securities from clients. These decreases were partially offset by a \$283 million gain on the sale of a card portfolio as well as a \$224 million gain on the sale of our prime brokerage business, both of which occurred in the third quarter of 2008.

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## Provision for Credit Losses

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The provision for credit losses increased \$4.4 billion to \$6.5 billion and \$13.2 billion to \$18.3 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007. Deterioration in the housing markets, particularly in geographic areas that have experienced the most significant home price declines, as well as the impacts of a slowing economy and seasoning drove higher credit costs.

For more information on credit quality, see Provision for Credit Losses beginning on page 151.

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**Noninterest Expense**

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**Table 3****Noninterest Expense**

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(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Personnel	\$ 5,198	\$ 4,169	\$ 14,344	\$ 13,931
Occupancy	926	754	2,623	2,211
Equipment	440	336	1,208	1,018
Marketing	605	552	1,813	1,644
Professional fees	424	258	1,071	770
Amortization of intangibles	464	429	1,357	1,209
Data processing	755	463	1,905	1,372
Telecommunications	288	255	814	750
Other general operating	2,313	1,411	4,818	3,940
Merger and restructuring charges	247	84	629	270
<b>Total noninterest expense</b>	<b>\$ 11,660</b>	<b>\$ 8,711</b>	<b>\$ 30,582</b>	<b>\$ 27,115</b>

Noninterest expense increased \$2.9 billion and \$3.5 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007, primarily due to the acquisitions of Countrywide and LaSalle. The nine months ended September 30, 2008 was also impacted by the reversal of certain Visa-related litigation costs associated with the completion of the Visa IPO and a reduction in performance-based incentive compensation expense due in part to modifications to certain employee incentive programs primarily in *GCIB*.

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**Income Tax Expense**

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Income tax expense was \$334 million for the three months ended September 30, 2008 compared to \$1.7 billion for the same period in 2007 resulting in an effective tax rate of 22.1 percent and 31.0 percent. Income tax expense was \$2.4 billion for the nine months ended September 30, 2008 compared to \$7.1 billion for the same period in 2007 resulting in an effective tax rate of 29.6 percent and 32.6 percent. The decreases in the effective tax rates reflect the impact of lower pre-tax income offset by a decrease in the relative percentage of our earnings taxed solely outside of the U.S. and the remeasurement of tax positions in accordance with FIN 48. For more information on income tax expense, see *Note 15 – Income Taxes* to the Consolidated Financial Statements.

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**Assets**

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At September 30, 2008, total assets were \$1.8 trillion, an increase of \$115.4 billion from December 31, 2007. The increase in total assets was primarily attributable to the acquisition of Countrywide, which impacted various line items including loans and leases, debt securities, mortgage servicing rights and other assets. Partially offsetting these increases was a decrease in federal funds sold and securities purchased under agreements to resell, primarily due to the sale of our equity prime brokerage business. In addition to the acquisition of Countrywide, debt securities also increased due to net purchases of securities and the securitization of residential mortgage loans into mortgage-backed securities which we retained.

Average total assets for the three and nine months ended September 30, 2008 increased \$325.1 billion, or 21 percent, and \$254.0 billion, or 16 percent, from the same periods in 2007 primarily due to higher loans and leases and debt

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securities. The increase in average loans and leases was attributable to organic growth and the Countrywide and LaSalle acquisitions. The increase in debt securities was driven by the same factors as noted above and the LaSalle merger.

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## ***Liabilities and Shareholders' Equity***

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At September 30, 2008, total liabilities were \$1.7 trillion, an increase of \$101.2 billion from December 31, 2007. The increase in total liabilities was attributable to the acquisition of Countrywide, which impacted various line items including deposits, long-term debt, and accrued expenses and other liabilities. Deposits increased \$68.9 billion due to the addition of Countrywide and the benefit we received from a consumer and business flight-to-safety resulting from market instability. Partially offsetting these increases was a decrease in commercial paper and other short-term borrowings due in part to the sale of our equity prime brokerage business.

Average total liabilities for the three and nine months ended September 30, 2008 increased \$293.2 billion, or 20 percent, and \$227.0 billion, or 16 percent, from the same periods in 2007. The increase in average total liabilities was attributable to higher deposits and long-term debt to support growth in overall assets, the assumption of liabilities associated with Countrywide and LaSalle, and the funding of the LaSalle acquisition.

Period end shareholders' equity was \$161.0 billion at September 30, 2008, an increase of \$14.2 billion from December 31, 2007, due to the issuance of preferred stock of \$19.7 billion, net income of \$5.8 billion and stock issued in the Countrywide acquisition of \$4.2 billion, partially offset by dividend payments of \$9.5 billion and a decrease in accumulated OCI of \$6.8 billion. The decrease in accumulated OCI was due in part to the decrease in the fair value of our CCB investment during 2008.

Average shareholders' equity for the three and nine months ended September 30, 2008 compared to the same periods in 2007, increased \$32.0 billion and \$27.0 billion due to the same period-end factors discussed above except that accumulated OCI increased due to the fair value adjustment related to our investment in CCB.

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## ***Impact of Countrywide Acquisition***

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Effective July 1, 2008, Countrywide's results of operations are included in the Corporation's consolidated results. For the three and nine months ended September 30, 2008, the Countrywide acquisition contributed \$644 million to net interest income on a FTE basis, \$1.7 billion to noninterest income, \$2.0 billion to noninterest expense and \$259 million to net income. The acquisition of Countrywide did not have a significant impact on the provision for credit losses as impaired loans acquired from Countrywide were initially recorded at fair value. At July 1, 2008, the Countrywide acquisition contributed \$86.2 billion to total loans and leases, \$17.4 billion to securities, \$17.2 billion to MSRs, and \$63.0 billion to total deposits.

The majority of Countrywide's ongoing operations are recorded in *MHEIS*. Countrywide's acquired first mortgage portfolio was recorded in *All Other* and is managed as part of our overall ALM activities. For more information on Countrywide's impact in *MHEIS*, see the *MHEIS* discussion beginning on page 85. For more information related to the Countrywide acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

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**Table 4**  
**Selected Quarterly Financial Data**

(Dollars in millions, except per share information)	2008 Quarters			2007 Quarters	
	Third	Second	First	Fourth	Third
<b>Income statement</b>					
Net interest income	\$ 11,642	\$ 10,621	\$ 9,991	\$ 9,165	\$ 8,617
Noninterest income	7,979	9,789	7,080	3,639	7,480
Total revenue, net of interest expense	19,621	20,410	17,071	12,804	16,097
Provision for credit losses	6,450	5,830	6,010	3,310	2,030
Noninterest expense, before merger and restructuring charges	11,413	9,447	9,093	10,269	8,627
Merger and restructuring charges	247	212	170	140	84
Income (loss) before income taxes	1,511	4,921	1,798	(915)	5,356
Income tax expense (benefit)	334	1,511	588	(1,183)	1,658
Net income	\$ 1,177	\$ 3,410	\$ 1,210	\$ 268	\$ 3,698
Average common shares issued and outstanding (in thousands)	4,543,963	4,435,719	4,427,823	4,421,554	4,420,616
Average diluted common shares issued and outstanding (in thousands)	4,563,508	4,457,193	4,461,201	4,470,108	4,475,917
<b>Performance ratios</b>					
Return on average assets	0.25 %	0.78 %	0.28 %	0.06 %	0.93 %
Return on average common shareholders' equity	1.97	9.25	2.90	0.60	11.02
Return on tangible shareholders' equity <sup>(1)</sup>	5.54	16.40	6.31	1.60	21.90
Total ending equity to total ending assets	8.79	9.48	9.00	8.56	8.77
Total average equity to total average assets	8.73	9.20	8.77	8.32	8.51
Dividend payout	n/m	88.67	n/m	n/m	77.97
<b>Per common share data</b>					
Earnings	\$ 0.15	\$ 0.73	\$ 0.23	\$ 0.05	\$ 0.83
Diluted earnings	0.15	0.72	0.23	0.05	0.82
Dividends paid	0.64	0.64	0.64	0.64	0.64
Book value	30.01	31.11	31.22	32.09	30.45
<b>Market price per share of common stock</b>					
Closing	\$ 35.00	\$ 23.87	\$ 37.91	\$ 41.26	\$ 50.27
High closing	37.48	40.86	45.03	52.71	51.87
Low closing	18.52	23.87	35.31	41.10	47.00
<b>Market capitalization</b>	\$ 159,672	\$ 106,292	\$ 168,806	\$ 183,107	\$ 223,041
<b>Average balance sheet</b>					
Total loans and leases	\$ 946,914	\$ 878,639	\$ 875,661	\$ 868,119	\$ 780,516
Total assets	1,905,691	1,754,613	1,764,927	1,742,467	1,580,565
Total deposits	857,845	786,002	787,623	781,625	702,481
Long-term debt	264,934	205,194	198,463	196,444	175,265
Common shareholders' equity	142,303	140,243	141,456	141,085	131,606
Total shareholders' equity	166,454	161,428	154,728	144,924	134,487
<b>Asset quality <sup>(2)</sup></b>					
Allowance for credit losses <sup>(3)</sup>	\$ 20,773	\$ 17,637	\$ 15,398	\$ 12,106	\$ 9,927
Nonperforming assets <sup>(4)</sup>	13,576	9,749	7,827	5,948	3,372
Allowance for loan and lease losses as a percentage of total loans and leases outstanding <sup>(5)</sup>	2.17 %	1.98 %	1.71 %	1.33 %	1.21 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases <sup>(5)</sup>	173	187	203	207	300
Net charge-offs	\$ 4,356	\$ 3,619	\$ 2,715	\$ 1,985	\$ 1,573
Annualized net charge-offs as a percentage of average loans and leases outstanding <sup>(5)</sup>	1.84 %	1.67 %	1.25 %	0.91 %	0.80 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding <sup>(5)</sup>	1.25	1.06	0.84	0.64	0.40
Nonperforming assets as a percentage of total loans, leases and foreclosed properties <sup>(4, 5)</sup>	1.45	1.13	0.90	0.68	0.43
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.17	1.18	1.36	1.47	1.53
<b>Capital ratios (period end)</b>					
Risk-based capital:					
Tier 1	7.55 %	8.25 %	7.51 %	6.87 %	8.22 %
Total	11.54	12.60	11.71	11.02	11.86
Tier 1 Leverage	5.51	6.07	5.59	5.04	6.20

(1) Tangible shareholders' equity is a non-GAAP measure. For additional information on ROTE and a corresponding reconciliation of tangible shareholders' equity to a GAAP financial measure, see Supplemental Financial Data beginning on page 71.

(2) We account for acquired impaired loans in accordance with SOP 03-3. For more information on the impact of SOP 03-3 on asset quality, see Consumer Portfolio Credit Risk beginning on page 123.

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

(4) Balances and ratios do not include nonperforming LHFS included in other assets and nonperforming AFS debt securities.

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

n/m= not meaningful

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**Table 5**  
**Selected Year-to-Date Financial Data**

(Dollars in millions, except per share information)	Nine Months Ended September 30	
	2008	2007
<b>Income statement</b>		
Net interest income	\$ 32,254	\$ 25,276
Noninterest income	24,848	28,753
Total revenue, net of interest expense	57,102	54,029
Provision for credit losses	18,290	5,075
Noninterest expense, before merger and restructuring charges	29,953	26,845
Merger and restructuring charges	629	270
Income before income taxes	8,230	21,839
Income tax expense	2,433	7,125
Net income	\$ 5,797	\$ 14,714
Average common shares issued and outstanding (in thousands)	4,469,517	4,424,269
Average diluted common shares issued and outstanding (in thousands)	4,493,506	4,483,465
<b>Performance ratios</b>		
Return on average assets	0.43 %	1.27 %
Return on average common shareholders' equity	4.68	14.88
Return on tangible shareholders' equity <sup>(1)</sup>	9.47	29.11
Total ending equity to total ending assets	8.79	8.77
Total average equity to total average assets	8.90	8.61
Dividend payout	174.73	53.79
<b>Per common share data</b>		
Earnings	\$ 1.11	\$ 3.30
Diluted earnings	1.10	3.25
Dividends paid	1.92	1.76
Book value	30.01	30.45
<b>Market price per share of common stock</b>		
Closing	\$ 35.00	\$ 50.27
High closing	45.03	54.05
Low closing	18.52	47.00
<b>Market capitalization</b>		
	\$ 159,672	\$ 223,041
<b>Average balance sheet</b>		
Total loans and leases	\$ 900,574	\$ 745,162
Total assets	1,808,765	1,554,760
Total deposits	810,663	695,465
Long-term debt	223,017	160,895
Common shareholders' equity	141,337	131,017
Total shareholders' equity	160,890	133,878
<b>Asset quality <sup>(2)</sup></b>		
Allowance for credit losses <sup>(3)</sup>	\$ 20,773	\$ 9,927
Nonperforming assets <sup>(4)</sup>	13,576	3,372
Allowance for loan and lease losses as a percentage of total loans and leases outstanding <sup>(5)</sup>	2.17 %	1.21 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases <sup>(5)</sup>	173	300
Net charge-offs	\$ 10,690	\$ 4,495
Annualized net charge-offs as a percentage of average loans and leases outstanding <sup>(5)</sup>	1.59 %	0.80 %
Nonperforming loans and leases as a percentage of total loans and leases outstanding <sup>(5)</sup>	1.25	0.40
Nonperforming assets as a percentage of total loans, leases and foreclosed properties <sup>(4, 5)</sup>	1.45	0.43
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.42	1.59

(1) Tangible shareholders' equity is a non-GAAP measure. For additional information on ROTE and a corresponding reconciliation of tangible shareholders' equity to a GAAP financial measure, see Supplemental Financial Data beginning on page 71.

(2) We account for acquired impaired loans in accordance with SOP 03-3. For more information on the impact of SOP 03-3 on asset quality, see Consumer Portfolio Credit Risk beginning on page 123.

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

(4) Balances and ratios do not include nonperforming LHFS included in other assets and nonperforming AFS debt securities.

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



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**Supplemental Financial Data**

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

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***Operating Basis Presentation***

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

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***Net Interest Income - FTE Basis***

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

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***Performance Measures***

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

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

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

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Table 6

Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Operating basis</b>				
Operating earnings	\$ 1,360	\$ 3,751	\$ 6,221	\$ 14,884
Return on average assets	0.28 %	0.94 %	0.46 %	1.28 %
Return on average common shareholders' equity	2.48	11.18	5.08	15.06
Return on average tangible shareholders' equity	6.40	22.21	10.17	29.45
Operating efficiency ratio (FTE basis)	57.36	52.38	51.65	48.70
Dividend payout ratio	n/m	76.86	160.94	53.17
Operating leverage (FTE basis)	(11.48)	(10.99)	(6.37)	(2.85)
<b>FTE basis data</b>				
Net interest income	\$ 11,920	\$ 8,992	\$ 33,148	\$ 26,375
Total revenue, net of interest expense	19,899	16,472	57,996	55,128
Net interest yield	2.93 %	2.61 %	2.86 %	2.60 %
Efficiency ratio	58.60	52.89	52.73	49.19
<b>Reconciliation of net income to operating earnings</b>				
Net income	\$ 1,177	\$ 3,698	\$ 5,797	\$ 14,714
Merger and restructuring charges	247	84	629	270
Related income tax benefit	(64)	(31)	(205)	(100)
Operating earnings	\$ 1,360	\$ 3,751	\$ 6,221	\$ 14,884
<b>Reconciliation of average shareholders' equity to average tangible shareholders' equity</b>				
Average shareholders' equity	\$ 166,454	\$ 134,487	\$ 160,890	\$ 133,878
Average goodwill	(81,977)	(67,499)	(79,150)	(66,309)
Average tangible shareholders' equity	\$ 84,477	\$ 66,988	\$ 81,740	\$ 67,569
<b>Reconciliation of return on average assets to operating return on average assets</b>				
Return on average assets	0.25 %	0.93 %	0.43 %	1.27 %
Effect of merger and restructuring charges, net-of-tax	0.03	0.01	0.03	0.01
Operating return on average assets	0.28 %	0.94 %	0.46 %	1.28 %
<b>Reconciliation of return on average common shareholders' equity to operating return on average common shareholders' equity</b>				
Return on average common shareholders' equity	1.97 %	11.02 %	4.68 %	14.88 %
Effect of merger and restructuring charges, net-of-tax	0.51	0.16	0.40	0.18
Operating return on average common shareholders' equity	2.48 %	11.18 %	5.08 %	15.06 %
<b>Reconciliation of return on average tangible shareholders' equity to operating return on average tangible shareholders' equity</b>				
Return on average tangible shareholders' equity	5.54 %	21.90 %	9.47 %	29.11 %
Effect of merger and restructuring charges, net-of-tax	0.86	0.31	0.70	0.34
Operating return on average tangible shareholders' equity	6.40 %	22.21 %	10.17 %	29.45 %
<b>Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)</b>				
Efficiency ratio	58.60 %	52.89 %	52.73 %	49.19 %
Effect of merger and restructuring charges	(1.24)	(0.51)	(1.08)	(0.49)
Operating efficiency ratio	57.36 %	52.38 %	51.65 %	48.70 %
<b>Reconciliation of dividend payout ratio to operating dividend payout ratio</b>				
Dividend payout ratio	n/m %	77.97 %	174.73 %	53.79 %
Effect of merger and restructuring charges, net-of-tax	n/m	(1.11)	(13.79)	(0.62)
Operating dividend payout ratio	n/m %	76.86 %	160.94 %	53.17 %
<b>Reconciliation of operating leverage to operating basis operating leverage (FTE basis)</b>				
Operating leverage	(13.04) %	(8.91) %	(7.58) %	(1.70) %
Effect of merger and restructuring charges	1.56	(2.08)	1.21	(1.15)
Operating leverage	(11.48) %	(10.99) %	(6.37) %	(2.85) %

n/m= not meaningful

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### Core Net Interest Income – Managed Basis

We manage core net interest income – managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *GCIB* business segment section beginning on page 87, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *CMAS*. We also adjust for loans that we originated and subsequently sold into certain securitizations. These securitizations include off-balance sheet loans and leases, primarily credit card securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income – managed basis, core average earning assets – managed basis and core net interest yield on earning assets – managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown below.

**Table 7**  
**Core Net Interest Income – Managed Basis**

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Net interest income</b> <sup>(1)</sup>				
As reported	\$ 11,920	\$ 8,992	\$ 33,148	\$ 26,375
Impact of market-based net interest income <sup>(2)</sup>	(1,448)	(789)	(4,125)	(1,908)
Core net interest income	10,472	8,203	29,023	24,467
Impact of securitizations	2,310	2,009	6,654	5,820
<b>Core net interest income – managed basis</b>	<b>\$ 12,782</b>	<b>\$ 10,212</b>	<b>\$ 35,677</b>	<b>\$ 30,287</b>
<b>Average earning assets</b>				
As reported	\$ 1,622,466	\$ 1,375,795	\$ 1,544,617	\$ 1,352,177
Impact of market-based earning assets <sup>(2)</sup>	(377,630)	(407,066)	(385,517)	(414,363)
Core average earning assets	1,244,836	968,729	1,159,100	937,814
Impact of securitizations	101,743	104,181	102,481	103,028
<b>Core average earning assets – managed basis</b>	<b>\$ 1,346,579</b>	<b>\$ 1,072,910</b>	<b>\$ 1,261,581</b>	<b>\$ 1,040,842</b>
<b>Net interest yield contribution</b> <sup>(1, 4)</sup>				
As reported	2.93	2.61	2.86	2.60
Impact of market-based activities <sup>(2)</sup>	0.43	0.77	0.48	0.88
Core net interest yield on earning assets	3.36	3.38	3.34	3.48
Impact of securitizations	0.43	0.42	0.43	0.40
<b>Core net interest yield on earning assets – managed basis</b>	<b>3.79</b>	<b>3.80</b>	<b>3.77</b>	<b>3.88</b>

(1) FTE basis

(2) Represents the impact of market-based amounts included in the *CMAS* business within *GCIB*. For the three and nine months ended September 30, 2008, the impact of market-based net interest income excludes \$23 million and \$75 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income. For the three and nine months ended September 30, 2007, the impact of market-based net interest income excludes \$22 million and \$44 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income.

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

(4) Calculated on an annualized basis.

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Core net interest income on a managed basis increased \$2.6 billion and \$5.4 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007. The increases were driven by the acquisitions of Countrywide and LaSalle, strong loan and deposit growth and hedge income.

On a managed basis, core average earning assets increased \$273.7 billion and \$220.7 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007 due to higher loan levels and the impact of the Countrywide and LaSalle acquisitions.

Core net interest yield on a managed basis decreased 1 bp to 3.79 percent and 11 bps to 3.77 percent for the three and nine months ended September 30, 2008 compared to the same periods in 2007, driven by the additions of lower yielding assets from the Countrywide and LaSalle acquisitions, partially offset by the beneficial impact of the current interest rate environment and hedge income.

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**Table 8**  
**Quarterly Average Balances and Interest Rates - FTE Basis**

(Dollars in millions)	Third Quarter 2008			Second Quarter 2008		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
<b>Earning assets</b>						
Time deposits placed and other short-term investments	\$ 11,361	\$ 101	3.54 %	\$ 10,310	\$ 87	3.40 %
Federal funds sold and securities purchased under agreements to resell	136,322	912	2.67	126,169	800	2.54
Trading account assets	191,757	2,390	4.98	184,547	2,282	4.95
Debt securities <sup>(1)</sup>	266,013	3,672	5.52	235,369	2,963	5.04
Loans and leases <sup>(2)</sup> :						
Residential mortgage	260,748	3,712	5.69	256,164	3,541	5.54
Home equity	151,142	2,124	5.59	120,265	1,627	5.44
Discontinued real estate	22,031	399	7.25	n/a	n/a	n/a
Credit card – domestic	63,414	1,682	10.55	61,655	1,603	10.45
Credit card – foreign	17,075	535	12.47	16,566	512	12.43
Direct/Indirect consumer <sup>(3)</sup>	85,392	1,790	8.34	82,593	1,731	8.43
Other consumer <sup>(4)</sup>	3,723	80	8.78	3,953	84	8.36
Total consumer	603,525	10,322	6.82	541,196	9,098	6.75
Commercial – domestic	224,117	2,852	5.06	219,537	2,762	5.06
Commercial real estate <sup>(5)</sup>	63,220	727	4.57	62,810	737	4.72
Commercial lease financing	22,585	53	0.93	22,276	243	4.37
Commercial – foreign	33,467	377	4.48	32,820	366	4.48
Total commercial	343,389	4,009	4.64	337,443	4,108	4.89
Total loans and leases	946,914	14,331	6.03	878,639	13,206	6.04
Other earning assets	70,099	1,068	6.07	65,200	1,005	6.19
<b>Total earning assets <sup>(6)</sup></b>	<b>1,622,466</b>	<b>22,474</b>	<b>5.52</b>	<b>1,500,234</b>	<b>20,343</b>	<b>5.44</b>
Cash and cash equivalents	36,030			33,799		
Other assets, less allowance for loan and lease losses	247,195			220,580		
<b>Total assets</b>	<b>\$ 1,905,691</b>			<b>\$ 1,754,613</b>		
<b>Interest-bearing liabilities</b>						
Domestic interest-bearing deposits:						
Savings	\$ 32,297	\$ 58	0.72 %	\$ 33,164	\$ 64	0.77 %
NOW and money market deposit accounts	278,520	973	1.39	258,104	856	1.33
Consumer CDs and IRAs	218,862	1,852	3.37	178,828	1,646	3.70
Negotiable CDs, public funds and other time deposits	36,039	291	3.21	24,216	195	3.25
Total domestic interest-bearing deposits	565,718	3,174	2.23	494,312	2,761	2.25
Foreign interest-bearing deposits:						
Banks located in foreign countries	36,230	266	2.91	33,777	272	3.25
Governments and official institutions	11,847	72	2.43	11,789	77	2.62
Time, savings and other	48,209	334	2.76	55,403	410	2.97
Total foreign interest-bearing deposits	96,286	672	2.78	100,969	759	3.02
Total interest-bearing deposits	662,004	3,846	2.31	595,281	3,520	2.38
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	465,511	3,223	2.76	444,578	3,087	2.79
Trading account liabilities	77,271	661	3.40	70,546	749	4.27
Long-term debt	264,934	2,824	4.26	205,194	2,050	4.00
<b>Total interest-bearing liabilities <sup>(6)</sup></b>	<b>1,469,720</b>	<b>10,554</b>	<b>2.86</b>	<b>1,315,599</b>	<b>9,406</b>	<b>2.87</b>
Noninterest-bearing sources:						
Noninterest-bearing deposits	195,841			190,721		
Other liabilities	73,676			86,865		
Shareholders' equity	166,454			161,428		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,905,691</b>			<b>\$ 1,754,613</b>		
Net interest spread			2.66 %			2.57 %
Impact of noninterest-bearing sources			0.27			0.35
<b>Net interest income/yield on earning assets</b>		<b>\$ 11,920</b>	<b>2.93 %</b>		<b>\$ 10,937</b>	<b>2.92 %</b>

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

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

(3) Includes foreign consumer loans of \$2.6 billion, \$3.0 billion and \$3.3 billion in the third, second and first quarters of 2008, and \$3.6 billion and \$3.8 billion in the fourth and third quarters of 2007, respectively.

(4) Includes consumer finance loans of \$2.7 billion, \$2.8 billion and \$3.0 billion in the third, second and first quarters of 2008, and \$3.1 billion and \$3.2 billion in the fourth and third quarters of 2007, respectively; and other foreign consumer loans of \$1.1 billion, \$862 million and \$857 million in the third, second and first quarters of 2008, and \$845 million and \$843 million in the fourth and third quarters of 2007, respectively.

(5) Includes domestic commercial real estate loans of \$62.2 billion, \$61.6 billion and \$61.0 billion in the third, second and first quarters of 2008, and \$58.5 billion and \$38.0 billion in the fourth and third quarters of 2007, respectively.

(6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on assets \$12 million, \$104 million and \$103 million in the third, second and first quarters of 2008, and \$134 million and \$170 million in the fourth and third quarters of 2007, respectively. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on liabilities \$86 million, \$37 million and \$49 million in the third, second and first quarters of 2008, and \$201 million and \$226 million in the fourth and third quarters of 2007, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 160.



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**Quarterly Average Balances and Interest Rates – FTE Basis (continued)**

(Dollars in millions)	First Quarter 2008			Fourth Quarter 2007			Third Quarter 2007		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
<b>Earning assets</b>									
Time deposits placed and other short-term investments	\$ 10,596	\$ 94	3.56 %	\$ 10,459	\$ 122	4.63 %	\$ 11,879	\$ 148	4.92 %
Federal funds sold and securities purchased under agreements to resell	145,043	1,208	3.34	151,938	1,748	4.59	139,259	1,839	5.27
Trading account assets	192,410	2,417	5.04	190,700	2,422	5.06	194,661	2,604	5.33
Debt securities <sup>(1)</sup>	219,377	2,835	5.17	206,873	2,795	5.40	174,568	2,380	5.45
Loans and leases <sup>(2)</sup> :									
Residential mortgage	270,541	3,837	5.68	277,058	3,972	5.73	274,385	3,928	5.72
Home equity	116,562	1,872	6.46	112,369	2,043	7.21	98,611	1,884	7.58
Discontinued real estate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Credit card – domestic	63,277	1,774	11.28	60,063	1,781	11.76	57,491	1,780	12.29
Credit card – foreign	15,241	474	12.51	14,329	464	12.86	11,995	371	12.25
Direct/Indirect consumer <sup>(3)</sup>	78,705	1,699	8.68	75,138	1,658	8.75	72,978	1,600	8.70
Other consumer <sup>(4)</sup>	4,049	87	8.61	4,206	71	6.77	4,322	96	8.90
Total consumer	548,375	9,743	7.13	543,163	9,989	7.32	519,782	9,659	7.39
Commercial – domestic	212,394	3,198	6.06	213,200	3,704	6.89	176,554	3,207	7.21
Commercial real estate <sup>(5)</sup>	62,202	887	5.74	59,702	1,053	6.99	38,977	733	7.47
Commercial lease financing	22,227	261	4.69	22,239	574	10.33	20,044	246	4.91
Commercial – foreign	30,463	387	5.11	29,815	426	5.67	25,159	377	5.95
Total commercial	327,286	4,733	5.81	324,956	5,757	7.03	260,734	4,563	6.95
Total loans and leases	875,661	14,476	6.64	868,119	15,746	7.21	780,516	14,222	7.25
Other earning assets	67,208	1,129	6.75	74,909	1,296	6.89	74,912	1,215	6.46
Total earning assets <sup>(6)</sup>	1,510,295	22,159	5.89	1,502,998	24,129	6.39	1,375,795	22,408	6.48
Cash and cash equivalents	33,949			33,714			31,356		
Other assets, less allowance for loan and lease losses	220,683			205,755			173,414		
<b>Total assets</b>	<b>\$ 1,764,927</b>			<b>\$ 1,742,467</b>			<b>\$ 1,580,565</b>		
<b>Interest-bearing liabilities</b>									
Domestic interest-bearing deposits:									
Savings	\$ 31,798	\$ 50	0.63 %	\$ 31,961	\$ 50	0.63 %	\$ 31,510	\$ 50	0.62 %
NOW and money market deposit accounts	248,949	1,139	1.84	240,914	1,334	2.20	215,078	1,104	2.04
Consumer CDs and IRAs	188,005	2,071	4.43	183,910	2,179	4.70	165,840	1,949	4.66
Negotiable CDs, public funds and other time deposits	32,201	320	4.00	34,997	420	4.76	17,392	227	5.20
Total domestic interest-bearing deposits	500,953	3,580	2.87	491,782	3,983	3.21	429,820	3,330	3.07
Foreign interest-bearing deposits:									
Banks located in foreign countries	39,196	400	4.10	45,050	557	4.91	43,727	564	5.12
Governments and official institutions	14,650	132	3.62	16,506	192	4.62	17,206	218	5.03
Time, savings and other	53,064	476	3.61	51,919	521	3.98	41,868	433	4.09
Total foreign interest-bearing deposits	106,910	1,008	3.79	113,475	1,270	4.44	102,801	1,215	4.69
Total interest-bearing deposits	607,863	4,588	3.04	605,257	5,253	3.44	532,621	4,545	3.39
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	452,854	4,142	3.68	456,530	5,598	4.87	409,070	5,519	5.36
Trading account liabilities	82,432	840	4.10	81,500	825	4.02	86,118	906	4.17
Long-term debt	198,463	2,298	4.63	196,444	2,638	5.37	175,265	2,446	5.58
Total interest-bearing liabilities <sup>(6)</sup>	1,341,612	11,868	3.55	1,339,731	14,314	4.25	1,203,074	13,416	4.43
Noninterest-bearing sources:									
Noninterest-bearing deposits	179,760			176,368			169,860		
Other liabilities	88,827			81,444			73,144		
Shareholders' equity	154,728			144,924			134,487		
Total liabilities and shareholders' equity	\$ 1,764,927			\$ 1,742,467			\$ 1,580,565		
Net interest spread			2.34 %			2.14 %			2.05 %
Impact of noninterest-bearing sources			0.39			0.47			0.56
<b>Net interest income/yield on earning assets</b>		<b>\$ 10,291</b>	<b>2.73 %</b>		<b>\$ 9,815</b>	<b>2.61 %</b>		<b>\$ 8,992</b>	<b>2.61 %</b>

For Footnotes, see page 75.

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**Table 9**  
**Year-to-Date Average Balances and Interest Rates - FTE Basis**

(Dollars in millions)	Nine Months Ended September 30					
	2008			2007		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
<b>Earning assets</b>						
Time deposits placed and other short-term investments	\$ 10,758	\$ 282	3.50 %	\$ 14,059	\$ 505	4.80 %
Federal funds sold and securities purchased under agreements to resell	135,846	2,920	2.87	157,139	5,974	5.07
Trading account assets	189,579	7,089	4.99	186,137	7,325	5.25
Debt securities <sup>(1)</sup>	240,347	9,470	5.25	179,589	7,225	5.37
Loans and leases <sup>(2)</sup> :						
Residential mortgage	262,478	11,090	5.63	260,469	11,140	5.70
Home equity	129,402	5,623	5.80	94,179	5,342	7.58
Discontinued real estate	7,397	399	7.25	n/a	n/a	n/a
Credit card – domestic	62,784	5,059	10.76	57,148	5,444	12.74
Credit card – foreign	16,297	1,521	12.47	11,694	1,038	11.86
Direct/Indirect consumer <sup>(3)</sup>	82,242	5,220	8.48	68,281	4,344	8.51
Other consumer <sup>(4)</sup>	3,908	251	8.58	4,614	318	9.21
Total consumer	564,508	29,163	6.90	496,385	27,626	7.43
Commercial – domestic	218,702	8,812	5.38	168,948	9,180	7.26
Commercial real estate <sup>(5)</sup>	62,746	2,351	5.00	37,305	2,092	7.50
Commercial lease financing	22,364	557	3.32	19,828	638	4.29
Commercial – foreign	32,254	1,130	4.68	22,696	1,026	6.05
Total commercial	336,066	12,850	5.11	248,777	12,936	6.95
Total loans and leases	900,574	42,013	6.23	745,162	40,562	7.27
Other earning assets	67,513	3,202	6.33	70,091	3,333	6.35
<b>Total earning assets <sup>(6)</sup></b>	<b>1,544,617</b>	<b>64,976</b>	<b>5.61</b>	<b>1,352,177</b>	<b>64,924</b>	<b>6.41</b>
Cash and cash equivalents	34,598			32,881		
Other assets, less allowance for loan and lease losses	229,550			169,702		
<b>Total assets</b>	<b>\$ 1,808,765</b>			<b>\$ 1,554,760</b>		
<b>Interest-bearing liabilities</b>						
Domestic interest-bearing deposits:						
Savings	\$ 32,419	\$ 172	0.71 %	\$ 32,436	\$ 138	0.57 %
NOW and money market deposit accounts	261,918	2,968	1.51	213,230	3,027	1.90
Consumer CDs and IRAs	195,318	5,569	3.81	162,372	5,638	4.64
Negotiable CDs, public funds and other time deposits	30,838	806	3.49	15,690	554	4.72
Total domestic interest-bearing deposits	520,493	9,515	2.44	423,728	9,357	2.95
Foreign interest-bearing deposits:						
Banks located in foreign countries	36,401	938	3.44	42,025	1,617	5.14
Governments and official institutions	12,758	281	2.94	16,529	620	5.01
Time, savings and other	52,211	1,220	3.12	40,587	1,246	4.10
Total foreign interest-bearing deposits	101,370	2,439	3.21	99,141	3,483	4.70
Total interest-bearing deposits	621,863	11,954	2.57	522,869	12,840	3.28
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	454,355	10,452	3.07	414,126	16,369	5.28
Trading account liabilities	76,752	2,250	3.92	83,132	2,619	4.21
Long-term debt	223,017	7,172	4.29	160,895	6,721	5.57
<b>Total interest-bearing liabilities <sup>(6)</sup></b>	<b>1,375,987</b>	<b>31,828</b>	<b>3.09</b>	<b>1,181,022</b>	<b>38,549</b>	<b>4.36</b>
Noninterest-bearing sources:						
Noninterest-bearing deposits	188,800			172,596		
Other liabilities	83,088			67,264		
Shareholders' equity	160,890			133,878		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,808,765</b>			<b>\$ 1,554,760</b>		
Net interest spread			2.52 %			2.05 %
Impact of noninterest-bearing sources			0.34			0.55
<b>Net interest income/yield on earning assets</b>		<b>\$ 33,148</b>	<b>2.86 %</b>		<b>\$ 26,375</b>	<b>2.60 %</b>

- (1) Yields on AFS debt securities are calculated based on fair value rather than historical cost balances. The use of fair value does not have a material impact on net interest yield.
- (2) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. We account for acquired impaired loans in accordance with SOP 03-3. Loans accounted for in accordance with SOP 03-3 were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
- (3) Includes foreign consumer loans of \$3.0 billion and \$3.9 billion for the nine months ended September 30, 2008 and 2007.
- (4) Includes consumer finance loans of \$2.8 billion and \$3.2 billion, and other foreign consumer loans of \$947 million and \$1.2 billion for the nine months ended September 30, 2008 and 2007.
- (5) Includes domestic commercial real estate loans of \$61.6 billion and \$36.6 billion for the nine months ended September 30, 2008 and 2007.
- (6) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on assets \$219 million and \$408 million for the nine months ended September 30, 2008 and 2007. Interest expense includes the impact of interest rate risk management contracts, which increased interest expense on liabilities \$172 million and \$612 million for the nine months ended September 30, 2008 and 2007. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities beginning on page 160.

n/a = not applicable



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**Business Segment Operations**

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***Segment Description***

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We report the results of our operations through three business segments: *GCSBB*, *GCIB* and *GWIM*, with the remaining operations recorded in *All Other*. Certain prior period amounts have been reclassified to conform to current period presentation. For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue and net income, see *Note 18 – Business Segment Information* to the Consolidated Financial Statements.

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***Basis of Presentation***

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We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 71. We begin by evaluating the operating results of the businesses which by definition exclude merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

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

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

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit's stand-alone credit, market, interest rate and operational risk components. The nature of these risks is discussed further beginning on page 115. The Corporation benefits from the diversification of risk across these components, which is reflected as a reduction to allocated equity for each segment. For *GCSBB*, this benefit is reflected as a reduction to allocated equity proportionately across the three consumer businesses, *Deposits and Student Lending*, *Card Services*, and *Mortgage, Home Equity and Insurance Services*. For our *GCIB* and *GWIM* segments, this benefit is recorded within *ALM/Other*. Average equity is allocated to the business segments and the businesses, and is impacted by the portion of goodwill that is specifically assigned to them.

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**Global Consumer and Small Business Banking**

**Three Months Ended September 30, 2008**

(Dollars in millions)	Total (1)	Deposits and Student Lending	Card Services (1)	Mortgage, Home Equity and Insurance Services
Net interest income (2)	\$ 8,938	\$ 2,997	\$ 4,831	\$ 1,110
Noninterest income:				
Card income	2,296	616	1,679	1
Service charges	1,822	1,821	-	1
Mortgage banking income	1,756	-	-	1,756
Insurance premiums	709	-	139	570
All other income	408	8	394	6
Total noninterest income	6,991	2,445	2,212	2,334
Total revenue, net of interest expense	15,929	5,442	7,043	3,444
Provision for credit losses (3)	6,655	239	5,462	954
Noninterest expense	7,275	2,362	2,161	2,752
Income (loss) before income taxes	1,999	2,841	(580)	(262)
Income tax expense (benefit) (2)	765	1,072	(207)	(100)
<b>Net income (loss)</b>	<b>\$ 1,234</b>	<b>\$ 1,769</b>	<b>\$ (373)</b>	<b>\$ (162)</b>
Net interest yield (2)	8.28 %	3.20 %	8.25 %	2.57 %
Return on average equity (4)	6.19	35.87	(3.57)	(3.57)
Efficiency ratio (2)	45.68	43.41	30.68	79.92
Period end – total assets (5)	\$ 506,154	\$ 397,801	\$ 253,671	\$ 203,936

**Three Months Ended September 30, 2007**

(Dollars in millions)	Total (1)	Deposits and Student Lending	Card Services (1)	Mortgage, Home Equity and Insurance Services
Net interest income (2)	\$ 7,257	\$ 2,563	\$ 4,128	\$ 566
Noninterest income:				
Card income	2,588	551	2,035	2
Service charges	1,519	1,518	-	1
Mortgage banking income	243	-	-	243
Insurance premiums	266	-	179	87
All other income	202	37	139	26
Total noninterest income	4,818	2,106	2,353	359
Total revenue, net of interest expense	12,075	4,669	6,481	925
Provision for credit losses (3)	3,122	184	2,741	197
Noninterest expense	5,281	2,480	2,113	688
Income before income taxes	3,672	2,005	1,627	40
Income tax expense (2)	1,359	759	590	10
<b>Net income</b>	<b>\$ 2,313</b>	<b>\$ 1,246</b>	<b>\$ 1,037</b>	<b>\$ 30</b>
Net interest yield (2)	8.20 %	3.14 %	7.77 %	1.94 %
Return on average equity (4)	14.74	26.93	10.39	2.74
Efficiency ratio (2)	43.74	53.11	32.61	74.40
Period end – total assets (5)	\$ 402,773	\$ 341,615	\$ 243,988	\$ 124,069

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

(2) FTE basis

(3) Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

(4) Average allocated equity for *GCSBB* was \$79.3 billion and \$62.3 billion for the three months ended September 30, 2008 and 2007.

(5) Total assets include asset allocations to match liabilities (i.e., deposits).

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**Global Consumer and Small Business Banking**

**Nine Months Ended September 30, 2008**

(Dollars in millions)	Total (1)	Deposits and Student Lending	Card Services (1)	Mortgage, Home Equity and Insurance Services
Net interest income <sup>(2)</sup>	\$ 24,636	\$ 8,258	\$ 13,977	\$ 2,401
Noninterest income:				
Card income	7,583	1,795	5,783	5
Service charges	5,130	5,127	-	3
Mortgage banking income	2,820	-	-	2,820
Insurance premiums	1,203	-	432	771
All other income	1,120	47	924	149
Total noninterest income	17,856	6,969	7,139	3,748
Total revenue, net of interest expense	42,492	15,227	21,116	6,149
Provision for credit losses <sup>(3)</sup>	19,655	772	13,834	5,049
Noninterest expense	17,820	7,409	6,198	4,213
Income (loss) before income taxes	5,017	7,046	1,084	(3,113)
Income tax expense (benefit) <sup>(2)</sup>	1,849	2,608	359	(1,118)
<b>Net income (loss)</b>	<b>\$ 3,168</b>	<b>\$ 4,438</b>	<b>\$ 725</b>	<b>\$ (1,995)</b>
Net interest yield <sup>(2)</sup>	8.41 %	3.17 %	8.09 %	2.23 %
Return on average equity <sup>(4)</sup>	5.98	29.56	2.34	(28.53)
Efficiency ratio <sup>(2)</sup>	41.94	48.66	29.35	68.53
Period end – total assets <sup>(5)</sup>	\$ 506,154	\$ 397,801	\$ 253,671	\$ 203,936

**Nine Months Ended September 30, 2007**

(Dollars in millions)	Total (1)	Deposits and Student Lending	Card Services (1)	Mortgage, Home Equity and Insurance Services
Net interest income <sup>(2)</sup>	\$ 21,378	\$ 7,768	\$ 11,996	\$ 1,614
Noninterest income:				
Card income	7,567	1,590	5,972	5
Service charges	4,385	4,382	(1)	4
Mortgage banking income	842	-	-	842
Insurance premiums	662	-	411	251
All other income	497	88	348	61
Total noninterest income	13,953	6,060	6,730	1,163
Total revenue, net of interest expense	35,331	13,828	18,726	2,777
Provision for credit losses <sup>(3)</sup>	8,626	380	7,891	355
Noninterest expense	14,793	6,989	5,968	1,836
Income before income taxes	11,912	6,459	4,867	586
Income tax expense <sup>(2)</sup>	4,393	2,404	1,775	214
<b>Net income</b>	<b>\$ 7,519</b>	<b>\$ 4,055</b>	<b>\$ 3,092</b>	<b>\$ 372</b>
Net interest yield <sup>(2)</sup>	8.11 %	3.18 %	7.83 %	2.00 %
Return on average equity <sup>(4)</sup>	16.26	28.82	10.57	12.66
Efficiency ratio <sup>(2)</sup>	41.87	50.55	31.87	66.09
Period end – total assets <sup>(5)</sup>	\$ 402,773	\$ 341,615	\$ 243,988	\$ 124,069

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

(2) FTE basis

(3) Represents provision for credit losses on held loans combined with realized credit losses associated with the securitized loan portfolio.

(4) Average allocated equity for *GCSBB* was \$70.7 billion and \$61.8 billion for the nine months ended September 30, 2008 and 2007.

(5) Total assets include asset allocations to match liabilities (i.e., deposits).

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(Dollars in millions)	Ending Balance		Average Balance			
	September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007	2008	2007
Total loans and leases <sup>(1)</sup>	\$ 392,219	\$ 337,792	\$ 393,373	\$ 331,674	\$ 374,494	\$ 319,123
Total earning assets <sup>(1)</sup>	445,682	355,389	429,440	351,218	391,432	352,239
Total assets	506,154	402,773	509,139	401,004	457,419	403,705
Total deposits	400,122	322,697	397,073	323,282	362,387	326,528

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

The strategy for *GCSBB* is to attract, retain and deepen customer relationships. We achieve this strategy through our ability to offer a wide range of products and services through a franchise that stretches coast to coast through 32 states and the District of Columbia. We also provide credit card products to customers in Canada, Ireland, Spain and the United Kingdom. In the U.S., we serve approximately 59 million consumer and small business relationships utilizing our network of 6,139 banking centers, 18,584 domestic branded ATMs, and telephone and Internet channels. *GCSBB* is made up of three businesses: *Deposits and Student Lending*, *Card Services* and *Mortgage, Home Equity and Insurance Services (MHEIS)*. *GCSBB*, specifically the *Card Services* business, is presented on a managed basis. For a reconciliation of managed *GCSBB* to held *GCSBB*, see *Note 18 – Business Segment Information* to the Consolidated Financial Statements.

### Three months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Net income decreased \$1.1 billion, or 47 percent, as increases in noninterest income and net interest income were more than offset by higher provision for credit losses and noninterest expense.

Net interest income increased \$1.7 billion, or 23 percent, due to increased spreads and higher margin on ALM activities, and the acquisition of Countrywide. In addition, average loans and leases, and average deposits increased \$61.7 billion and \$73.8 billion, or 19 percent and 23 percent. Noninterest income increased \$2.2 billion, or 45 percent, due to increased mortgage banking income and insurance premiums primarily as a result of the Countrywide acquisition, higher service charges and a \$283 million gain on the sale of a card portfolio.

Provision for credit losses increased \$3.5 billion to \$6.7 billion driven by increases of \$2.7 billion and \$757 million in *Card Services* and *MHEIS*. For further discussion related to *Card Services* and *MHEIS*, see their respective discussions beginning on pages 82 and 85.

Noninterest expense increased \$2.0 billion, or 38 percent, primarily driven by the Countrywide acquisition.

### Nine months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Net income decreased \$4.4 billion, or 58 percent, as increases in noninterest income of \$3.9 billion and net interest income of \$3.3 billion were more than offset by higher provision for credit losses of \$11.0 billion and noninterest expense of \$3.0 billion. In addition to the factors described in the three-month discussion above, noninterest income and noninterest expense benefited from the favorable impact of the Visa IPO transactions.

## Deposits and Student Lending

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

Our deposit products include traditional savings accounts, money market savings accounts, CDs and IRAs, and noninterest and interest-bearing checking accounts. Deposit products provide a relatively stable source of funding and liquidity. We earn net interest spread revenues from investing this liquidity in earning assets through client-facing lending

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and ALM activities. The revenue is allocated to the deposit products using our funds transfer pricing process which takes into account the interest rates and maturity characteristics of the deposits. Deposits also generate fees such as account service fees, non-sufficient fund fees, overdraft charges and ATM fees, while debit cards generate merchant interchange fees based on purchase volume.

We added 823 thousand and 2.1 million net new retail checking accounts for the three and nine months ended September 30, 2008. These additions resulted from continued improvement in sales and service results in the Banking Center Channel and Online, and the success of such products as Keep the Change™ and new Affinity relationships. During the first nine months of 2008, we added 4.8 million subscribers to our active online banking customer base. In addition, our active bill pay users paid \$229.1 billion worth of bills online for the nine months ended September 30, 2008.

We continue to migrate qualifying affluent customers and their related deposit balances from *Deposits and Student Lending* to *GWIM*. For the three and nine months ended September 30, 2008, a total of \$3.3 billion and \$15.9 billion of deposits, including \$2.3 billion during the first quarter of 2008 related to the initial migration of legacy LaSalle accounts, were migrated from *Deposits and Student Lending* to *GWIM*. For the three and nine months ended September 30, 2007 a total of \$2.6 billion and \$9.0 billion were migrated from *Deposits and Student Lending* to *GWIM*. After migration, the associated net interest income, service charges and noninterest expense are recorded in *GWIM*.

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income increased \$523 million, or 42 percent, driven by higher net interest income and noninterest income as well as lower noninterest expense. Net interest income increased \$434 million, or 17 percent, driven by a higher contribution from our ALM activities and growth in average deposits partially offset by the impact of competitive deposit pricing. Average deposits increased \$62.2 billion, or 20 percent, due to the acquisitions of Countrywide and LaSalle and organic growth including customers' flight-to-safety resulting from market instability partially offset by the migration of customer relationships and related deposit balances to *GWIM*. The acquisition of Countrywide contributed \$38.7 billion of the increase in average deposits. The increase in noninterest income was driven by higher service charges of \$303 million, or 20 percent, primarily as a result of increased volume, new demand deposit account growth and the addition of LaSalle. Additionally, debit card revenue growth of \$65 million, or 12 percent, was due to new account and card growth, increased usage and the addition of LaSalle.

Provision for credit losses increased \$55 million to \$239 million primarily driven by deposit overdrafts reflecting a higher average balance per account and account growth.

Noninterest expense decreased \$118 million, or five percent, primarily due to efficiency gains partially offset by the addition of Countrywide.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income increased \$383 million, or nine percent, driven by higher noninterest income of \$909 million and net interest income of \$490 million partially offset by increases in noninterest expense of \$420 million and provision for credit losses of \$392 million. These period-over-period changes were driven by the same factors as described in the three-month discussion above with the exception of provision for credit losses, which was principally driven by deterioration in the small business lending portfolio due to the impacts of a slowing economy and seasoning, reflective of growth. In addition, the increase in noninterest expense was due to the acquisitions of LaSalle and Countrywide, and a higher number of accounts and transaction volumes.

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## **Card Services**

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

The Corporation reports its *Card Services* results on a managed basis, which is consistent with the way that management evaluates the results of *Card Services*. Managed basis assumes that securitized loans were not sold and

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presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Loan securitization is an alternative funding process that is used by the Corporation to diversify funding sources. Loan securitization removes loans from the Consolidated Balance Sheet through the sale of loans to an off-balance sheet QSPE which is excluded from the Corporation's Consolidated Financial Statements in accordance with GAAP.

Securitized loans continue to be serviced by the business and are subject to the same underwriting standards and ongoing monitoring as held loans. In addition, excess servicing income is exposed to similar credit risk and repricing of interest rates as held loans. The financial market disruptions that began in 2007 continued to impact the economy and financial services sector. Late in the third quarter of 2008, liquidity for asset backed securities disappeared and spreads rose to historic highs, negatively impacting our credit card securitization programs. If these conditions persist it could adversely affect our ability to access these markets at favorable terms. In addition, the spread between the three-month LIBOR rate and the Federal Funds target rate has significantly widened since December 31, 2007. For more information see our Interest Rate Risk Management for Nontrading Activities discussion on page 160.

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

*Card Services* net income decreased \$1.4 billion to a net loss of \$373 million as growth in net interest income was more than offset by higher provision for credit losses and lower noninterest income.

Net interest income grew \$703 million, or 17 percent, driven by higher managed average loans and leases of \$22.4 billion, or 11 percent combined with the beneficial impact of the decrease in short-term interest rates on our funding costs. Noninterest income decreased \$141 million, or six percent, as card income was impacted by an unfavorable change in the value of the interest-only strip and decreases in various fees. This decrease in card income was partially offset by an increase in all other income due to a \$283 million gain on the sale of a card portfolio.

Provision for credit losses increased \$2.7 billion primarily driven by higher managed losses and reserve increases from portfolio deterioration and higher bankruptcies reflecting the impacts of the slowing economy, a lower level of securitization issuance and seasoning of the portfolio reflective of growth. For further discussion, see Provision for Credit Losses beginning on page 151.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income decreased \$2.4 billion, or 77 percent, as growth in net interest income of \$2.0 billion and noninterest income of \$409 million were more than offset by higher provision for credit losses of \$5.9 billion. These period-over-period changes were driven by the same factors as described in the three-month discussion above. Additionally, noninterest income benefited from the \$388 million gain related to *Card Services*' allocation of the Visa IPO and higher cash advance fees. Noninterest expense increased \$230 million as higher personnel-related expenses and technology-related costs primarily driven by increased customer assistance and collection infrastructure were offset by the reversal of certain Visa-related litigation costs associated with the completion of the Visa IPO.

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Key Statistics

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Card Services</b>				
Average – total loans and leases:				
Managed	\$ 232,578	\$ 210,168	\$ 230,423	\$ 204,209
Held	126,659	105,851	124,246	101,534
Period end – total loans and leases:				
Managed	228,831	213,859	228,831	213,859
Held	126,783	110,317	126,783	110,317
Managed net losses <sup>(1)</sup> :				
Amount <sup>(3)</sup>	4,074	2,513	10,807	7,373
Percent	6.97 %	4.74 %	6.26 %	4.83 %
<b>Credit Card <sup>(2)</sup></b>				
Average – total loans and leases:				
Managed	\$ 186,408	\$ 172,002	\$ 185,258	\$ 169,005
Held	80,489	69,486	79,081	68,842
Period end – total loans and leases:				
Managed	183,398	173,770	183,398	173,770
Held	81,350	71,702	81,350	71,702
Managed net losses <sup>(1)</sup> :				
Amount <sup>(3)</sup>	2,996	2,024	8,119	6,076
Percent	6.40 %	4.67 %	5.85 %	4.81 %

(1) Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.

(2) Includes U.S. Consumer, foreign and U.S. Government card. Does not include business card and unsecured lending.

(3) Ratios are calculated as annualized managed net losses divided by average outstanding managed loans and leases during the period.

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

**Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Managed *Card Services* net losses increased \$1.6 billion to \$4.1 billion, or 6.97 percent of average outstandings compared to \$2.5 billion, or 4.74 percent in the same period in 2007. This increase was driven by portfolio deterioration and higher bankruptcies reflecting the impacts of a slowing economy. Additionally, recent portfolio deterioration and growth related seasoning of the unsecured lending portfolio drove a portion of the increase.

Managed credit card net losses increased \$972 million to \$3.0 billion, or 6.40 percent of average credit card outstandings compared to \$2.0 billion, or 4.67 percent for the same period in 2007. The increase was driven by portfolio deterioration and higher bankruptcies reflecting the impacts of a slowing economy.

**Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Managed *Card Services* net losses increased \$3.4 billion to \$10.8 billion, or 6.26 percent of average outstandings compared to \$7.4 billion, or 4.83 percent in the same period in 2007. The increase was driven by the same factors as described in the three-month discussion above.

Managed credit card net losses increased \$2.0 billion to \$8.1 billion, or 5.85 percent of average credit card outstandings compared to \$6.1 billion, or 4.81 percent for the same period in 2007. The increase was driven by the same factors as described in the three-month discussion above.

For more information on credit quality, see Consumer Portfolio Credit Risk Management beginning on page 124.

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**Mortgage, Home Equity and Insurance Services**

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*MHEIS* generates revenue by providing an extensive line of consumer real estate products and services to customers nationwide. *MHEIS* products are available to our customers through a retail network of personal bankers located in 6,139 banking centers, mortgage loan officers in over 1,100 locations and through a sales force offering our customers direct telephone and online access to our products as well as through our correspondent and wholesale loan acquisition channels. *MHEIS* products include fixed and adjustable rate first-lien mortgage loans for home purchase and refinancing needs, reverse mortgages, home equity lines of credit and home equity loans. First mortgage products are either sold into the secondary mortgage market to investors, while retaining the Bank of America customer relationships, or are held on our balance sheet for ALM purposes. *MHEIS* is not impacted by the Corporation's mortgage production retention decisions as *MHEIS* is compensated for the decision on a management accounting basis with a corresponding offset recorded in *All Other*. In addition, *MHEIS* offers property, casualty, life, disability, credit insurance and primary mortgage reinsurance.

First mortgage and home equity production was \$49.6 billion and \$5.3 billion for the three months ended September 30, 2008 compared to \$24.5 billion and \$17.4 billion for the same period in 2007 and \$86.2 billion and \$28.1 billion for the nine months ended September 30, 2008 compared to \$70.9 billion and \$53.2 billion for the same period in 2007. The increase in first mortgage production was due to the acquisition of Countrywide partially offset by a decrease in market share of the combined entity. The decrease in home equity production was primarily due to our more stringent underwriting guidelines for home equity lines of credit and loans.

Effective July 1, 2008, Countrywide's results of operations are included in the Corporation's consolidated results with the majority of its ongoing operations being recorded in *MHEIS*. Countrywide's acquired first mortgage portfolio was recorded in *All Other* and is managed as part of our overall ALM activities. For the three and nine months ended September 30, 2008 the Countrywide acquisition contributed \$432 million to net interest income, \$1.7 billion to noninterest income and \$1.9 billion to noninterest expense in *MHEIS*. The acquisition of Countrywide did not have a significant impact on the provision for credit losses as impaired loans acquired from Countrywide were initially recorded at fair value under SOP 03-3. For more information related to the Countrywide acquisition, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

**Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

*MHEIS* net income decreased \$192 million to a net loss of \$162 million as growth in total revenue was more than offset by higher noninterest expense and provision for credit losses. Net interest income grew \$544 million, or 96 percent, driven primarily by an increase in average loans and leases, and LHFS. The growth in average loans and leases of \$37.0 billion, or 34 percent, and an \$11.0 billion increase in LHFS was attributable to the Countrywide and LaSalle acquisitions as well as increases in our home equity portfolio as a result of slower prepayment speeds and organic growth. Mortgage banking income grew \$1.5 billion due primarily to the acquisition of Countrywide combined with favorable MSR valuation changes, net of hedge activities. For more information see the mortgage banking income discussion which follows. Insurance premiums increased \$483 million due to the acquisition of Countrywide's life and casualty, and reinsurance businesses.

Provision for credit losses increased \$757 million to \$954 million compared to the same period in 2007. This increase was driven primarily by higher losses in the home equity portfolio, reflective of deterioration in the housing markets particularly in geographic areas that have experienced the most significant declines in home prices. In addition, most home equity loans are secured by second lien positions, significantly reducing and in some cases resulting in no collateral value after consideration of the first lien position. This drove more severe charge-offs as borrowers defaulted. For further discussion, see *Provision for Credit Losses* beginning on page 151.

Noninterest expense increased \$2.1 billion to \$2.8 billion primarily driven by the Countrywide acquisition.

**Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

*MHEIS* net income decreased \$2.4 billion to a net loss of \$2.0 billion as growth in noninterest income of \$2.6 billion and net interest income of \$787 million were more than offset by higher provision for credit losses of \$4.7 billion and an increase in noninterest expense of \$2.4 billion. These period-over-period changes were driven by the same conditions as described in the three-month discussion above.



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### Mortgage Banking Income

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

Servicing activities primarily include collecting cash for principal, interest and escrow payments from borrowers, disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties. Servicing income includes ancillary income derived in connection with these activities such as late fees and MSR valuation adjustments, net of hedge activities.

The following table summarizes the components of mortgage banking income:

#### Mortgage banking income

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Production income	\$ 749	\$ 119	\$ 1,428	\$ 519
Servicing income:				
Servicing fees and ancillary income	1,526	225	2,042	660
Impact of customer payments	(1,425)	(187)	(1,855)	(554)
Fair value changes of MSRs, net of hedge results	823	86	1,123	217
Other servicing related revenue	83	-	82	-
Total net servicing income	1,007	124	1,392	323
Total mortgage banking income	\$ 1,756	\$ 243	\$ 2,820	\$ 842

Production income increased \$630 million and \$909 million for the three and nine months ended September 30, 2008 compared to the same periods in 2007. This increase was driven primarily by the Countrywide acquisition which resulted in higher volumes and an improvement in margins.

Net servicing income increased \$883 million and \$1.1 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007 due primarily to increases in the value of MSR economic hedge instruments, net of decreased valuation of MSRs. Generally, when mortgage interest rates decline, as occurred during the three months ended September 30, 2008, there is an increase in the value of instruments used to economically hedge MSRs and a corresponding decrease in the value of MSRs. The decrease in the value of MSRs during the third quarter of 2008 was tempered by the expectation that weakness in the housing market would reduce the impact of market interest rates on expected future prepayments.

The *MHEIS*'s servicing portfolio includes residential mortgage, home equity line of credit and home equity loans. The servicing portfolio at September 30, 2008 was \$2,012.1 billion, \$1,495.2 billion higher than at December 31, 2007, driven by the acquisition of Countrywide. Included in this amount was \$1,653.6 billion of residential first mortgage, home equity lines of credit and home equity loans serviced for others.

At September 30, 2008, the consumer MSR balance was \$20.8 billion, an increase of \$17.8 billion from December 31, 2007, due to the acquisition of Countrywide. This value represented 126 bps of the related unpaid principal balance as compared to 118 bps at December 31, 2007. The increase of 8 bps was driven by a number of factors, including substantial increases in mortgage spreads relative to historical norms as well as changes in yield curves and volatility. Combining these changes with observed housing market distress, the MSR asset benefited from a substantial reduction in expected prepayments which more than offset deterioration in credit performance, increasing the expected life of the MSR asset and its value. Partially offsetting the increase in value driven by longer weighted average lives of MSRs was a change in portfolio mix associated with the acquisition of Countrywide. The Countrywide portfolio was more heavily concentrated in lower-value MSRs.

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**Global Corporate and Investment Banking**

**Three Months Ended September 30, 2008**

(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services (1)	Treasury Services	ALM/Other
Net interest income (2)	\$ 4,124	\$ 1,542	\$ 1,471	\$ 912	\$ 199
Noninterest income:					
Service charges	858	171	37	650	-
Investment and brokerage services	218	-	209	9	-
Investment banking income	491	-	491	-	-
Trading account profits (losses)	(393)	40	(450)	19	(2)
All other income (loss)	(761)	176	(1,486)	295	254
Total noninterest income	413	387	(1,199)	973	252
Total revenue, net of interest expense	4,537	1,929	272	1,885	451
Provision for credit losses	779	780	33	19	(53)
Noninterest expense	2,907	546	1,340	982	39
Income (loss) before income taxes	851	603	(1,101)	884	465
Income tax expense (benefit) (2)	318	229	(408)	327	170
<b>Net income (loss)</b>	<b>\$ 533</b>	<b>\$ 374</b>	<b>\$ (693)</b>	<b>\$ 557</b>	<b>\$ 295</b>
Net interest yield (2)	2.31 %	1.93 %	n/m	2.20 %	n/m
Return on average equity (3)	3.43	6.39	(14.13) %	26.63	n/m
Efficiency ratio (2)	64.07	28.31	n/m	52.14	n/m
Period end – total assets (4)	\$ 753,495	\$ 333,552	\$ 356,527	\$ 207,168	n/m

**Three Months Ended September 30, 2007**

(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services (1)	Treasury Services	ALM/Other
Net interest income (2)	\$ 2,713	\$ 1,073	\$ 811	\$ 928	\$ (99)
Noninterest income:					
Service charges	673	115	36	522	-
Investment and brokerage services	236	-	225	11	-
Investment banking income	436	-	436	-	-
Trading account profits (losses)	(1,376)	(45)	(1,349)	18	-
All other income (loss)	237	214	(277)	271	29
Total noninterest income	206	284	(929)	822	29
Total revenue, net of interest expense	2,919	1,357	(118)	1,750	(70)
Provision for credit losses	227	238	(4)	(8)	1
Noninterest expense	2,538	552	1,083	865	38
Income (loss) before income taxes	154	567	(1,197)	893	(109)
Income tax expense (benefit) (2)	64	215	(441)	330	(40)
<b>Net income (loss)</b>	<b>\$ 90</b>	<b>\$ 352</b>	<b>\$ (756)</b>	<b>\$ 563</b>	<b>\$ (69)</b>
Net interest yield (2)	1.62 %	1.75 %	n/m	2.77 %	n/m
Return on average equity (3)	0.81	9.02	(21.91) %	28.08	n/m
Efficiency ratio (2)	86.96	40.66	n/m	49.38	n/m
Period end – total assets (4)	\$ 739,427	\$ 253,231	\$ 431,506	\$ 155,919	n/m

(1) Includes \$23 million and \$22 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income for the three months ended September 30, 2008 and 2007. For more information, see the market-based revenue discussion on page 92.

(2) FTE basis

(3) Average allocated equity for *GCIB* was \$61.8 billion and \$44.0 billion for the three months ended September 30, 2008 and 2007. The increase was attributable to goodwill associated with the LaSalle acquisition, portfolio growth, and higher trading and operational risk.

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

n/m = not meaningful

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**Global Corporate and Investment Banking**

Nine Months Ended September 30, 2008						
(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services (1)	Treasury Services	ALM/Other	
Net interest income (2)	\$ 11,540	\$ 4,439	\$ 4,200	\$ 2,601	\$ 300	
Noninterest income:						
Service charges	2,503	464	101	1,938	-	
Investment and brokerage services	674	-	643	31	-	
Investment banking income	1,922	-	1,922	-	-	
Trading account profits (losses)	(1,814)	(7)	(1,871)	56	8	
All other income (loss)	(1,169)	701	(3,388)	1,242	276	
Total noninterest income	2,116	1,158	(2,593)	3,267	284	
Total revenue, net of interest expense	13,656	5,597	1,607	5,868	584	
Provision for credit losses	1,665	1,701	(6)	24	(54)	
Noninterest expense	8,152	1,620	3,751	2,687	94	
Income (loss) before income taxes	3,839	2,276	(2,138)	3,157	544	
Income tax expense (benefit) (2)	1,441	870	(795)	1,168	198	
<b>Net income (loss)</b>	<b>\$ 2,398</b>	<b>\$ 1,406</b>	<b>\$ (1,343)</b>	<b>\$ 1,989</b>	<b>\$ 346</b>	
Net interest yield (2)	2.17 %	1.91 %	n/m	2.19 %	n/m	
Return on average equity (3)	5.29	8.44	(9.34) %	32.73	n/m	
Efficiency ratio (2)	59.69	28.93	n/m	45.79	n/m	
Period end – total assets (4)	\$ 753,495	\$ 333,552	\$ 356,527	\$ 207,168	n/m	

Nine Months Ended September 30, 2007						
(Dollars in millions)	Total	Business Lending	Capital Markets and Advisory Services (1)	Treasury Services	ALM/Other	
Net interest income (2)	\$ 7,709	\$ 3,224	\$ 1,952	\$ 2,797	\$ (264)	
Noninterest income:						
Service charges	2,010	363	99	1,548	-	
Investment and brokerage services	690	1	658	31	-	
Investment banking income	1,960	-	1,960	-	-	
Trading account profits (losses)	456	(42)	452	46	-	
All other income	1,460	632	(83)	796	115	
Total noninterest income	6,576	954	3,086	2,421	115	
Total revenue, net of interest expense	14,285	4,178	5,038	5,218	(149)	
Provision for credit losses	384	373	6	6	(1)	
Noninterest expense	8,746	1,593	4,398	2,590	165	
Income (loss) before income taxes	5,155	2,212	634	2,622	(313)	
Income tax expense (benefit) (2)	1,914	823	236	970	(115)	
<b>Net income (loss)</b>	<b>\$ 3,241</b>	<b>\$ 1,389</b>	<b>\$ 398</b>	<b>\$ 1,652</b>	<b>\$ (198)</b>	
Net interest yield (2)	1.56 %	1.82 %	n/m	2.78 %	n/m	
Return on average equity (3)	10.19	12.42	4.25 %	28.22	n/m	
Efficiency ratio (2)	61.23	38.18	87.30	49.63	n/m	
Period end – total assets (4)	\$ 739,427	\$ 253,231	\$ 431,506	\$ 155,919	n/m	

(1) Includes \$75 million and \$44 million of net interest income on loans for which the fair value option has been elected and is not considered market-based income for the nine months ended September 30, 2008 and 2007. For more information, see the market-based revenue discussion on page 92.

(2) FTE basis

(3) Average allocated equity for GCIB was \$60.5 billion and \$42.5 billion for the nine months ended September 30, 2008 and 2007. The increase was attributable to goodwill associated with the LaSalle acquisition, portfolio growth, and higher trading and operational risk.

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

n/m= not meaningful

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(Dollars in millions)	Ending Balance		Average Balance			
	September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007	2008	2007
Total loans and leases	\$ 339,645	\$ 276,143	\$ 342,494	\$ 268,294	\$ 335,328	\$ 256,899
Total trading-related assets	277,442	333,107	350,063	356,867	349,683	364,843
Total market-based earning assets <sup>(1)</sup>	289,918	375,100	377,630	407,066	385,517	414,363
Total earning assets <sup>(2)</sup>	633,976	637,512	710,004	663,720	710,997	662,599
Total assets	753,495	739,427	821,444	758,281	824,788	752,860
Total deposits	244,304	210,656	237,935	216,715	235,671	214,553

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

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

*GCIB* provides a wide range of financial services to both our issuer and investor clients that range from business banking clients to large international corporate and institutional investor clients using a strategy to deliver value-added financial products, transaction and advisory services. *GCIB*'s products and services are delivered from three primary businesses: *Business Lending*, *CMAS*, and *Treasury Services*, and are provided to our clients through a global team of client relationship managers and product partners. In addition, *ALM/Other* includes the results of ALM activities and other *GCIB* activities. Our clients are supported through offices in 22 countries that are divided into four distinct geographic regions: U.S. and Canada; Asia; Europe, Middle East, and Africa; and Latin America. For more information on our foreign operations, see Foreign Portfolio beginning on page 149.

In September 2008, we announced an agreement to acquire Merrill Lynch in an all-stock transaction. The acquisition is expected to increase our underwriting capabilities for debt and equity offerings, as well as our ability to advise on global mergers and acquisitions. The completion of this transaction is subject to closing conditions and shareholder and regulatory approvals, and is expected to close on or around December 31, 2008.

During the third quarter of 2008, we reached an agreement with the Massachusetts Securities Division under which we offered to purchase at par ARS held by our retail customers, including individual investors, businesses, and charitable organizations. The repurchase program will take place during the fourth quarter of 2008. We will purchase approximately \$4.5 billion of securities, \$2.9 billion of which will be purchased by *GWIM* and \$1.6 billion of which will be purchased by *GCIB*. During the third quarter, we recognized mark-to-market losses of \$123 million and \$190 million in *GWIM* and *GCIB* on these securities and a penalty of \$50 million which was equally allocated to *GWIM* and *GCIB*. For more information related to our agreements to purchase ARS, see Recent Events on page 62.

### Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Net income increased \$443 million to \$533 million as growth in net interest income and noninterest income more than offset higher provision for credit losses and noninterest expense.

Net interest income increased \$1.4 billion, or 52 percent, driven primarily by higher market-based net interest income which benefited from the steepening of the yield curve and product mix. Additionally, net interest income benefited from growth in average loans and leases of \$74.2 billion, or 28 percent, combined with a higher margin on ALM activities. These benefits were partially offset by the impact of competitive deposit pricing and a shift in the deposit product mix as more customers moved their deposits to higher yielding products. The growth in average loans and deposits was due to the LaSalle merger as well as organic growth.

Noninterest income increased \$207 million primarily driven by an improvement in trading account profits despite the market-based disruptions that continue to impact our *CMAS* business, and higher service charges of \$185 million. Additionally, we recognized a gain of \$224 million on the sale of our equity prime brokerage business to BNP Paribas which was recorded in *ALM/Other*. For further information on market-based disruptions, see the *CMAS* discussion.

The provision for credit losses increased \$552 million to \$779 million reflecting higher credit costs in *Business Lending*. For further information, see the *Business Lending* discussion.

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Noninterest expense increased \$369 million, or 15 percent, mainly due to an increase in personnel-related cost and other general operating expense related to the integration of LaSalle.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income decreased \$843 million, or 26 percent, driven by lower noninterest income of \$4.5 billion and an increase of \$1.3 billion in provision for credit losses. These items were partially offset by an increase in net interest income of \$3.8 billion and a decrease of \$594 million in noninterest expense. These period-over-period changes were driven by the same factors as described in the three-month discussion above, except that the decrease in noninterest income was driven by the market disruptions that adversely impacted *CMAS* for the nine months ended September 30, 2008 compared to only the three months ended September 30, 2007. The decrease in noninterest expense was driven by reduced performance-based incentive compensation partially offset by the addition of LaSalle.

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## ***Business Lending***

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

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income increased \$22 million, or six percent, to \$374 million as increases in net interest income and noninterest income were partially offset by higher provision for credit losses. Net interest income increased \$469 million, or 44 percent, driven by average loan growth of 31 percent to \$313.4 billion. The increase in average loans and leases was attributable to the LaSalle merger and organic growth primarily in commercial – domestic and real estate loans. The increase in noninterest income of \$103 million, or 36 percent, was mainly driven by a valuation adjustment related to our option to purchase loans, which was recorded in trading account profits, and an increase in service charges.

The provision for credit losses increased \$542 million to \$780 million reflecting reserve increases and higher charge-offs primarily due to the continued weakness in the housing markets on the homebuilder loan portfolio. Also contributing to this increase were higher commercial – domestic net charge-offs which increased from very low prior year levels and higher net charge-offs and reserve increases in the retail dealer-related loan portfolios due to deterioration and seasoning of the portfolio reflective of growth.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income increased \$17 million, or one percent, to \$1.4 billion as increases in net interest income of \$1.2 billion and noninterest income of \$204 million were partially offset by an increase in provision for credit losses of \$1.3 billion. These period-over-period changes were driven by the same factors as described in the three-month discussion above, except the increase in noninterest income was also the result of improved economic hedging results of our exposures to certain commercial clients.

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**Capital Markets and Advisory Services**

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

In January 2008, we announced changes in our *CMAS* business which better align the strategy of this business with *GCIB's* broader integrated platform. We continue to provide corporate, commercial and institutional clients with debt and equity capital-raising services, strategic advice, and a wide range of corporate banking capabilities. However, we have reduced activities in certain structured products (e.g., CDOs).

**Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

*CMAS* recognized a net loss of \$693 million, an improvement of \$63 million, or eight percent, driven by higher market-based revenue of \$389 million, partially offset by an increase in *CMAS's* personnel-related costs. Market-based disruptions continue to adversely impact results including losses of \$952 million, net of hedges, resulting from CDO exposure, losses of \$293 million on ARS in our public finance business including losses of \$190 million on our commitment to buy back ARS, \$148 million of losses on CMBS funded debt and the forward calendar, \$145 million of losses on leveraged finance loans and the leveraged forward calendar, and losses on several other credit-related books. These losses were partially offset by favorable results in liquid products and debt underwriting. Noninterest expense increased \$257 million as performance-based compensation was lower in the prior year. For more information relating to our market-based revenue, see the discussion below.

**Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

*CMAS* recognized a net loss of \$1.3 billion as compared to net income of \$398 million in 2007 driven by lower market-based revenue of \$3.5 billion. Market-based revenue was adversely impacted by \$3.1 billion of losses, net of hedges, resulting from our CDO exposure, \$648 million of losses on leveraged finance loans and the leveraged forward calendar, \$545 million of net losses on ARS in our public finance business including estimated losses on our commitment to buy back ARS, \$419 million of losses on CMBS funded debt and the forward calendar, \$325 million of losses for counterparty credit risk valuations included in our structured credit trading business, and \$218 million in losses associated with equity investments we made in acquisition-related financing transactions. Partially offsetting these declines were favorable results in our liquid products business and equity underwriting. In addition, noninterest expense declined \$647 million primarily due to lower performance-based incentive compensation. For more information relating to our market-based revenue, see the discussion below.

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### Market-Based Revenue

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

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Investment banking income</b>				
Advisory fees	\$ 63	\$ 94	\$ 180	\$ 334
Debt underwriting	378	281	1,342	1,395
Equity underwriting	50	61	400	231
Total investment banking income	491	436	1,922	1,960
<b>Sales and trading revenue</b>				
Fixed income:				
Liquid products	1,063	634	3,027	1,559
Credit products	(151)	(844)	(123)	171
Structured products	(1,329)	(618)	(4,101)	185
Total fixed income	(417)	(828)	(1,197)	1,915
Equity income	175	252	807	1,119
Total sales and trading revenue	(242)	(576)	(390)	3,034
<b>Total Capital Markets and Advisory Services market-based revenue<sup>(1)</sup></b>	<b>\$ 249</b>	<b>\$ (140)</b>	<b>\$ 1,532</b>	<b>\$ 4,994</b>

(1) Excludes \$23 million and \$22 million for the three months ended September 30, 2008 and 2007, and \$75 million and \$44 million for the nine months ended September 30, 2008 and 2007, of net interest income on loans for which the fair value option has been elected and is not considered market-based income. Effective April 1, 2007, the results of loans and loan commitments to certain large corporate clients for which we elected the fair value option (including the associated risk mitigation tools) were transferred from *Business Lending* to *CMAS* to reflect the manner in which they are managed.

### Three and Nine Months Ended September 30, 2008 Compared to the Same Periods in 2007

Investment banking income increased \$55 million to \$491 million for the three months ended September 30, 2008 driven by increased debt underwriting activity as customers' demand for liquidity rose. Investment banking income decreased \$38 million to \$1.9 billion for the nine months September 30, 2008 as advisory fees were adversely impacted by reduced activity due to the market disruption and debt underwriting by the utilization of fees to distribute leveraged loan commitments during the first quarter of 2008. Equity underwriting income was driven by fees earned on the Corporation's preferred stock issuances in the first half of 2008 for which *CMAS* was compensated on a management accounting basis with a corresponding offset in *All Other*.

Sales and trading revenue resulted in losses of \$242 million and \$390 million, an improvement of \$334 million and a decrease of \$3.4 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007.

- Liquid products sales and trading revenue increased \$429 million and \$1.5 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007 as *CMAS* took advantage of trending volatility in interest rate and foreign exchange markets which also drove favorable client flows.

- Credit products sales and trading revenue improved \$693 million to a loss of \$151 million for the three months ended September 30, 2008 compared to the same period in 2007. We incurred losses of \$145 million on leveraged finance loans and the leveraged forward calendar as liquidity in these markets continues to be limited. No fees were utilized to distribute leveraged loan commitments during the three months ended September 30, 2008. Losses for the three months ended September 30, 2007 were primarily driven by spread widening. Credit products sales and trading revenue declined \$294 million to a loss of \$123 million for the nine months ended September 30, 2008 compared to the same period in 2007. We incurred losses of \$648 million, net of \$286 million of fees, on leveraged finance loans and the leveraged forward calendar as these markets continued to experience illiquidity during the first nine months of the year. Losses incurred on our leveraged exposure were not concentrated in any one type (senior secured or subordinated/senior unsecured) and were generally due to wider new issuance credit spreads as compared to the negotiated spreads. Credit products also included the impact of net losses on ARS of \$293 million and \$545 million both of which included \$190 million representing *CMAS*'s portion of the commitment to buy back ARS from clients. Losses on ARS included \$80 million and \$284 million related to student loan ARS. For further discussion on our ARS exposure, see Industry Concentrations beginning on page 146.

At September 30, 2008 and December 31, 2007, the Corporation's leveraged forward calendar was \$2.3 billion and \$12.2 billion and funded positions held for distribution were \$4.3 billion and \$6.1 billion. The decrease of \$9.9 billion in the leveraged forward finance calendar was primarily due to the funding of outstanding commitments, approximately 71 percent of which were distributed through syndication, and client-terminated commitments. These decreases were partially offset by new commitments that were entered into during the period. The leveraged forward calendar at September 30, 2008 generally represents new business at market terms. Pre-market disruption exposure originated prior to September 30, 2007, all of which was funded, amounted to \$4.2 billion at September 30, 2008 compared to \$10.7 billion of unfunded and \$6.1 billion of funded at December 31, 2007. At September 30, 2008, approximately \$3.5 billion, or 53 percent, of the leveraged forward calendar and the funded positions held for distribution were senior secured, of which \$2.0 billion were originated prior to September 30, 2007. At December 31, 2007, approximately \$12.5 billion, or 69 percent, of the leveraged forward calendar and the funded positions held for distribution were senior secured, of which \$11.2 billion were originated prior to September 30, 2007.

- Structured products sales and trading revenue was a loss of \$1.3 billion and \$4.1 billion, which represented declines in revenue of \$711 million and \$4.3 billion for the three and nine months ended September 30, 2008 compared to the same periods in the prior year. The decreases were driven by \$952 million and \$3.1 billion of losses resulting from our CDO exposure, which includes our super senior, warehouse, and sales and trading positions, and our hedging activities including counterparty credit valuations. See the detailed CDO exposure discussion below. Also, structured products was adversely impacted by \$148 million and \$419 million of losses (net of hedges) on CMBS funded debt and the forward calendar for the three and nine months ended September 30, 2008, and losses related to other structured products including \$325 million of losses for counterparty credit risk valuations related to our structured credit trading business during the nine months ended September 30, 2008. In addition, the three and nine months ended September 30, 2008 included \$34 million and \$218 million in losses associated with equity investments we made in acquisition-related financing transactions. Other structured products, including residential mortgage-backed securities as well as other residual structured credit positions were negatively impacted by spread widening due to the credit market disruptions that continued into the third quarter of 2008. The results for the three and nine months ended September 30, 2007 were adversely impacted by the market disruptions that began during the third quarter of 2007.

At September 30, 2008 and December 31, 2007, we held \$7.5 billion and \$13.6 billion of funded CMBS debt of which \$6.5 billion and \$8.9 billion were primarily floating-rate acquisition-related financings to major, well known operating companies. In addition, at September 30, 2008 and December 31, 2007, we had a forward calendar of \$700 million and \$2.2 billion. The decrease in funded CMBS debt was driven by loan sales, including approximately \$980 million in the third quarter of 2008 of floating-rate acquisition-related financings, while the decrease in the forward calendar was driven by the funding of outstanding commitments and the business decision not to enter into any new floating-rate acquisition-related financings. The forward calendar at September 30, 2008 was comprised primarily of fixed-rate conduit product financings. The \$148 million and \$419 million of losses recorded during the three and nine months ended September 30, 2008, associated with our CMBS exposure were concentrated in the more difficult to hedge floating-rate debt. We have not originated any material CMBS exposures subsequent to September 30, 2007.



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- Equity products sales and trading revenue decreased \$77 million and \$312 million to \$175 million and \$807 million for the three and nine months ended September 30, 2008 compared to the same periods in 2007 primarily due to lower trading results in the institutional derivatives business.

### **Collateralized Debt Obligation Exposure at September 30, 2008**

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

Our CDO exposure can be divided into funded and unfunded super senior liquidity commitment exposure, other super senior exposure (i.e., cash positions and derivative contracts), warehouse, and sales and trading positions. For more information on our CDO liquidity commitments, refer to Collateralized Debt Obligation Vehicles as part of Off- and On-Balance Sheet Arrangements beginning on page 107. Super senior exposure represents the most senior class of commercial paper or notes that are issued by the CDO vehicles. These financial instruments benefit from the subordination of all other securities issued by the CDO vehicles.

During the three and nine months ended September 30, 2008, we recorded CDO-related losses of \$952 million and \$3.1 billion including losses on super senior exposure of \$725 million and \$2.7 billion. Also included in CDO-related losses were \$152 million and \$292 million of losses on purchased securities from liquidated CDO vehicles. These securities were purchased from the vehicles at auction and the losses were recorded subsequent to their purchase. These combined losses reduced trading account profits (losses) by \$88 million and \$1.2 billion and other income by \$789 million and \$1.9 billion. Also included during the three and nine months ended September 30, 2008 were net gains of \$168 million and \$803 million related to our hedging activity, \$18 million and \$217 million of losses related to subprime sales and trading and CDO warehouse positions, and \$225 million and \$612 million of losses to cover counterparty risk on our CDO and subprime-related exposure. The losses recorded in other income noted above were other-than-temporary impairment charges related to CDOs and purchased securities classified as AFS debt securities at September 30, 2008. We had unrealized losses on super senior exposure including purchased securities from liquidated CDOs of \$47 million in accumulated OCI at September 30, 2008.

The CDO and related markets continued to deteriorate into the third quarter of 2008, experiencing significant illiquidity impacting the availability and reliability of transparent pricing. At September 30, 2008, we valued these CDO structures consistent with how we valued them at December 31, 2007. We assumed the CDO structures would terminate and looked through the structures to the underlying net asset values of the securities. We were able to obtain security values using either external pricing services or offsetting trades for approximately 71 percent of the CDO exposure for which we used the average of all prices obtained by security. The majority of the remaining positions where no pricing quotes were available were valued using matrix pricing by aligning the value to securities that had similar vintage of underlying assets and ratings, using the lowest rating between the rating services. The remaining securities were valued as interest-only strips, based on estimated average life, exposure type and vintage of the underlying assets. We assigned a zero value to the CDO positions for which an event of default has been triggered and liquidation notice has been issued. The value of cash held by the trustee for all CDO structures was also incorporated into the resulting net asset value. In addition, we were able to obtain security values using the same methodology as the CDO exposure for approximately 93 percent of the purchased securities from liquidated CDOs.

As presented in the following table, during the three and nine months ended September 30, 2008, our super senior net exposure, excluding purchased securities from liquidated CDOs, decreased \$787 million and \$5.7 billion to \$6.0 billion at September 30, 2008, primarily driven by writedowns, paydowns and liquidations. Including purchased securities, our super senior net exposure decreased \$996 million and \$4.2 billion to \$7.4 billion at September 30, 2008. In addition, during the nine-month period, we reclassified \$5.2 billion of super senior liquidity commitments to other super senior exposure. This amount represents the net exposure, after insurance and writedowns, at the time of reclassification of four CDO vehicles and a CDO conduit to which we had an aggregate gross liquidity exposure of \$11.1 billion at December 31, 2007. As described further within the Collateralized Debt Obligation Vehicles section beginning on page 112, we no longer have liquidity exposure to these vehicles. Instead, we now hold cash positions, including super senior securities issued by the CDOs.

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The following table presents a rollforward of our super senior CDO exposure for the three and nine months ended September 30, 2008.

### Super Senior Collateralized Debt Obligation Exposure Rollforward

Three Months Ended September 30, 2008

(Dollars in millions)	June 30, 2008 Net Exposure	Paydowns / Liquidations / Other	Third Quarter 2008 Net Writedowns (1)	Reclassifications (2)	September 30, 2008 Net Exposure
<b>Super senior liquidity commitments</b>					
High grade	\$ 714	\$ (26)	\$ -	\$ -	\$ 688
Mezzanine	358	-	(21)	-	337
CDO-squared	-	-	-	-	-
<b>Total super senior liquidity commitments</b>	<b>1,072</b>	<b>(26)</b>	<b>(21)</b>	<b>-</b>	<b>1,025</b>
<b>Other super senior exposure</b>					
High grade	3,608	(13)	(257)	-	3,338
Mezzanine	277	(14)	(84)	-	179
CDO-squared	1,804	(9)	(363)	-	1,432
<b>Total other super senior</b>	<b>5,689</b>	<b>(36)</b>	<b>(704)</b>	<b>-</b>	<b>4,949</b>
<b>Total super senior</b>	<b>\$ 6,761</b>	<b>\$ (62)</b>	<b>\$ (725)</b>	<b>\$ -</b>	<b>\$ 5,974</b>
<b>Purchased securities from liquidated CDOs</b>	<b>1,667</b>	<b>(57)</b>	<b>(152)</b>	<b>-</b>	<b>1,458</b>
<b>Total</b>	<b>\$ 8,428</b>	<b>\$ (119)</b>	<b>\$ (877)</b>	<b>\$ -</b>	<b>\$ 7,432</b>

Nine Months Ended September 30, 2008

(Dollars in millions)	December 31, 2007 Net Exposure	Paydowns / Liquidations / Other	Year-to-Date 2008 Net Writedowns (1)	Reclassifications (2)	September 30, 2008 Net Exposure
<b>Super senior liquidity commitments</b>					
High grade	\$ 5,166	\$ (141)	\$ (420)	\$ (3,917)	\$ 688
Mezzanine	358	-	(21)	-	337
CDO-squared	2,227	(361)	(548)	(1,318)	-
<b>Total super senior liquidity commitments</b>	<b>7,751</b>	<b>(502)</b>	<b>(989)</b>	<b>(5,235)</b>	<b>1,025</b>
<b>Other super senior exposure</b>					
High grade	2,125	(2,191)	(513)	3,917	3,338
Mezzanine	795	(164)	(452)	-	179
CDO-squared	959	(58)	(787)	1,318	1,432
<b>Total other super senior</b>	<b>3,879</b>	<b>(2,413)</b>	<b>(1,752)</b>	<b>5,235</b>	<b>4,949</b>
<b>Total super senior</b>	<b>\$ 11,630</b>	<b>\$ (2,915)</b>	<b>\$ (2,741)</b>	<b>\$ -</b>	<b>\$ 5,974</b>
<b>Purchased securities from liquidated CDOs</b>	<b>-</b>	<b>1,750</b>	<b>(292)</b>	<b>-</b>	<b>1,458</b>
<b>Total</b>	<b>\$ 11,630</b>	<b>\$ (1,165)</b>	<b>\$ (3,033)</b>	<b>\$ -</b>	<b>\$ 7,432</b>

(1) Net of insurance.

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

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The following table presents our super senior CDO exposure at September 30, 2008 and December 31, 2007.

### Super Senior Collateralized Debt Obligation Exposure

(Dollars in millions)	Total CDO Exposure at September 30, 2008										Total CDO Net Exposure	
	Subprime Exposure (1)					Non-Subprime Exposure (2)					September 30 2008	December 31 2007
	Gross	Insured	Net of Insured Amounts	Cumulative Write- downs (3)	Net Exposure	Gross	Insured	Net of Insured Amounts	Cumulative Write- downs (3)	Net Exposure		
<b>Super senior liquidity commitments</b>												
High grade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 688	\$ -	\$ 688	\$ -	\$ 688	\$ 688	\$ 5,166
Mezzanine	363	-	363	(26)	337	-	-	-	-	-	337	358
CDO-squared	-	-	-	-	-	-	-	-	-	-	-	2,227
<b>Total super senior liquidity commitments</b>	<b>363</b>	<b>-</b>	<b>363</b>	<b>(26)</b>	<b>337</b>	<b>688</b>	<b>-</b>	<b>688</b>	<b>-</b>	<b>688</b>	<b>1,025</b>	<b>7,751</b>
<b>Other super senior exposure</b>												
High grade	5,142	(3,723)	1,419	(477)	942	3,459	(735)	2,724	(328)	2,396	3,338	2,125
Mezzanine	1,006	-	1,006	(827)	179	-	-	-	-	-	179	795
CDO-squared	5,098	-	5,098	(3,666)	1,432	349	(349)	-	-	-	1,432	959
<b>Total other super senior</b>	<b>11,246</b>	<b>(3,723)</b>	<b>7,523</b>	<b>(4,970)</b>	<b>2,553</b>	<b>3,808</b>	<b>(1,084)</b>	<b>2,724</b>	<b>(328)</b>	<b>2,396</b>	<b>4,949</b>	<b>3,879</b>
<b>Total super senior</b>	<b>\$ 11,609</b>	<b>\$ (3,723)</b>	<b>\$ 7,886</b>	<b>\$ (4,996)</b>	<b>\$ 2,890</b>	<b>\$ 4,496</b>	<b>\$ (1,084)</b>	<b>\$ 3,412</b>	<b>\$ (328)</b>	<b>\$ 3,084</b>	<b>\$ 5,974</b>	<b>\$ 11,630</b>
<b>Purchased securities from liquidated CDOs</b>												
liquidated CDOs	1,750	-	1,750	(292)	1,458	-	-	-	-	-	1,458	-
<b>Total</b>	<b>\$ 13,359</b>	<b>\$ (3,723)</b>	<b>\$ 9,636</b>	<b>\$ (5,288)</b>	<b>\$ 4,348</b>	<b>\$ 4,496</b>	<b>\$ (1,084)</b>	<b>\$ 3,412</b>	<b>\$ (328)</b>	<b>\$ 3,084</b>	<b>\$ 7,432</b>	<b>\$ 11,630</b>

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

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

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

At September 30, 2008, we held \$3.7 billion of purchased insurance on our subprime super senior CDO exposure of which 59 percent was provided by monolines in the form of CDS, total-return-swaps (TRS) or financial guarantees. In the case of default, we look to the underlying securities and then to recovery on purchased insurance. At September 30, 2008, these contracts were valued at \$2.0 billion by referencing the fair value of the CDO which is valued in the same manner as the unhedged portion. We have adjusted these values downward by a total of \$700 million to date to reflect counterparty credit risk to the issuers of the insurance. In addition, we held collateral in the form of cash and marketable securities of \$566 million related to our purchased insurance. The underlying insured CDOs are collateralized with approximately 46 percent of subprime assets of which approximately 66 percent are of higher quality vintages from 2005 and prior.

In addition, at September 30, 2008 we held \$1.1 billion of purchased insurance on our non-subprime super senior CDO exposure all of which was provided by monolines in the form of CDS, TRS or financial guarantees. At September 30, 2008, these contracts were valued at \$49 million by referencing the fair value of the CDO which is valued in the same manner as the unhedged portion. We have adjusted these values downward by a total of \$16 million to date to reflect counterparty credit risk to the issuers of the insurance. For more information on our credit exposure to monolines, see Industry Concentrations beginning on page 146.

At September 30, 2008, the carrying value of the super senior exposure in the form of cash positions, liquidity commitments, and derivative contracts consisted of net subprime super senior exposure of \$2.9 billion and net non-subprime super senior exposure of \$3.1 billion. In addition, we had \$1.5 billion of exposure in purchased securities from liquidated CDOs. At September 30, 2008, these purchased securities were carried at approximately 48 percent of their original net exposure amount and approximately 51 percent of the underlying assets are subprime. For more information on our super senior liquidity exposure, see the CDO discussion beginning on page 112.

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

### Subprime Super Senior Collateralized Debt Obligation Carrying Values <sup>(1)</sup>

September 30, 2008

(Dollars in millions)	Subprime Net Exposure	Carrying Value as a Percent of Original Net Exposure	Subprime Content of Collateral <sup>(2)</sup>	Vintage of Subprime Collateral	
				Percent in 2006/2007 Vintages	Percent in 2005/Prior Vintages
<b>Super senior liquidity commitments</b>					
High grade	\$ -	- %	- %	-	- %
Mezzanine	337	93	42	46	54
CDO-squared	-	-	-	-	-
<b>Total super senior liquidity commitments</b>	<b>337</b>	<b>93</b>			
<b>Other super senior exposure</b>					
High grade	942	66	56	14	86
Mezzanine	179	18	73	69	31
CDO-squared	1,432	28	23	71	29
<b>Total other super senior</b>	<b>2,553</b>	<b>34</b>			
<b>Total super senior</b>	<b>\$ 2,890</b>	<b>37</b>			
<b>Purchased securities from liquidated CDOs</b>	<b>1,458</b>	<b>48</b>	<b>51</b>	<b>38</b>	<b>62</b>
<b>Total</b>	<b>\$ 4,348</b>	<b>40</b>			

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

(2) Based on current net exposure value.

Net subprime super senior liquidity commitments were \$337 million at September 30, 2008. This mezzanine exposure is collateralized with about 42 percent of subprime assets of which approximately 54 percent are of higher quality vintages from 2005 and prior. We incurred \$21 million in losses associated with these exposures during the three and nine months ended September 30, 2008.

Net other subprime super senior exposure was \$2.6 billion at September 30, 2008. Other subprime super senior exposure consists primarily of cash securities and CDS on CDO positions. The collateral supporting the high grade exposure consisted of about 56 percent subprime, of which approximately 14 percent was made up of 2006 and 2007 vintages while the remaining amount was comprised of higher quality vintages from 2005 and prior. The mezzanine exposure underlying collateral was heavily weighted to subprime with approximately 69 percent coming from later vintages while the CDO-squared collateral was approximately 23 percent subprime of which approximately 71 percent was comprised of later vintages. We recorded losses associated with these exposures of \$558 million and \$2.5 billion for the three and nine months ended September 30, 2008.

We also had net non-subprime super senior exposure of \$3.1 billion which primarily included highly-rated CLO and CMBS super senior exposures. The net non-subprime super senior exposure is comprised of \$688 million of high grade super senior liquidity commitment exposure and \$2.4 billion of high grade other super senior exposure. We recorded losses of \$146 million and \$271 million associated with these exposures during the three and nine months ended September 30, 2008. These losses were primarily driven by spread widening and impairments of principal from the non-CLO and CMBS exposure in these super senior CDOs. These non-subprime super senior exposures could experience additional impairments of principal in future periods as credit conditions have begun to deteriorate in the corporate debt and commercial mortgage markets.

In addition to the super senior exposure including purchased securities at September 30, 2008, we also had commercial real estate and mortgage-related security exposure with a market value of \$721 million in our CDO sales and trading portfolio of which approximately \$329 million was classified as subprime. This subprime exposure is carried at approximately 14 percent of par value and includes \$162 million of positions in legacy warehouses which were initiated in 2007. We also had purchased exposure related to a subprime mortgage securitization of \$47 million.

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### *Treasury Services*

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

#### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income was relatively flat at \$557 million, as higher noninterest income was largely offset by increases in noninterest expense. Net interest income remained relatively unchanged in spite of strong average deposit growth of \$30.7 billion, or 20 percent, due to organic growth as well as the LaSalle merger. Deposit growth was accentuated by our clients' flight-to-safety, notably seen in activity of our large corporate and hedge fund clients, and contributed to overall total deposits growth of 14 percent during the last month of the quarter. This increase was offset by spread compression resulting from the change in the mix between interest-bearing and noninterest-bearing deposits as clients shifted to interest-bearing and/or higher yielding investment alternatives. Noninterest income grew \$151 million, or 18 percent, driven by increased service charges of \$128 million which was due to organic growth, changes in our pricing structure, and the LaSalle merger. Noninterest expense increased \$117 million, or 14 percent, due to the LaSalle merger.

#### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income increased \$337 million, or 20 percent, as an increase of \$846 million in noninterest income was partially offset by a decrease in net interest income of \$196 million, combined with an increase of \$97 million in noninterest expense. These period-over-period changes were driven by the same factors as described in the three-month discussion above, except that noninterest income and noninterest expense benefited from the favorable impact of the Visa IPO transactions.

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### *ALM/Other*

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

Net income increased \$364 million and \$544 million for the three and nine months ended September 30, 2008 compared to the same periods in 2007 mainly due to increases in net interest income of \$298 million and \$564 million, resulting from a higher contribution from the Corporation's ALM activities, which was due in part to investing the Corporation's deposits at profitable spreads. In addition, at September 30, 2008, we completed the sale of our equity prime brokerage business to BNP Paribas which resulted in a gain of \$224 million which was recorded in all other income.

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**Global Wealth and Investment Management**

Three Months Ended September 30, 2008						
(Dollars in millions)	Total	U.S. Trust	Columbia Management	Premier Banking and Investments	ALM/ Other	
Net interest income <sup>(1)</sup>	\$ 1,249	\$ 314	\$ 1	\$ 534	\$ 400	
Noninterest income:						
Investment and brokerage services	1,002	327	394	242	39	
All other income (loss)	(704)	(12)	(635)	(57)	-	
Total noninterest income	298	315	(241)	185	39	
Total revenue, net of interest expense	1,547	629	(240)	719	439	
Provision for credit losses	150	15	-	135	-	
Noninterest expense	1,284	486	322	438	38	
Income before income taxes	113	128	(562)	146	401	
Income tax expense <sup>(1)</sup>	46	47	(208)	54	153	
<b>Net income</b>	<b>\$ 67</b>	<b>\$ 81</b>	<b>\$ (354)</b>	<b>\$ 92</b>	<b>\$ 248</b>	
Net interest yield <sup>(1)</sup>	3.05	2.35	n/m	1.71	n/m	%
Return on average equity <sup>(2)</sup>	2.30	6.85	n/m	19.48	n/m	%
Efficiency ratio <sup>(1)</sup>	82.95	77.19	n/m	60.89	n/m	%
Period end - total assets <sup>(3)</sup>	\$ 179,347	\$ 57,601	\$ 3,084	\$ 128,242	n/m	

Three Months Ended September 30, 2007						
(Dollars in millions)	Total	U.S. Trust	Columbia Management	Premier Banking and Investments	ALM/ Other	
Net interest income <sup>(1)</sup>	\$ 1,002	\$ 289	\$ 3	\$ 679	\$ 31	
Noninterest income:						
Investment and brokerage services	1,032	364	379	243	46	
All other income (loss)	44	15	(6)	34	1	
Total noninterest income	1,076	379	373	277	47	
Total revenue, net of interest expense	2,078	668	376	956	78	
Provision for credit losses	(29)	(34)	-	5	-	
Noninterest expense	1,218	480	266	430	42	
Income before income taxes	889	222	110	521	36	
Income tax expense <sup>(1)</sup>	331	82	41	193	15	
<b>Net income</b>	<b>\$ 558</b>	<b>\$ 140</b>	<b>\$ 69</b>	<b>\$ 328</b>	<b>\$ 21</b>	
Net interest yield <sup>(1)</sup>	3.10	2.76	n/m	2.74	n/m	%
Return on average equity <sup>(2)</sup>	20.67	14.70	53.23	81.06	n/m	%
Efficiency ratio <sup>(1)</sup>	58.62	71.91	70.82	45.05	n/m	%
Period end - total assets <sup>(3)</sup>	\$ 138,725	\$ 46,034	\$ 1,407	\$ 102,180	n/m	

(1) FTE basis

(2) Average allocated equity for *GWIM* was \$11.7 billion and \$10.7 billion for the three months ended September 30, 2008 and 2007.

(3) Total assets include asset allocations to match liabilities (i.e., deposits).

n/m = not meaningful

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**Global Wealth and Investment Management**

**Nine Months Ended September 30, 2008**

(Dollars in millions)	Total	U.S. Trust (1)	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income (2)	\$ 3,380	\$ 896	\$ (2)	\$ 1,605	\$ 881
Noninterest income:					
Investment and brokerage services	3,178	1,093	1,195	763	127
All other income (loss)	(810)	21	(890)	57	2
Total noninterest income	2,368	1,114	305	820	129
Total revenue, net of interest expense	5,748	2,010	303	2,425	1,010
Provision for credit losses	512	25	-	487	-
Noninterest expense	3,836	1,447	930	1,330	129
Income (loss) before income taxes	1,400	538	(627)	608	881
Income tax expense (benefit) (2)	529	199	(232)	225	337
<b>Net income (loss)</b>	<b>\$ 871</b>	<b>\$ 339</b>	<b>\$ (395)</b>	<b>\$ 383</b>	<b>\$ 544</b>
Net interest yield (2)	2.90 %	2.36 %	n/m	1.80 %	n/m
Return on average equity (3)	9.97	9.82	(78.01) %	26.51	n/m
Efficiency ratio (2)	66.74	71.98	n/m	54.82	n/m
Period end - total assets (4)	\$ 179,347	\$ 57,601	\$ 3,084	\$ 128,242	n/m

**Nine Months Ended September 30, 2007**

(Dollars in millions)	Total	U.S. Trust (1)	Columbia Management	Premier Banking and Investments	ALM/ Other
Net interest income (2)	\$ 2,872	\$ 738	\$ 4	\$ 2,009	\$ 121
Noninterest income:					
Investment and brokerage services	2,701	843	1,034	704	120
All other income	174	39	19	104	12
Total noninterest income	2,875	882	1,053	808	132
Total revenue, net of interest expense	5,747	1,620	1,057	2,817	253
Provision for credit losses	(20)	(25)	-	5	-
Noninterest expense	3,183	1,097	745	1,264	77
Income before income taxes	2,584	548	312	1,548	176
Income tax expense (2)	958	203	115	573	67
<b>Net income</b>	<b>\$ 1,626</b>	<b>\$ 345</b>	<b>\$ 197</b>	<b>\$ 975</b>	<b>\$ 109</b>
Net interest yield (2)	3.14 %	2.74 %	n/m	2.80 %	n/m
Return on average equity (3)	23.14	20.61	53.93 %	81.05	n/m
Efficiency ratio (2)	55.38	67.74	70.44	44.88	n/m
Period end - total assets (4)	\$ 138,725	\$ 46,034	\$ 1,407	\$ 102,180	n/m

(1) In July 2007, the operations of the acquired U.S. Trust Corporation were combined with the former *Private Bank* creating *U.S. Trust, Bank of America Private Wealth Management*. The results of the combined business were reported for periods beginning on July 1, 2007. Prior to July 1, 2007, the results solely reflect that of the former *Private Bank*.

(2) FTE basis

(3) Average allocated equity for *GWIM* was \$11.7 billion and \$9.4 billion for the nine months ended September 30, 2008 and 2007.

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

n/m= not meaningful

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(Dollars in millions)	Ending Balance		Average Balance			
	September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007	2008	2007
Total loans and leases <sup>(1)</sup>	\$ 88,979	\$ 78,324	\$ 88,253	\$ 77,045	\$ 87,160	\$ 70,325
Total earning assets	169,582	130,304	162,859	128,148	155,491	122,263
Total assets	179,347	138,725	172,313	137,093	165,063	129,530
Total deposits	166,273	130,534	160,999	127,821	155,558	120,392

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

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

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

**Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income decreased \$491 million, or 88 percent, as higher net interest income was more than offset by lower noninterest income and increased provision for credit losses.

Net interest income increased \$247 million, or 25 percent, due to higher margin on ALM activities, the acquisition of LaSalle, and growth in average deposit and loan balances partially offset by spread compression driven by deposit mix and competitive deposit pricing. *GWIM* average deposit growth benefited from the migration of customer relationships and related deposit balances from *GCSBB*, organic growth and the LaSalle acquisition. A more detailed discussion regarding migrated customer relationships and related deposit balances is provided in the *PB&I* discussion beginning on page 104.

Noninterest income decreased \$778 million, driven by \$630 million in losses related to the support provided to certain cash funds managed within *Columbia* and losses of \$123 million associated with the commitment to buy back ARS of which \$94 million is included in *PB&I* and \$29 million is included in *U.S. Trust*. For more information on the buy back of ARS see Recent Events on page 62.

Provision for credit losses increased \$179 million to \$150 million as a result of increased reserves and higher net charge-offs primarily in *PB&I* due to the deterioration in the housing markets and the impacts of a slower economy.

Noninterest expense increased \$66 million, or five percent, due to the addition of LaSalle and a penalty associated with the commitment to buy back ARS.

**Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income decreased \$755 million, or 46 percent, driven by losses of \$886 million associated with the support of certain cash funds, increases of \$653 million in noninterest expense and \$532 million in provision for credit losses as well as losses associated with our commitment to buy back ARS. Partially offsetting these items was an increase of \$508 million in net interest income. These period-over-period changes were driven by the same factors as discussed in the three-month discussion above, as well as the U.S. Trust Corporation acquisition and expenses related to the mass affluent and retirement initiatives.



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### Client Assets

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

#### *Client Assets* <sup>(1)</sup>

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(Dollars in millions)	September 30	
	2008	2007
Assets under management	\$ 564,438	\$ 709,955
Client brokerage assets	196,566	217,916
Assets in custody	150,575	158,756
Less: Client brokerage assets and assets in custody included in assets under management	(82,921)	(87,386)
Total net client assets	\$ 828,658	\$ 999,241

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(1) In December 2007, the Corporation completed the sale of Marsico. Total AUM at September 30, 2007 includes AUM that were managed prior to the sale of Marsico of \$59.5 billion (including \$5.3 billion in eliminations). Prior year Marsico business results have been transferred to *All Other* to better facilitate year-over-year comparisons.

AUM decreased \$145.5 billion, or 20 percent, as of September 30, 2008 compared to the same period in 2007, driven by market declines of \$77.9 billion, the sale of Marsico which resulted in a decrease of \$60.9 billion, and net client outflows of \$13.6 billion partially offset by the LaSalle acquisition, which contributed \$7.5 billion. As of September 30, 2008, client brokerage assets decreased by \$21.4 billion, or ten percent, compared to the same period in 2007, driven by market declines partially offset by the addition of LaSalle. Assets in custody decreased \$8.2 billion, or five percent, compared to the same period in 2007.

In September 2008, we announced an agreement to acquire Merrill Lynch in an all-stock transaction. The acquisition would add Merrill Lynch's more than 16,000 financial advisors and its interest in BlackRock, Inc., a publicly traded investment management company. The completion of this transaction is subject to closing conditions, and shareholder and regulatory approvals, and is expected to close on or around December 31, 2008.

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

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

#### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income decreased \$59 million, or 42 percent, driven by lower noninterest income and increased provision for credit losses partially offset by higher net interest income. Noninterest income decreased \$64 million, or 17 percent, driven by lower investment and brokerage services income due to the impact of lower equity markets as well as a \$29 million loss on the commitment to buy back ARS previously discussed. Provision for credit losses increased \$49 million to \$15 million compared to the same period in 2007, primarily due to the absence of a prior year reserve reduction. These decreases were partially offset by higher net interest income of \$25 million, or 9 percent, due to organic growth in average deposits and average loans and leases as well as the LaSalle acquisition. This growth was partially offset by spread compression, driven by deposit mix and competitive deposit pricing.

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### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income decreased \$6 million, or two percent, due to increases of \$350 million in noninterest expense and \$50 million in provision for credit losses. Partially offsetting these items were increases of \$232 million in noninterest income and \$158 million in net interest income. These period-over-period changes were driven by the U.S. Trust Corporation and LaSalle acquisitions, as well as the factors discussed in the three-month discussion above.

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## ***Columbia Management***

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

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

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income decreased \$423 million to a loss of \$354 million primarily due to \$630 million in support provided to certain cash funds as discussed below.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income declined \$592 million to a loss of \$395 million due to \$886 million in support provided to certain cash funds combined with an increase in noninterest expense of \$185 million. These items were partially offset by an increase of \$161 million in investment and brokerage services income. The increase in investment and brokerage services income was driven by the U.S. Trust Corporation acquisition, partially offset by the impact of lower equity markets. The increase in noninterest expense was driven by the U.S. Trust Corporation acquisition and higher revenue-related expenses.

### **Cash Funds Support**

Beginning in the second half of 2007, we provided support to certain cash funds managed within *Columbia*. The funds for which we provided support typically invest in high quality, short-term securities with a portfolio weighted average maturity of 90 days or less, including securities issued by SIVs and senior debt holdings of financial service companies. Due to market disruptions, certain investments in SIVs and the senior debt securities were downgraded by the rating agencies and experienced a decline in fair value. We entered into capital commitments which required the Corporation to provide cash to these funds in the event the net asset value per unit of a fund declined below certain thresholds. The capital commitments expire no later than the third quarter of 2010. At September 30, 2008 and December 31, 2007 we had gross (i.e., funded and unfunded) capital commitments to the funds of \$1.1 billion and \$565 million. For the three and nine months ended September 30, 2008, we incurred losses of \$358 million and \$521 million related to these capital commitments. At September 30, 2008 and December 31, 2007, the remaining loss exposure on capital commitments was \$160 million and \$183 million.

Additionally, during the three and nine months ended September 30, 2008 we purchased \$525 million and \$1.5 billion of certain investments from the funds and recorded losses of \$272 million and \$365 million. At September 30, 2008 and December 31, 2007, we held \$893 million and \$163 million of these AFS debt securities of which \$401 million and \$159 million were classified as nonperforming AFS securities. At September 30, 2008, \$65 million of unrealized losses on these investments were recorded in accumulated OCI. No such losses were recorded in accumulated OCI at December 31, 2007.

We may from time to time, but are under no obligation to, provide additional support to funds managed within *Columbia*. During the fourth quarter of 2008, we have provided an additional \$210 million in support to these funds which may result in further losses. Future support, if any, may take the form of additional capital commitments to the funds or the purchase of assets from the funds.

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We do not consolidate the cash funds managed within *Columbia* because the subordinated support provided by the Corporation will not absorb a majority of the variability created by the assets of the funds. The cash funds had total AUM of \$174.9 billion and \$189.5 billion at September 30, 2008 and December 31, 2007.

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## **Premier Banking and Investments**

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

*PB&I* includes the impact of migrating qualifying affluent customers, including their related deposit balances, from *GCSBB* to our *PB&I* model. After migration, the associated net interest income, service charges and noninterest expense are recorded in *PB&I*. The change reported in the financial results of *PB&I* includes both the impact of migration, as well as the impact of incremental organic growth from providing a broader array of financial products and services to *PB&I* customers. For the three and nine months ended September 30, 2008 a total of \$3.3 billion and \$15.9 billion of deposits, including \$2.3 billion during the first quarter of 2008 related to the initial migration of legacy LaSalle accounts, were migrated from *GCSBB* to *PB&I*. For the three and nine months ended September 30, 2007 a total of \$2.6 billion and \$9.0 billion of deposits were migrated from *GCSBB* to *PB&I*.

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income decreased \$236 million, driven by lower net interest income, an increase in provision for credit losses and \$94 million in losses on the commitment to buy back ARS. Net interest income declined \$145 million, or 21 percent, as spread compression, driven by deposit mix and competitive deposit pricing, more than offset higher average deposit balances. Provision for credit losses increased \$130 million primarily driven by higher credit costs in the home equity portfolio reflective of deterioration in the housing markets and the impacts of a slowing economy.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income decreased \$592 million primarily due to an increase of \$482 million in provision for credit losses, a decrease of \$404 million in net interest income, and losses on commitments to buy back ARS. These period-over-period changes were driven by the same factors as discussed in the three-month discussion above.

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## **ALM/Other**

*ALM/Other* primarily includes the results of ALM activities.

Net income increased \$227 million and \$435 million for the three and nine months ended September 30, 2008, compared to the same periods in the prior year. These increases were driven by higher net interest income of \$369 million and \$760 million primarily due to the increased contribution from ALM activities. In addition, noninterest expense increased \$52 million for the nine months ended September 30, 2008, primarily driven by higher expenses related to the mass affluent and retirement initiatives.

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### All Other

(Dollars in millions)	For the Three Months Ended September 30, 2008			For the Three Months Ended September 30, 2007		
	Reported Basis (1)	Securitization Offset (2)	As Adjusted	Reported Basis (1)	Securitization Offset (2)	As Adjusted
Net interest income <sup>(3)</sup>	\$ (2,391)	\$ 2,207	\$ (184)	\$ (1,980)	\$ 2,085	\$ 105
Noninterest income:						
Card income	537	(507)	30	739	(896)	(157)
Equity investment income	(326)	-	(326)	852	-	852
Gains (losses) on sales of debt securities	(2)	-	(2)	7	-	7
All other income (loss)	68	54	122	(218)	70	(148)
Total noninterest income	277	(453)	(176)	1,380	(826)	554
Total revenue, net of interest expense	(2,114)	1,754	(360)	(600)	1,259	659
Provision for credit losses	(1,134)	1,754	620	(1,290)	1,259	(31)
Merger and restructuring charges <sup>(4)</sup>	247	-	247	84	-	84
All other noninterest expense	(53)	-	(53)	(410)	-	(410)
Income (loss) before income taxes	(1,174)	-	(1,174)	1,016	-	1,016
Income tax expense (benefit) <sup>(3)</sup>	(517)	-	(517)	279	-	279
<b>Net income (loss)</b>	<b>\$ (657)</b>	<b>\$ -</b>	<b>\$ (657)</b>	<b>\$ 737</b>	<b>\$ -</b>	<b>\$ 737</b>

(Dollars in millions)	For the Nine Months Ended September 30, 2008			For the Nine Months Ended September 30, 2007		
	Reported Basis (1)	Securitization Offset (2)	As Adjusted	Reported Basis (1)	Securitization Offset (2)	As Adjusted
Net interest income <sup>(3)</sup>	\$ (6,408)	\$ 6,402	\$ (6)	\$ (5,584)	\$ 5,956	\$ 372
Noninterest income:						
Card income	1,796	(1,768)	28	2,137	(2,528)	(391)
Equity investment income	652	-	652	3,467	-	3,467
Gains on sales of debt securities	349	-	349	70	-	70
All other income (loss)	(289)	180	(109)	(325)	221	(104)
Total noninterest income	2,508	(1,588)	920	5,349	(2,307)	3,042
Total revenue, net of interest expense	(3,900)	4,814	914	(235)	3,649	3,414
Provision for credit losses	(3,542)	4,814	1,272	(3,915)	3,649	(266)
Merger and restructuring charges <sup>(4)</sup>	629	-	629	270	-	270
All other noninterest expense	145	-	145	123	-	123
Income (loss) before income taxes	(1,132)	-	(1,132)	3,287	-	3,287
Income tax expense (benefit) <sup>(3)</sup>	(492)	-	(492)	959	-	959
<b>Net income (loss)</b>	<b>\$ (640)</b>	<b>\$ -</b>	<b>\$ (640)</b>	<b>\$ 2,328</b>	<b>\$ -</b>	<b>\$ 2,328</b>

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

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

(3) FTE basis

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

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*GCSBB* is reported on a managed basis which includes a “securitization impact” adjustment which has the effect of assuming that loans that have been securitized were not sold and presenting these loans in a manner similar to the way loans that have not been sold are presented. *All Other's* results include a corresponding “securitization offset” which removes the impact of these securitized loans in order to present the consolidated results on a GAAP basis (i.e., held basis). See the *GCSBB* section beginning on page 79 for information on the *GCSBB* managed results. The following *All Other* discussion focuses on the results on an as adjusted basis excluding the securitization offset. For additional information, see *Note 18 – Business Segment Information* to the Consolidated Financial Statements.

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

*Equity Investments* includes Principal Investing, Corporate Investments and Strategic Investments. Principal Investing is comprised of a diversified portfolio of investments in privately-held and publicly-traded companies at all stages of their life cycle from start-up to buyout. These investments are made either directly in a company or held through a fund and are accounted for at fair value. In addition, Principal Investing has unfunded equity commitments related to some of these investments. For more information on these commitments see *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements.

Corporate Investments primarily includes investments in publicly-traded equity securities and funds which are accounted for as AFS marketable equity securities. Strategic Investments includes investments of \$14.5 billion in CCB, \$3.7 billion in Banco Itaú, \$2.9 billion in Grupo Financiero Santander, S.A. (Santander) and other investments. On July 21, 2008, under the terms of our purchase option we increased our ownership in CCB to approximately 11 percent by purchasing approximately \$1.9 billion of the common shares. These recently purchased shares are accounted for at cost in other assets and are non-transferable until August 2011. The initial investment in the 19.1 billion common shares are accounted for at fair value and recorded as AFS marketable equity securities in other assets with an offset, net-of-tax, to accumulated OCI. These shares became transferable in October 2008. We also hold an option to increase our ownership interest in CCB to 19.1 percent. Additional shares received upon exercise of this option are restricted through August 2011. The strike price of the option is based on the greater of 1.2 times the book value per share for the most recent calendar year-end or the IPO price that steps up on an annual basis and is currently at 107 percent of the IPO price. The strike price of the option when based upon the IPO price is capped at 118 percent. The restricted shares of Banco Itaú are carried at fair value with an offset, net-of-tax, to accumulated OCI and are accounted for as AFS marketable equity securities. Prior to the second quarter of 2008, these shares were accounted for at cost. Our investment in Santander is accounted for under the equity method of accounting. Income associated with *Equity Investments* is recorded in equity investment income.

The following table presents the components of *All Other's* equity investment income and a reconciliation to the total consolidated equity investment income for the three and nine months ended September 30, 2008 and 2007.

### Components of Equity Investment Income

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Principal Investing	\$ (29)	\$ 275	\$ 279	\$ 2,100
Corporate Investments	(369)	112	(225)	452
Strategic and other investments	72	465	598	915
Total equity investment income (loss) included in All Other	(326)	852	652	3,467
Total equity investment income included in the business segments	10	52	678	280
<b>Total consolidated equity investment income (loss)</b>	<b>\$ (316)</b>	<b>\$ 904</b>	<b>\$ 1,330</b>	<b>\$ 3,747</b>

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

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income housing tax credits) that have been grossed up within noninterest income to a FTE amount in the business segments.

### **Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

Net income (loss) decreased \$1.4 billion to \$(657) million due to a decrease in total revenue combined with higher provision for credit losses, increased noninterest expense and merger and restructuring charges.

Net interest income decreased \$289 million to \$(184) million due to the reclassification to card income related to our funds transfer pricing allocations for *Card Services*' securitizations. This difference is recorded in *All Other* and the reclassification is performed to present our consolidated results on a held basis.

Noninterest income declined \$730 million to \$(176) million driven by a decrease in equity investment income of \$1.2 billion due to \$375 million of other-than-temporary impairment losses on AFS marketable equity securities which included writedowns on Fannie Mae and Freddie Mac preferred securities and a number of other equity securities, and losses from our Principal Investing portfolio attributable to the lack of liquidity in the marketplace when compared to the same periods in the prior year. In addition, during the three months ended September 30, 2007, we recorded a \$353 million dividend from CCB which included a special dividend of \$184 million due to CCB's share listing. This decrease was partially offset by the increase in card income of \$187 million driven by the funds transfer pricing allocations discussed in net interest income above. Also, this decrease was partially offset by the increase in all other income of \$270 million driven by the results of economic hedging activities.

Provision for credit losses increased \$651 million to \$620 million primarily due to higher credit costs related to our ALM residential mortgage portfolio reflective of deterioration in the housing markets and the impacts of a slowing economy.

Merger and restructuring charges increased \$163 million to \$247 million due to the integration costs associated with the Countrywide and LaSalle acquisitions. For additional information on merger and restructuring charges, see *Note 2 – Merger and Restructuring Activity* to the Consolidated Financial Statements.

All other noninterest expense increased \$357 million to \$(53) million due to increases in unallocated residual general operating expenses.

### **Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

Net income (loss) decreased \$3.0 billion to \$(640) million primarily due to a decrease of \$378 million in net interest income and \$2.1 billion in noninterest income combined with a higher provision for credit losses of \$1.5 billion and increased merger and restructuring charges of \$359 million. These changes were due to the same factors as described in the three-month discussion above. In addition, net income (loss) reflects a decrease in income tax expense (benefit) of \$1.5 billion driven by lower pre-tax income. *All Other's* results were adversely impacted by the absence of earnings due to the sale of our Latin American operations in the first quarter of 2007.

As discussed in the 2008 Economic Environment on page 60, market and economic conditions have adversely impacted financial markets. These conditions will continue to impact markets in which we do business and will adversely impact our revenues and expenses including certain personnel costs such as pension costs in 2009.

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## **Off- and On-Balance Sheet Arrangements**

In the ordinary course of business, we support our customers' financing needs by facilitating their access to the commercial paper market. In addition, we utilize certain financing arrangements to meet our balance sheet management, funding and liquidity needs. For additional information on our liquidity risk, see *Liquidity Risk and Capital Management* beginning on page 116. These activities utilize SPEs, typically in the form of corporations, limited liability companies, or trusts, which raise funds by issuing short-term commercial paper or similar instruments to third party investors. These SPEs typically hold various types of financial assets whose cash flows are the primary source of repayment for the liabilities of the SPEs. Investors have recourse to the assets in the SPE and often benefit from other credit enhancements, such as overcollateralization in the form of excess assets in the SPE, liquidity facilities, and other arrangements. As a result, the SPEs can typically obtain a favorable credit rating from the rating agencies, resulting in lower financing costs for our customers.

We have liquidity agreements, SBLCs or other arrangements with the SPEs, as described below, under which we are obligated to provide funding in the event of a market disruption or other specified event or otherwise provide credit support

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to the entities (hereinafter referred to as liquidity exposure). We manage our credit risk and any market risk on these arrangements by subjecting them to our normal underwriting and risk management processes. Our credit ratings and changes thereto will affect the borrowing cost and liquidity of these SPEs. In addition, significant changes in counterparty asset valuation and credit standing may also affect the ability of the SPEs to issue commercial paper. The contractual or notional amount of these commitments as presented in Table 10 represents our maximum possible funding obligation and is not, in management's view, representative of expected losses or funding requirements.

The following table presents our liquidity exposure to these consolidated and unconsolidated SPEs, which include VIEs and QSPEs. VIEs are SPEs which lack sufficient equity at risk or whose equity investors do not have a controlling financial interest. QSPEs are SPEs whose activities are strictly limited to holding and servicing financial assets. Some, but not all, of the liquidity commitments to VIEs are considered to be significant variable interests and are disclosed in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements. Those liquidity commitments that are not significant variable interests are not required to be included in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements.

**Table 10**  
**Special Purpose Entities Liquidity Exposure <sup>(1)</sup>**

(Dollars in millions)	September 30, 2008			
	VIEs		QSPEs	Total
	Consolidated <sup>(2)</sup>	Unconsolidated	Unconsolidated	
Corporation-sponsored multi-seller conduits	\$ 13,110	\$ 42,440	\$ -	\$ 55,550
Municipal bond trusts and corporate SPEs	4,148	4,714	4,735	13,597
Home equity securitizations	-	-	13,315	13,315
Asset acquisition conduits	1,130	5,619	-	6,749
Customer-sponsored conduits <sup>(4)</sup>	-	1,142	-	1,142
Collateralized debt obligation vehicles	-	1,051	-	1,051
<b>Total liquidity exposure</b>	<b>\$ 18,388</b>	<b>\$ 54,966</b>	<b>\$ 18,050</b>	<b>\$ 91,404</b>

(Dollars in millions)	December 31, 2007			
	VIEs		QSPEs	Total
	Consolidated <sup>(2)</sup>	Unconsolidated	Unconsolidated	
Corporation-sponsored multi-seller conduits	\$ 16,984	\$ 47,335	\$ -	\$ 64,319
Municipal bond trusts and corporate SPEs	7,359	3,120	7,251	17,730
Asset acquisition conduits	1,623	6,399	-	8,022
Customer-sponsored conduits <sup>(4)</sup>	-	1,724	-	1,724
Collateralized debt obligation vehicles	3,240	9,026	-	12,266
<b>Total liquidity exposure</b>	<b>\$ 29,206</b>	<b>\$ 67,604</b>	<b>\$ 7,251</b>	<b>\$104,061</b>

(1) *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements is related to this table but only reflects those entities in which we hold a significant variable interest.

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

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

(4) For additional information on our CDO exposures at September 30, 2008 and December 31, 2007 and related writedowns, see the CDO discussion beginning on page 94.

At September 30, 2008, the Corporation's total liquidity exposure to SPEs was \$91.4 billion, a decrease of \$12.7 billion from December 31, 2007 due to lower liquidity exposure in all categories partially offset by the addition of Countrywide's home equity securitizations. Of this amount, \$11.2 billion was attributable to a decline in CDO liquidity exposure.



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### Corporation-Sponsored Multi-Seller Conduits

We administer four multi-seller conduits, three of which are unconsolidated, which provide a low-cost funding alternative to our customers by facilitating their access to the commercial paper market. We receive fees for providing combinations of liquidity and SBLCs or similar loss protection commitments to the conduits. These commitments represent significant variable interests in the SPEs, which are discussed in more detail in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements.

At September 30, 2008, our liquidity commitments to the conduits were collateralized by various classes of assets which incorporate features such as overcollateralization and cash reserves which are designed to provide credit support at a level equivalent to investment grade as determined in accordance with internal risk rating guidelines.

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

One of the unconsolidated conduits holds CDO investments with an aggregate outstanding par value of \$361 million. The underlying collateral includes middle market loans held in an insured CDO (62 percent) and subprime residential mortgages (14 percent). During the first nine months of 2008, these investments were downgraded or threatened with a downgrade by the rating agencies. In accordance with the terms of our existing liquidity obligations, these investments were funded by the Corporation through a secured borrowing transaction with the conduit and therefore they no longer serve as collateral for commercial paper issuances. We will be reimbursed for any realized losses on these investments up to the amount of capital notes issued by the conduit. There were no other significant downgrades of assets and there were no writedowns of assets held by any of the conduits during this period.

On a combined basis, the unconsolidated conduits have issued approximately \$97 million of capital notes and equity interests to third parties, \$92 million of which were outstanding at September 30, 2008. This represents the maximum amount of loss that would be absorbed by the third party investors. Based on an analysis of projected cash flows, we will not absorb a majority of the variability created by the assets of the unconsolidated conduits.

The liquidity commitments and SBLCs provided to unconsolidated conduits are included in *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements. We have no other contractual obligations to the unconsolidated conduits, nor do we intend to provide noncontractual or other forms of support.

Despite the market disruptions in the second half of 2007 and through the first six months of 2008, the conduits did not experience any material difficulties in issuing commercial paper and the Corporation did not purchase any commercial paper issued by the conduits other than incidentally and in its role as a commercial paper dealer. However as a result of the severe market disruptions in September, the conduits began to experience difficulties in issuing commercial paper near the end of the third quarter of 2008. At September 30, 2008, we held \$458 million of commercial paper issued by the conduits, including \$429 million issued by the unconsolidated conduits and \$29 million issued by the consolidated conduit. In addition, we held \$967 million of commercial paper issued by these conduits that had been purchased from third party money market funds under the AMLF. The AMLF was established by the Federal Reserve Board in September 2008 and is designed to provide liquidity to money market mutual funds by providing non-recourse loans to U.S. financial institutions for the purchase of high-quality asset-backed commercial paper from the funds. We do not bear any credit risk associated with commercial paper purchased under the AMLF. We did not hold any commercial paper issued by the conduits at December 31, 2007. Subsequent to quarter end, our holdings of commercial paper have significantly declined. Excluding commercial paper that was funded through the AMLF, we held only \$5 million of commercial paper issued by these conduits at October 31, 2008.



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### **Municipal Bond Trusts and Corporate SPEs**

We have provided a total of \$13.6 billion and \$17.7 billion in liquidity support to municipal bond trusts and corporate SPEs at September 30, 2008 and December 31, 2007. We administer municipal bond trusts that hold highly-rated, long-term, fixed-rate municipal bonds, some of which are callable prior to maturity, for which we provided liquidity support of \$11.9 billion and \$13.4 billion at September 30, 2008 and December 31, 2007. In addition, we administer several conduits to which we provided \$1.7 billion and \$4.3 billion of liquidity support at September 30, 2008 and December 31, 2007.

As it relates to the municipal bond trusts the weighted average remaining life of the bonds at September 30, 2008 was 18.5 years. Substantially all of the bonds are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. There were no material writedowns or downgrades of assets or issuers during the three and nine months ended September 30, 2008. The trusts obtain financing by issuing floating-rate trust certificates that reprice on a weekly basis to third party investors. The floating-rate investors have the right to tender the certificates at any time upon seven days notice. We serve as remarketing agent and liquidity provider for the trusts. Should we be unable to remarket the tendered certificates, we are generally obligated to purchase them at par. We are not obligated to purchase the certificate if a bond's credit rating declines below investment grade or in the event of certain defaults or bankruptcy of the issuer and insurer. Some of these trusts are QSPEs. We consolidate those trusts that are not QSPEs if we hold the residual interest or otherwise expect to absorb a majority of the variability of the trusts. Included in liquidity support are \$7.8 billion (of which \$4.7 billion pertains to VIEs and \$3.1 billion pertains to QSPEs) and \$6.1 billion (of which \$3.1 billion pertains to VIEs and \$3.0 billion pertains to QSPEs) of liquidity commitments to unconsolidated trusts at September 30, 2008 and December 31, 2007. Liquidity commitments to these trusts are included in *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements. At September 30, 2008 and December 31, 2007, we held \$1.1 billion and \$125 million of floating rate certificates issued by unconsolidated municipal bond trusts. This increase is attributable to illiquidity in the marketplace that occurred during the end of the third quarter of 2008.

Assets of the other unconsolidated corporate conduits consisted primarily of high-grade, long-term municipal, corporate, and mortgage-backed securities which had a weighted average remaining life of approximately 4.9 years at September 30, 2008. Substantially all of the securities are rated AAA or AA and some of the bonds benefit from insurance provided by monolines. These conduits, which are QSPEs, obtain funding by issuing commercial paper to third party investors. At September 30, 2008, the weighted average maturity of the commercial paper was 21 days. We have entered into derivative contracts which provide interest rate, currency and a pre-specified amount of credit protection to the entities in exchange for the commercial paper rate. In addition, we may be obligated to purchase assets from the vehicles if the assets or insurers are downgraded. If an asset's rating declines below a certain investment quality as evidenced by its credit rating or defaults, we are no longer exposed to the risk of loss. During the first nine months of 2008, three monoline insurers were downgraded by the rating agencies which resulted in the mandatory sale of \$1.4 billion of assets out of the conduits. We purchased a majority of these assets, and they are recorded within trading account assets at September 30, 2008, at fair value. Due to the market disruptions beginning in the second half of 2007 and through the first nine months of 2008, these conduits experienced difficulties in issuing commercial paper. At September 30, 2008, we held \$25 million and at December 31, 2007 we did not hold any of the commercial paper. In the event that we are unable to remarket the conduits' commercial paper such that they no longer qualify as QSPEs, we would consolidate the conduits which may have an adverse impact on the fair value of the related derivative contracts.

We have no other contractual obligations to the unconsolidated bond trusts and conduits described above, nor do we intend to provide noncontractual or other forms of support.

Derivative activity related to these entities is included in *Note 4 – Derivatives* to the Consolidated Financial Statements. For more information on QSPEs, see *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements. For additional information on our monoline exposure, see *Industry Concentrations* beginning on page 146.

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### Home Equity Securitizations

Effective July 1, 2008, we became the sponsor of certain home equity securitizations in connection with the Countrywide acquisition. We evaluate all of our home equity securitizations for their potential to experience a rapid amortization event by estimating the amount and timing of future losses on the underlying loans and the excess spread available to cover such losses and by evaluating any estimated shortfalls in relation to contractually defined triggers. As of September 30, 2008, 62 percent of the unpaid principal balance of our home equity securitizations, were subject to rapid amortization events. In addition, 18 percent of the unpaid principal balance of our home equity securitizations were probable of becoming subject to rapid amortization events.

The available credit lines for the securitizations subject to or probable to be subject to a rapid amortization event are approximately \$1.2 billion at September 30, 2008. Substantially all of the remaining borrower draw periods for such securitizations ranged from 12 months to 44 months with a weighted average remaining borrower draw period of 31 months. Due to the borrower's ability to pay down and redraw balances in home equity loans, a maximum funding obligation due to rapid amortization cannot be precisely calculated. The amount in the table above equals the principal balance of the outstanding trust certificates that are subject to rapid amortization or \$13.3 billion at September 30, 2008. This amount is significantly higher than the amount we expect to fund, which reflects the borrowers' ability to draw on and repay lines until the securitization bonds and obligations to the monoline insurers are repaid. The charges we will ultimately record as a result of the rapid amortization events are dependent on the performance of the loans in the securitizations that are in rapid amortization; the amount of subsequent draws made by borrowers on such loans; and the timing of such losses, borrower draws, principal repayments and other cash flows related to the securitizations.

As the result of the credit performance of all the home equity loans we service, we are taking actions that are provided for in the borrowers' line of credit agreements, including suspending borrowers' access to existing lines of credit when their loans or related senior liens reach a specified delinquency status or when their property values decline below a specified threshold; and not extending the draw period under existing lines of credit. Where appropriate, we are also modifying and repurchasing certain loans and soliciting certain borrowers to refinance their loans. These actions are in compliance with the related trust agreements and have mitigated the amount of additional draws we are required to fund as the result of rapid amortization. At September 30, 2008, the reserve for losses on expected future draw obligations on the home equity securitizations in or expected to be in rapid amortization was \$422 million. For additional information on home equity securitizations see *Note 8 – Securitizations* to the Consolidated Financial Statements.

### Asset Acquisition Conduits

We administer two unconsolidated conduits which acquire assets on behalf of our customers. The return on the assets held in the conduits, which consist principally of liquid exchange-traded securities and some leveraged loans, is passed through to our customers through a series of derivative contracts. We consolidate a third conduit which holds subordinated debt securities for our benefit. These conduits obtain funding through the issuance of commercial paper and subordinated certificates to third party investors. Repayment of the commercial paper and certificates is assured by total return swap contracts between the Corporation and the conduits, and we are reimbursed through total return swap contracts with our customers.

Assets are placed into the unconsolidated asset acquisition conduits at the request of a customer who wishes to benefit from the economic returns of the specified asset on a leveraged basis. At the time the conduit acquires an asset, we enter into back-to-back total return swaps with the conduit and the customer such that the economic returns of the assets are passed through to the customer. Our performance under the derivatives is collateralized by the underlying assets. Derivative activity related to these entities is included in *Note 4 – Derivatives* to the Consolidated Financial Statements.

Due to the market disruptions in the second half of 2007 and the first nine months of 2008, the conduits experienced difficulties in issuing commercial paper. The Corporation held \$169 million and \$27 million of commercial paper and certificates issued by the conduits at September 30, 2008 and December 31, 2007. The weighted average maturity of commercial paper issued by the conduits at September 30, 2008 was 26 days.

We have no other contractual obligations to the conduits described above, nor do we intend to provide noncontractual or other forms of support.

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### **Customer-Sponsored Conduits**

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

These commitments are included in *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements. As we typically provide less than 20 percent of the total liquidity commitments to these conduits and do not provide other forms of support, we have concluded that we do not hold a significant variable interest in the conduits and they are not included in our discussion of VIEs in *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements.

### **Collateralized Debt Obligation Vehicles**

We provided liquidity support in the form of written put options to several CDOs totaling \$1.1 billion and \$10.0 billion at September 30, 2008 and December 31, 2007. In addition, we provided other liquidity support to a CDO conduit of \$2.3 billion at December 31, 2007.

The decrease of \$8.9 billion in the notional amount of written put options was due primarily to the elimination of liquidity commitments to certain CDOs. This amount includes \$6.0 billion of put options related to three CDOs that were consolidated on our balance sheet due to a change in contractual arrangements such as the conversion of commercial paper into term notes, including \$3.2 billion related to a CDO that was consolidated at December 31, 2007, and for which we now hold all of the remaining outstanding commercial paper. It also includes \$2.8 billion of put options that were terminated due to liquidation of a CDO. We are obligated under the remaining written put options to provide funding to the CDOs by purchasing the commercial paper at predetermined contractual yields in the event of a severe disruption in the short-term funding market as evidenced by the inability of the CDOs to issue commercial paper at spreads below a predetermined rate. No third parties provide a significant amount of similar commitments to these CDOs. For additional information refer to the CDO exposure discussion beginning on page 94. See *Note 9 – Variable Interest Entities* to the Consolidated Financial Statements for more information on the written put options. These written put options are recorded as derivatives and are carried at fair value with changes in fair value recorded in trading account profits (losses). Derivative activity related to these entities is included in *Note 4 – Derivatives* to the Consolidated Financial Statements.

Prior to the third quarter of 2008, we also administered a CDO conduit that obtained funds by issuing commercial paper to third party investors. The conduit held \$2.3 billion of assets at December 31, 2007 consisting of super senior tranches of debt securities issued by other CDOs. During the first nine months of 2008, we liquidated the CDO conduit and purchased the assets due to a threatened downgrade of the CDO conduit's commercial paper. Five CDO vehicles which issued securities formerly held in the CDO conduit are consolidated on our balance sheet at September 30, 2008.

At December 31, 2007, we held commercial paper with a carrying value of \$6.6 billion on the balance sheet that was issued by the unconsolidated CDOs and the CDO conduit. During the first nine months of 2008, as discussed above, we consolidated two CDO vehicles due to a change in contractual arrangements such as a conversion of commercial paper into term notes. In addition, the CDO conduit and a CDO vehicle were liquidated. As a result, commercial paper issued by unconsolidated CDOs and held by the Corporation due to these liquidity commitments declined to \$686 million at September 30, 2008.

For more information on our super senior CDO exposure and related writedowns see our CDO exposure discussion beginning on page 94. As noted in the Super Senior Collateralized Debt Obligation Exposure Rollforward, on page 95, we had net liquidity exposure of \$1.0 billion at September 30, 2008. This amount reflects gross exposure of \$1.1 billion less cumulative writedowns of \$26 million on the CDOs that continue to be classified as liquidity exposure. At December 31, 2007, we had net liquidity exposure of \$7.8 billion. This amount reflects gross exposure of \$12.3 billion less insurance of \$1.8 billion and cumulative writedowns of \$2.7 billion.

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**Obligations and Commitments**

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We have contractual obligations to make future payments on debt and lease agreements. Additionally, in the normal course of business, we enter into a number of off-balance sheet commitments. These obligations and commitments are more fully discussed in *Note 11 – Long-term Debt* and *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements, and in *Note 12 – Short-term Borrowings and Long-term Debt*, and *Note 13 – Commitments and Contingencies* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

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**Fair Values of Level 3 Assets and Liabilities**

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We fair value certain assets and liabilities that are classified as Level 3 under the fair value hierarchy established in SFAS 157. These Level 3 assets and liabilities are valued using significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. These Level 3 financial assets and liabilities include private equity investments, retained residual interests in securitizations, consumer MSR, ABS, highly structured or long-term derivative contracts and certain CDOs, for which there is not an active market for identical assets from which to determine fair value. Neither is there sufficient, current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model. In those cases, the fair values of these Level 3 financial assets and liabilities are determined using pricing models, discounted cash flow methodologies, a net asset value approach for certain structured securities, or similar techniques, for which the determination of fair value requires significant management judgment or estimation.

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

For example, at September 30, 2008, classified within Level 3 are \$2.0 billion of trading account assets, \$4.1 billion of AFS debt securities, and \$935 million of net derivative assets associated with our CDO exposures. Substantially all of the AFS debt securities were acquired as a result of our liquidity obligations to certain CDOs. For more information regarding our CDO exposure, the types of assets underlying these exposures (e.g., percentage of subprime assets and vintages) and related valuation techniques see our CDO exposure discussion on page 94.

Another example of Level 3 assets are consumer MSR which also require significant management judgment and estimation. The Corporation uses an option-adjusted spread (OAS) valuation approach to determine the fair value of MSR which factors in prepayment risk. This approach consists of projecting servicing cash flows under multiple interest rate scenarios and discounting these cash flows using risk-adjusted discount rates. The key economic assumptions used in valuations of MSR include weighted average lives of the MSR and the OAS levels. For more information on Level 3 MSR and their sensitivity to prepayment rates and OAS levels, see *Note 17 – Mortgage Servicing Rights* to the Consolidated Financial Statements.

For additional information on our Level 1, 2 and 3 fair value measurements, including the valuation techniques utilized to determine their fair values, see *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements on page 41 and *Complex Accounting Estimates* on page 168.

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The table below presents a reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis during the three and nine months ended September 30, 2008, including realized and unrealized gains (losses) included in earnings and OCI. Level 3 assets, before the impact of counterparty netting related to our derivative positions, were \$59.9 billion as of September 30, 2008 and represented approximately 11 percent of assets measured at fair value (or three percent of total assets). Level 3 liabilities, before the impact of counterparty netting related to our derivative positions, were \$9.2 billion as of September 30, 2008 and represented approximately nine percent of the liabilities measured at fair value (or less than one percent of total liabilities). See *Note 16 – Fair Value Disclosures* on page 45 for a table that presents the fair value of Level 1, 2 and 3 assets and liabilities at September 30, 2008.

**Table 11**  
**Level 3 - Fair Value Measurements**

(Dollars in millions)	Three Months Ended September 30, 2008							
	Net Derivatives <sup>(1)</sup>	Trading Account Assets	Available-for-Sale Debt Securities	Loans and Leases <sup>(2)</sup>	Mortgage Servicing Rights	Loans Held-for-Sale <sup>(2)</sup>	Other Assets <sup>(3)</sup>	Accrued Expenses and Other Liabilities <sup>(2)</sup>
Balance, June 30, 2008	\$ 1,317	\$ 5,646	\$ 8,324	\$ 5,014	\$ 4,250	\$ 2,011	\$ 4,013	\$ (723)
Countrywide acquisition	(185)	1,407	528	-	17,188	1,425	-	(1,212)
Included in earnings	1,795	(1,332)	(802)	(179)	(179)	(275)	(344)	22
Included in other comprehensive income	-	-	(556)	-	-	-	-	-
Purchases, issuances, and settlements	(425)	(642)	1,468	548	(448)	(219)	66	59
Transfers in to (out of) Level 3	(790)	2,632	767	-	-	545	-	-
Balance, September 30, 2008	\$ 1,712	\$ 7,711	\$ 9,729	\$ 5,383	\$ 20,811	\$ 3,487	\$ 3,735	\$ (1,854)
	Nine Months Ended September 30, 2008							
Balance, January 1, 2008	\$ (1,203)	\$ 4,027	\$ 5,507	\$ 4,590	\$ 3,053	\$ 1,334	\$ 3,987	\$ (660)
Countrywide acquisition	(185)	1,407	528	-	17,188	1,425	-	(1,212)
Included in earnings	1,484	(2,103)	(1,601)	(249)	409	(380)	305	(41)
Included in other comprehensive income	-	-	(1,060)	-	-	-	-	-
Purchases, issuances, and settlements	2,048	(1,437)	457	1,042	161	(604)	(414)	59
Transfers in to (out of) Level 3	(432)	5,817	5,898	-	-	1,712	(143)	-
Balance, September 30, 2008	\$ 1,712	\$ 7,711	\$ 9,729	\$ 5,383	\$ 20,811	\$ 3,487	\$ 3,735	\$ (1,854)

(1) Net derivatives at September 30, 2008 included derivative assets of \$9.1 billion and derivative liabilities of \$7.4 billion. Net derivatives acquired in connection with Countrywide included derivative assets of \$107 million and derivative liabilities of \$292 million.

(2) Amounts represent items which are accounted for at fair value in accordance with SFAS 159 including commercial loan commitments and certain secured financings recorded in accrued expenses and other liabilities.

(3) Other assets include equity investments held by Principal Investing and certain retained interests in securitization vehicles, including interest-only strips.

During the three and nine months ended September 30, 2008, valuations of certain CDO securities and related written put options continued to decline in response to market concerns. Additionally, liquidity issues in the ARS sector have impacted the value of such securities. It is possible that the economic value of these securities could be different as the cash flows from the underlying assets may ultimately be higher or lower than the assumptions used in current valuation models. With the exception of the changes discussed below, there have been no significant changes to the valuation methodologies used to value Level 3 assets and liabilities during the period.

The Countrywide acquisition added MSRs of \$17.2 billion, trading account assets of \$1.4 billion, loans-held-for-sale of \$1.4 billion, accrued expenses and other liabilities of \$1.2 billion related to certain secured financings and AFS debt securities of \$528 million to our Level 3 assets.

During the three and nine months ended September 30, 2008, we recognized losses of \$1.3 billion and \$2.2 billion on Level 3 assets and liabilities which were primarily related to losses on trading account assets and AFS debt securities partially offset by gains on net derivatives. The losses in our trading account assets were due to widening credit spreads on our trading account positions and losses related to CDOs and ARS. The losses in AFS debt securities were primarily driven by CDO-related exposures and losses on certain investments we purchased from our *GWIM* cash funds. The gains in net

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derivatives were driven by gains recognized on hedges of our Level 3 trading account assets and positive valuation adjustments on our IRLCs which were due primarily to the acquisition of Countrywide. We also recorded unrealized losses of \$556 million and \$1.1 billion (pre-tax) through OCI during the three and nine months ended September 30, 2008, due primarily to residential mortgage-backed securities collateralized by first liens on residential real estate, as the related credit spreads widened at September 30, 2008 when compared to December 31, 2007.

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

During the three months ended September 30, 2008, we had net purchases of \$1.5 billion of Level 3 AFS debt securities and net settlements of \$642 million of Level 3 trading account assets. The net purchases in Level 3 AFS debt securities were driven by purchases of mortgage-backed securities, collateralized mortgage obligations and certain securities that were purchased from our *GWIM* cash funds. The settlements for trading account assets primarily related to the sale of excess spread certificates that were obtained in connection with the Countrywide acquisition.

During the nine months ended September 30, 2008, we had net settlements of \$1.4 billion of Level 3 trading account assets and net purchases of \$2.0 billion of Level 3 net derivatives. The increase in trading account assets was driven by the same factors described in the three month discussion above and paydowns related primarily to commercial paper backed by SIVs. The net settlements of derivative liabilities were driven by the extinguishment of our liquidity exposure to certain CDO vehicles.

Transfers into or out of Level 3 were made if the 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 effective as of the beginning of the quarter, therefore any gains or losses occurring on these assets and liabilities are included in the table above.

During the three months ended September 30, 2008, there were two significant transfers into Level 3. The first involves a \$1.6 billion transfer into Level 3 trading account assets transferred from Level 2 in the third quarter as observable model inputs were no longer available due to lack of liquidity in the marketplace. The second significant transfer of \$1.9 billion into AFS debt securities related to mortgage-backed securities and collateralized mortgage obligations which were previously priced through our internal valuation process which was validated through external market quotes. At September 30, 2008, external market quotes were no longer observable due to illiquidity in the market place and therefore these assets were transferred to Level 3 and valued using a discounted cash flow model.

During the nine months ended September 30, 2008, we had transfers into Level 3 AFS debt securities of \$5.9 billion and trading account assets of \$5.8 billion. In addition to the amounts disclosed in the preceding paragraph, AFS debt securities included \$4.4 billion of securities in the form of commercial paper issued by CDOs which were transferred due to a lack of liquidity in the market place in the first quarter. Also during the second quarter, we transferred into Level 3 \$1.1 billion of AFS debt securities in the form of residential mortgage-backed securities for which no observable model inputs existed in the market place. Trading account asset transfers related primarily to ARS of \$2.3 billion of which \$1.5 billion were ARS backed by student loans were transferred as prices for these assets became unobservable in the marketplace due to a lack of liquidity in the first half of 2008. In light of the illiquidity in the student loan ARS sector, we implemented a change to our valuation approach for these instruments, basing the valuation on assumptions about the weighted average life of the security, estimated future coupons to be paid and spreads observed in pricing of similar instruments.

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## **Managing Risk**

Our business exposes us to the following major risks: strategic, liquidity, credit, market, compliance and operational risk. Our management governance structure enables us to manage all major aspects of our business through an integrated planning and review process that includes strategic, financial, associate, customer and risk planning. We derive much of our revenue from managing risk from customer transactions for profit. In addition to qualitative factors, we utilize quantitative measures to optimize risk and reward trade offs in order to achieve growth targets and financial objectives while reducing the variability of earnings and minimizing unexpected losses. Risk metrics that allow us to measure performance include economic capital targets and corporate risk limits. By allocating economic capital to a line of business, we effectively manage the ability to take on risk. Review and approval of business plans incorporate approval of economic capital

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allocation, and economic capital usage is monitored through financial and risk reporting. Industry, country, trading, asset allocation and other limits supplement the allocation of economic capital. These limits are based on an analysis of risk and reward in each line of business and management is responsible for tracking and reporting performance measurements as well as any exceptions to guidelines or limits. Our risk management process continually evaluates risk and appropriate metrics needed to measure it. For a more detailed discussion of our risk management activities, see pages 40 through 68 of the MD&A of the Corporation's 2007 Annual Report on Form 10-K.

## Strategic Risk Management

Strategic risk is the risk that adverse business decisions, ineffective or inappropriate business plans, or failure to respond to changes in the competitive environment, business cycles, customer preferences, product obsolescence, execution and/or other intrinsic risks of business will impact our ability to meet our objectives. We use an integrated planning process to help manage strategic risk. A key component of the planning process aligns strategies, goals, tactics and resources throughout the enterprise. The process begins with the creation of a corporate-wide business plan which incorporates an assessment of the strategic risks. This business plan establishes the corporate strategic direction. The planning process then cascades through the lines of business, creating business line plans that are aligned with the Corporation's strategic direction. At each level, tactics and metrics are identified to measure success in achieving goals and assure adherence to the plans. As part of this process, the lines of business continuously evaluate the impact of changing market and business conditions, and the overall risk in meeting objectives. See the Compliance and Operational Risk Management section on page 166 for a further description of this process. Corporate Audit in turn monitors, and independently reviews and evaluates, the plans and measurement processes.

One of the key tools we use to manage strategic risk is economic capital allocation. Through the economic capital allocation process we effectively manage each line of business's ability to take on risk. Review and approval of business plans incorporate approval of economic capital allocation, and economic capital usage is monitored through financial and risk reporting. Economic capital allocation plans for the lines of business are incorporated into the Corporation's operating plan that is approved by the Board on an annual basis.

## Liquidity Risk and Capital Management

### Liquidity Risk

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs and accommodate fluctuations in asset and liability levels due to changes in our business operations or unanticipated events. A more detailed discussion of our liquidity risk is included beginning on page 41 of the MD&A of the Corporation's 2007 Annual Report on Form 10-K.

Our borrowing costs and ability to raise funds are directly impacted by our credit ratings. The credit ratings of Bank of America Corporation and Bank of America, N.A. as of November 6, 2008 are reflected in the table below.

**Table 12**  
**Credit Ratings**

	Bank of America Corporation			Bank of America, N.A.	
	Senior Debt	Subordinated Debt	Commercial Paper	Short-term Borrowings	Long-term Debt
Moody's Investors Service	Aa2	Aa3	P-1	P-1	Aaa
Standard & Poor's	AA-	A+	A-1+	A-1+	AA
Fitch Ratings	A+	A	F1+	F1+	AA-



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The cost and availability of unsecured financing are impacted by changes in our credit ratings. A reduction in these ratings or the ratings of other asset-backed securitizations could have an adverse effect on our access to credit markets and the related cost of funds. Some of the primary factors in maintaining our credit ratings include a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, diverse funding sources and disciplined liquidity monitoring procedures.

If we were downgraded by one level by the rating agencies, we estimate the incremental cost of funds and the potential lost funding to be negligible for senior and subordinated debt. However, if our short-term credit rating was downgraded by one level, our incremental cost of funds and potential lost funding may be material due to the negative impacts on our short-term unsecured liabilities and to our commercial paper conduit facilities. Additional funding requirements for VIEs and other third party commitments would not be significantly impacted.

The parent company maintains a cushion of excess liquidity that would be sufficient to fully fund the holding company and nonbank affiliate operations for an extended period during which funding from normal sources is disrupted. The primary measure used to assess the parent company's liquidity is the "Time to Required Funding" during such a period of liquidity disruption. Since deposits are taken by the bank operating subsidiaries and not by the parent company, this measure is not dependant on the bank operating subsidiaries' stable deposit balances. This measure assumes that the parent company is unable to generate funds from debt or equity issuance, receives no dividend income from subsidiaries, and no longer pays dividends to shareholders while continuing to meet nondiscretionary uses needed to maintain operations and repayment of contractual principal and interest payments owed by the parent company and affiliated companies. Under this scenario, the amount of time the parent company and its nonbank subsidiaries can operate and meet all obligations before the current liquid assets are exhausted is considered the "Time to Required Funding." ALCO approves the target range set for this metric, in months, and monitors adherence to the target. Maintaining excess parent company cash helps to facilitate the target range of 21 to 27 months for "Time to Required Funding" and is the primary driver of the timing and amount of the Corporation's debt issuances. As of September 30, 2008, "Time to Required Funding" was 22 months compared to 19 months at December 31, 2007. The bank operating subsidiaries maintain sufficient funding capacity to address large increases in funding requirements such as deposit outflows. This capacity is comprised of available wholesale market capacity, liquidity derived from a reduction in asset levels and various secured funding sources.

One ratio that can be used to monitor the stability of our funding composition and takes into account our deposit balances is the "loan to domestic deposit" ratio. This ratio reflects the percent of loans and leases that are funded by domestic core deposits, a relatively stable funding source. A ratio below 100 percent indicates that our loan portfolio is completely funded by domestic core deposits. The ratio was 121 percent at September 30, 2008 compared to 127 percent at December 31, 2007.

The financial market disruptions that began in 2007 continued to impact the economy and financial services sector during the nine months ended September 30, 2008. The unsecured short-term funding markets remained stressed as investors continued not to participate and were hesitant to lend cash for a longer time horizon. The commercial paper markets essentially ceased to efficiently function during the second half of September 2008, outside of overnight demand, as a result of the material outflows of investor money from prime money market funds. Prime money market fund managers remained focused on redemptions and increased their portfolio composition to shorter and more liquid government-sponsored assets. As a result, many prime money market funds were forced to liquidate the highest quality commercial paper to raise cash to cover customer withdrawals. Liquidity for ABS also disappeared and spreads rose to historic highs, negatively impacting our credit card securitization programs. As a result of the above disruptions, the Corporation's funding generated from the debt capital markets decreased in recent months as investors were unwilling to purchase securities in the term market and previously issued securities matured. We were further constrained as demand for longer term notes was absent.

While market conditions have been challenging, we experienced a significant increase in deposits as we benefited from a consumer and business flight-to-safety at the end of the third quarter. We have also taken direct actions to enhance our liquidity position during the first nine months of 2008 including the issuance of \$19.7 billion of preferred stock, \$8.5 billion of senior notes and \$1.0 billion of Eurodollar floating rate notes by the parent company. In addition, Bank of America, N.A. issued \$10.0 billion of senior unsecured bank notes, of which \$6.0 billion included an extendible feature. In October 2008, we issued \$9.8 billion of common stock, net of underwriting expenses and \$15.0 billion of Series N Preferred Stock in connection with the TARP Capital Purchase Program, both of which are discussed further below. Also, several funding programs have been made available through the Federal Reserve Board which are more fully described in Regulatory Initiatives on page 60. It remains unclear when the current market conditions will subside, however, the conservative management of our liquidity position enables us to meet our liquidity requirements and manage within our usual parameters.



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### Regulatory Capital

As a regulated financial services company, we are governed by certain regulatory capital requirements. 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 adjusted quarterly average total assets, after certain adjustments. "Well-capitalized" bank holding companies must maintain a minimum Tier 1 Leverage ratio of three percent. National banks must maintain a Tier 1 leverage ratio of at least five percent to be classified as "well-capitalized."

At September 30, 2008 and December 31, 2007, the Corporation, Bank of America, N.A., FIA Card Services, N.A., and LaSalle Bank, N.A., were classified as "well-capitalized" for regulatory purposes, the highest classification. Effective July 1, 2008, we acquired Countrywide Bank, FSB as part of the Countrywide acquisition. Countrywide Bank, FSB is regulated by the Office of Thrift Supervision (OTS) and is, therefore, subject to OTS capital requirements. Countrywide Bank, FSB is required by OTS regulations to maintain a tangible equity ratio of at least two percent to avoid being classified as "critically undercapitalized." At September 30, 2008, Countrywide Bank, FSB's tangible equity ratio was 7.43 percent and was classified as "well-capitalized" for regulatory purposes. There have been no conditions or events since September 30, 2008 that have changed the Corporation's, Bank of America, N.A.'s, FIA Card Services, N.A.'s, LaSalle Bank, N.A.'s, and Countrywide Bank, FSB's capital classifications.

Presented in Table 13 are the regulatory capital ratios, actual capital amounts and minimum required capital amounts for the Corporation, Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A. and Countrywide Bank, FSB at September 30, 2008 and December 31, 2007.

**Table 13**  
**Regulatory Capital**

(Dollars in millions)	September 30, 2008			December 31, 2007		
	Actual		Minimum Required (1)	Actual		Minimum Required (1)
	Ratio	Amount		Ratio	Amount	
<b>Risk-based capital</b>						
<b>Tier 1</b>						
<i>Bank of America Corporation</i>	7.55 %	\$ 100,248	\$ 53,123	6.87 %	\$ 83,372	\$ 48,516
Bank of America, N.A.	8.39	80,064	38,151	8.23	75,395	36,661
FIA Card Services, N.A.	13.89	20,215	5,820	14.29	21,625	6,053
LaSalle Bank, N.A. <sup>(2)</sup>	13.19	7,050	2,138	9.91	6,838	2,759
Countrywide Bank, FSB <sup>(3)</sup>	11.03	8,148	2,955	-	-	-
<b>Total</b>						
<i>Bank of America Corporation</i>	11.54	153,318	106,247	11.02	133,720	97,032
Bank of America, N.A.	11.69	111,485	76,301	11.01	100,891	73,322
FIA Card Services, N.A.	16.33	23,767	11,640	16.82	25,453	12,105
LaSalle Bank, N.A. <sup>(2)</sup>	14.67	7,843	4,277	11.02	7,605	5,518
Countrywide Bank, FSB <sup>(3)</sup>	12.28	9,072	5,909	-	-	-
<b>Tier 1 Leverage</b>						
<i>Bank of America Corporation</i>	5.51	100,248	54,621	5.04	83,372	49,595
Bank of America, N.A.	6.04	80,064	39,790	5.94	75,395	38,092
FIA Card Services, N.A.	14.00	20,215	4,330	16.37	21,625	3,963
LaSalle Bank, N.A. <sup>(2)</sup>	12.47	7,050	1,696	9.21	6,838	2,226
Countrywide Bank, FSB <sup>(3)</sup>	7.43	8,148	3,289	-	-	-

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

(2) Effective October 17, 2008, LaSalle Bank, N.A. merged with and into Bank of America, N.A., with Bank of America, N.A. as the surviving entity.

(3) Countrywide Bank, FSB is presented for periods subsequent to June 30, 2008.

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Table 14 reconciles the Corporation's total shareholders' equity to Tier 1 and Total Capital as defined by the regulations issued by the FRB, the FDIC, the OCC, and the OTC at September 30, 2008 and December 31, 2007.

**Table 14**  
**Reconciliation of Tier 1 and Total Capital**

(Dollars in millions)	September 30 2008	December 31 2007
<b>Tier 1 Capital</b>		
Total shareholders' equity	\$ 161,039	\$ 146,803
Goodwill	(81,756)	(77,530)
Nonqualifying intangible assets <sup>(1)</sup>	(4,522)	(5,239)
Effect of net unrealized (gains) losses on AFS debt and marketable equity securities and net (gains) losses on derivatives recorded in accumulated OCI, net-of-tax	4,435	(2,149)
Unamortized net periodic benefit costs recorded in accumulated OCI, net-of-tax	1,266	1,301
Trust securities	18,356	16,863
Other	1,430	3,323
<b>Total Tier 1 Capital</b>	<b>100,248</b>	<b>83,372</b>
Long-term debt qualifying as Tier 2 Capital	31,920	31,771
Allowance for loan and lease losses	20,346	11,588
Reserve for unfunded lending commitments	427	518
Other <sup>(2)</sup>	377	6,471
<b>Total Capital</b>	<b>\$ 153,318</b>	<b>\$ 133,720</b>

(1) Nonqualifying intangible assets of the Corporation are comprised of core deposit intangibles, affinity relationships and other intangibles.

(2) At September 30, 2008 and December 31, 2007, includes 45 percent of the pre-tax fair value adjustment of \$4.3 billion and \$6.0 billion related to the Corporation's stock investment in CCB. At September 30, 2008, includes 45 percent of the pre-tax fair value adjustment of \$487 million related to the Corporation's stock investment in Banco Itaú.

In July 2008, the Corporation completed its acquisition of Countrywide through its merger with a subsidiary of the Corporation. Under the terms of the agreement, Countrywide shareholders received 0.1822 of a share of Bank of America Corporation common stock in exchange for one share of Countrywide common stock. The Corporation's Tier 1 and Total Capital ratios were reduced by approximately 65 bps and 85 bps and its Tier 1 Leverage ratio was reduced by approximately 45 bps at September 30, 2008 as a result of this acquisition.

In October 2008, prior to the U.S. Treasury announcement discussed in Regulatory Initiatives on page 60, we announced an initiative to increase our Tier 1 Capital ratio and improve our other capital ratios with a \$9.8 billion common stock offering, net of underwriting expenses. In addition, we issued \$15.0 billion of Series N Preferred Stock in connection with the TARP Capital Purchase Program. With this initiative, including the impact of the announced acquisition of Merrill Lynch which is expected to close on or around December 31, 2008, we expect to exceed 8 percent for Tier 1 Capital.

## Common Share Issuances and Repurchases

We may repurchase shares, subject to certain restrictions, from time to time, in the open market or in private transactions through our approved repurchase programs. For more information on repurchase restriction, see *Note 19 – Subsequent Events* to the Consolidated Financial Statements. For the nine months ended September 30, 2008, we did not repurchase any shares of the Corporation's common stock and we issued 107 million shares in connection with the Countrywide acquisition and 17.4 million shares under employee stock plans. In addition, in October 2008, in connection with our capital and liquidity initiative discussed above, we issued 455 million shares of common stock at \$22.00 per share with proceeds of \$9.8 billion, net of underwriting expenses.

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To replace the existing stock repurchase program, in July 2008, the Board authorized a stock repurchase program of up to 75 million shares of the Corporation's common stock at an aggregate cost not to exceed \$3.75 billion that is limited to a period of 12 to 18 months. This program is also subject to the repurchase restrictions that are described in detail in *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

In January 2007, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion. This stock repurchase program expired in July 2008.

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## **Common Stock Dividends**

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The following table is a summary of our regular quarterly cash dividends on common stock as of November 6, 2008. In October 2008, to position our dividend to better match our earnings, we announced a 50 percent reduction in our regular quarterly cash dividend on common stock to \$0.32 per share.

**Table 15**  
**Common Stock Dividend Summary**

Declaration Date	Record Date	Payment Date	Dividend per Share
October 6, 2008	December 5, 2008	December 26, 2008	\$ 0.32
July 23, 2008	September 5, 2008	September 26, 2008	0.64
April 23, 2008	June 6, 2008	June 27, 2008	0.64
January 23, 2008	March 7, 2008	March 28, 2008	0.64

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## **Preferred Stock Issuances**

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In October 2008, in connection with the TARP Capital Purchase Program, created as part of the EESA, we issued to the U.S. Treasury 600 thousand shares of Series N Preferred Stock with a par value of \$0.01 per share for \$15.0 billion. The Series N Preferred Stock initially pays quarterly dividends at a five percent annual rate that increases to nine percent after five years on a liquidation preference of \$25,000 per share. The Series N Preferred Stock has a call feature after three years. In connection with this investment, we also issued to the U.S. Treasury 10-year warrants to purchase approximately 73.1 million shares of Bank of America Corporation common stock at an exercise price of \$30.79 per share. Upon the request of the U.S. Treasury, at any time, we have agreed to enter into a deposit arrangement pursuant to which the Series N Preferred Stock may be deposited and depositary shares, representing 1/25<sup>th</sup> of a share of Series N Preferred Stock, may be issued. We have agreed to register the Series N Preferred Stock, the warrants, the shares of common stock underlying the warrants and the depositary shares, if any, for resale under the Securities Act of 1933, as soon as practicable after the issuance of the Series N Preferred Stock and the warrants.

In connection with the sale of the Series N Preferred Stock, Merrill Lynch entered into an agreement with the U.S. Treasury which allows Merrill Lynch to sell preferred stock and warrants to the U.S. Treasury for a purchase price of \$10.0 billion prior to January 31, 2009 under certain circumstances. The U.S. Treasury has agreed with the Corporation that if the closing of the Merrill Lynch acquisition occurs prior to any such sale of preferred stock by Merrill Lynch to the U.S. Treasury, the U.S. Treasury will purchase, and the Corporation will issue, 400 thousand additional shares of Series N Preferred Stock (or a substantially similar series) and warrants to purchase approximately 48.7 million additional shares of common stock at an exercise price of \$30.79, for an aggregate purchase price of \$10.0 billion.

Under the TARP Capital Purchase Program dividend payments on, and repurchases of, our outstanding preferred stock are subject to certain restrictions. For more information on these restrictions, see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

In May and June 2008, we issued 117 thousand shares of Bank of America Corporation 8.20% Non-Cumulative Preferred Stock, Series H with a par value of \$0.01 per share for \$2.9 billion.

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In April 2008, we issued 160 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M with a par value of \$0.01 per share for \$4.0 billion. The fixed rate is 8.125 percent through May 14, 2018 and then adjusts to three-month LIBOR plus 364 bps thereafter.

In January 2008, we issued 240 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K with a par value of \$0.01 per share for \$6.0 billion. The fixed rate is 8.00 percent through January 29, 2018 and then adjusts to three-month LIBOR plus 363 bps thereafter. In addition, we issued 6.9 million shares of Bank of America Corporation 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L with a par value of \$0.01 per share for \$6.9 billion.

For additional information on the issuance of preferred stock, see *Note 13 – Shareholders' Equity and Earnings per Common Share* to the Consolidated Financial Statements.

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**Table of Contents****Preferred Stock Dividends**

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The following table is a summary of our cash dividends on preferred stock as of November 6, 2008.

**Table 16**  
**Preferred Stock Cash Dividend Summary**

Preferred Stock	Declaration Date	Record Date	Payment Date	Per Annum Dividend Rate	Dividend per Share
Series B	October 6, 2008	January 9, 2009	January 23, 2009	7.00%	\$ 1.75
	July 23, 2008	October 8, 2008	October 24, 2008	7.00	1.75
	April 23, 2008	July 9, 2008	July 25, 2008	7.00	1.75
	January 23, 2008	April 11, 2008	April 25, 2008	7.00	1.75
(1)					
Series D	October 2, 2008	November 28, 2008	December 15, 2008	6.204%	\$ 0.38775
	July 3, 2008	August 29, 2008	September 15, 2008	6.204	0.38775
	April 3, 2008	May 30, 2008	June 16, 2008	6.204	0.38775
	January 3, 2008	February 29, 2008	March 14, 2008	6.204	0.38775
(1)					
Series E	October 2, 2008	October 31, 2008	November 17, 2008	Floating	\$ 0.25556
	July 3, 2008	July 31, 2008	August 15, 2008	Floating	0.25556
	April 3, 2008	April 30, 2008	May 15, 2008	Floating	0.25
	January 3, 2008	January 31, 2008	February 15, 2008	Floating	0.33342
(1)					
Series H	October 2, 2008	October 15, 2008	November 3, 2008	8.20%	\$ 0.51250
	July 3, 2008 (2)	July 15, 2008	August 1, 2008	8.20	0.3929
(1)					
Series I	October 2, 2008	December 15, 2008	December 31, 2008	6.625%	\$ 0.41406
	July 3, 2008	September 15, 2008	October 1, 2008	6.625	0.41406
	April 3, 2008	June 15, 2008	July 1, 2008	6.625	0.41406
	January 3, 2008	March 15, 2008	April 1, 2008	6.625	0.41406
(1)					
Series J	October 2, 2008	October 15, 2008	November 3, 2008	7.25%	\$ 0.45312
	July 3, 2008	July 15, 2008	August 1, 2008	7.25	0.45312
	April 3, 2008	April 15, 2008	May 1, 2008	7.25	0.45312
	January 3, 2008 (2)	January 15, 2008	February 1, 2008	7.25	0.35750
(1,3)					
Series K	July 3, 2008 (2)	July 15, 2008	July 30, 2008	Fixed-to-Floating	\$ 40.00
Series L	September 16, 2008	October 1, 2008	October 30, 2008	7.25%	\$ 18.1250
	June 13, 2008	July 1, 2008	July 30, 2008	7.25	18.1250
	March 14, 2008 (2)	April 1, 2008	April 30, 2008	7.25	18.3264
(1,3)					
Series M	October 2, 2008 (2)	October 31, 2008	November 17, 2008	Fixed-to-Floating	\$ 44.0104

(1) Dividends per depositary share

(2) Initial dividends

(3) Pays dividends semi-annually.

Declaration of preferred stock dividends results in a decrease in net income available to common shareholders in the quarter such dividends are declared. Preferred stock dividends may be declared from time to time by the Board (or a designated committee of the Board). The terms of the outstanding series of preferred stock provide for dividends on a quarterly or semi-annual basis should the Board declare any such dividends. During the first, second and third quarters of 2008, the aggregate dividends on preferred stock declared were \$190 million, \$186 million and \$473 million. The Corporation estimates that the potential aggregate dividends in the fourth quarter of 2008, subject to the Board's future declaration and assuming no conversion of convertible shares, are \$422 million. For additional information on our preferred stock, see *Note 13 – Shareholders' Equity and Earnings per Common Share* to the Consolidated Financial Statements.

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**Credit Risk Management**

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Credit risk is the risk of loss arising from the inability of a borrower or counterparty to meet its obligations. Credit risk can also arise from operational failures that result in an erroneous advance, commitment or investment of funds. We define the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications including loans and leases, deposit overdrafts, derivatives, assets held-for-sale and unfunded lending commitments that include loan commitments, letters of credit and financial guarantees. Derivative positions are recorded at fair value and assets held-for-sale are recorded at fair value or the lower of cost or fair value. Certain loans and unfunded commitments are accounted for at fair value in accordance with SFAS 159. 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 adjustment recorded in earnings in the period incurred. For derivative positions, our credit risk is 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. 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 derivatives and credit extension commitments, see *Note 4 – Derivatives* and *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements.

For credit risk purposes, we evaluate our consumer businesses on both a held and managed basis. Managed basis assumes that credit card loans that have been securitized were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. We evaluate credit performance on a managed basis as the credit card receivables that have been securitized are subject to the same underwriting standards and ongoing monitoring as held loans. In addition to the discussion of credit quality statistics of both held and managed credit card loans included in this section, refer to the *Card Services* discussion beginning on page 82. For additional information on our managed portfolio and securitizations, see *Note 8 – Securitizations* 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.

The financial market conditions that existed in the second half of 2007 have continued to affect the economy and the financial services sector in 2008. Over the next several months and into 2009, we expect continued market turbulence and economic uncertainty. The impact of the housing downturn and the broader economic slowdown has been profound and the depth and breadth of the downturn remains unclear. Continued deterioration of the housing markets and the broader economy will negatively impact the credit quality of both our consumer and commercial portfolios and may result in a higher provision for credit losses in future periods.

As part of our credit risk management culture, we continue to refine our credit standards to meet the changing economic environment. We have adjusted our underwriting criteria, as well as enhanced our line management and collection strategies across the consumer businesses in an attempt to mitigate losses. In our domestic consumer credit card business, we have implemented several initiatives to mitigate losses including increased use of judgmental lending, adjusted underwriting and account and line management standards, particularly in higher-risk geographies, and increased collections staffing levels. In response to the significant deterioration in our consumer real estate portfolio we have implemented initiatives including underwriting changes on newly originated consumer real estate loans which increased the minimum FICO score and reduced the maximum loan-to-value (LTV). Additional LTV reductions were implemented for higher risk geographies. On our home equity portfolio, we have also reduced unfunded lines on deteriorating accounts with declining equity positions where allowed.

In response to weakness in our direct/indirect portfolio, we have implemented several initiatives to mitigate losses. In our unsecured lending business we have increased the use of judgmental lending and tighter underwriting and account management standards for higher risk customers and higher-risk geographies. In our automotive and dealer-related portfolios, we have tightened underwriting criteria and improved the risk-based pricing for purchased loans.

To mitigate losses in the commercial businesses, we have increased the frequency and intensity of portfolio monitoring, hedging activity and our efforts in managing the exposure when we begin to see signs of deterioration. A number of initiatives have also been implemented in our small business commercial – domestic portfolio including changes to underwriting thresholds, augmented by a granular decision making process by experienced underwriters including

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increasing minimum FICO scores and lowering initial line assignments. We have also decreased credit lines on higher risk customers in higher risk states and industries.

Further, we are increasing our customer assistance and collections infrastructure and have instituted a number of other initiatives related to our credit portfolios in an attempt to mitigate losses and enhance our support for our customers. This includes expanding the use of current loss mitigation options such as an enhanced set of workout solutions including the announced creation of a home retention program that was developed in conjunction with several state attorneys general that will systematically modify troubled mortgages with up to \$8.4 billion in interest rate and principal reductions for approximately 400,000 Countrywide customers. We hold approximately 12 percent of the eligible loans for investment while the remaining 88 percent are loans that we service but do not own. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors. This program is in line with the Corporation's original expectations upon acquisition and is not expected to impact the Corporation's purchase accounting adjustments. For more information on this home retention program see Recent Events on page 62. Currently, we cannot determine how effective any of the aforementioned initiatives will be as they are dependent upon a variety of factors including the duration and severity of the housing downturn, uncertainty in energy and commodity costs and the overall economic, regulatory and capital environments.

On July 1, 2008, the Corporation acquired Countrywide creating one of the largest mortgage originators and servicers. We will continue our practice of not originating subprime mortgages and certain nontraditional mortgages, and as such will not offer products such as Countrywide's pay-option and payment advantage adjustable-rate mortgages (ARMs), which we classify as discontinued real estate in the Consumer Portfolio Credit Risk Management discussion. We have significantly curtailed the production of other nontraditional mortgages, such as certain low-documentation loans. Products being offered will be subject to our underwriting process and credit risk management culture.

In addition, we will continue to offer first-lien mortgages conforming to the underwriting standards of government-sponsored enterprises and the government, including loans supported by the FHA and the Department of Veterans Affairs and other loans designed for low and moderate income borrowers (e.g., Community Reinvestment Act loans). We will also continue to offer first-lien non-conforming loans, interest-only fixed-rate and ARMs that are subject to a 10-year minimum interest-only period, and fixed-period ARMs.

In October 2008, in connection with the TARP Capital Purchase Program, we issued to the U.S. Treasury 600 thousand shares of Series N Preferred Stock with a par value of \$0.01 per share for \$15.0 billion. This additional capital will further our efforts to continue providing these credit products to our consumer and commercial customers and clients thus promoting the efficient flow of liquidity and capital into the marketplace.

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## **Consumer Portfolio Credit Risk Management**

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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, 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 critical component of our consumer credit risk management process and are used in part to help determine both new and existing credit decisions, portfolio management strategies including authorizations and line management, collection practices and strategies, determination of the allowance for loan and lease losses, and economic capital allocations for credit risk.

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the consumer portfolio, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

With the acquisition of Countrywide, we acquired certain loans that were considered impaired and were written down to fair value at the acquisition date in accordance with SOP 03-3. Refer to the SOP 03-3 discussion beginning on page 131 for more information.

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**Management of Consumer Credit Risk Concentrations**

Consumer credit risk is evaluated and managed with a goal that credit concentrations do not result in undesirable levels of risk. We review, measure and manage credit exposure in numerous ways such as by product and geography in order to achieve the desired mix. Additionally, credit protection is purchased on certain portions of our portfolio to enhance our overall risk management position.

**Consumer Credit Portfolio**

Table 17 presents our consumer loans and leases and our managed credit card portfolio, and related credit quality information. Loans that were acquired from Countrywide that were considered impaired were written down to fair value at acquisition in accordance with SOP 03-3. In addition to being included in the “Outstandings” column below, these loans are also shown separately, net of purchase accounting adjustments, for increased transparency in the “SOP 03-3 Portfolio” column. Overall, consumer credit quality indicators continued to deteriorate during the three and nine months ended September 30, 2008. Continued weakness in the housing markets, the slowing economy, credit market disruptions and seasoning of vintages in certain higher growth portfolios, resulted in rising credit risk across our consumer portfolios.

**Table 17**  
**Consumer Loans and Leases**

	Outstandings		Nonperforming (1, 2, 3)		Accruing Past Due 90 Days or More (3, 4)		SOP 03-3 Portfolio (5)
	September 30 2008	December 31 2007	September 30 2008	December 31 2007	September 30 2008	December 31 2007	September 30 2008
<b>Held basis</b>							
Residential mortgage	\$ 256,989	\$ 274,949	\$ 4,638	\$ 1,999	\$ 268	\$ 237	\$ 7,339
Home equity	151,938	114,820	2,049	1,340	-	-	12,957
Discontinued real estate <sup>(6)</sup>	22,081	n/a	33	n/a	-	n/a	19,652
Credit card – domestic	63,012	65,774	n/a	n/a	1,973	1,855	n/a
Credit card – foreign	18,338	14,950	n/a	n/a	357	272	n/a
Direct/Indirect consumer <sup>(7)</sup>	82,849	76,538	13	8	1,113	745	n/a
Other consumer <sup>(8)</sup>	3,680	4,170	89	95	4	4	n/a
<b>Total held</b>	<b>\$ 598,887</b>	<b>\$ 551,201</b>	<b>\$ 6,822</b>	<b>\$ 3,442</b>	<b>\$ 3,715</b>	<b>\$ 3,113</b>	<b>\$ 39,948</b>
<b>Supplemental managed basis data</b>							
Credit card – domestic	\$ 151,118	\$ 151,862	n/a	n/a	\$ 4,545	\$ 4,170	n/a
Credit card – foreign	32,280	31,829	n/a	n/a	743	714	n/a
<b>Total credit card-managed</b>	<b>\$ 183,398</b>	<b>\$ 183,691</b>	<b>n/a</b>	<b>n/a</b>	<b>\$ 5,288</b>	<b>\$ 4,884</b>	<b>n/a</b>

- (1) The definition of nonperforming does not include consumer credit card and consumer non-real estate loans and leases. These loans are charged off no later than the end of the month in which the account becomes 180 days past due.
- (2) Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases were 1.14 percent (1.22 percent excluding the SOP 03-3 portfolio) and 0.62 percent at September 30, 2008 and December 31, 2007.
- (3) Balances do not include loans accounted for in accordance with SOP 03-3 even though the customer may be contractually past due. Loans accounted for in accordance with SOP 03-3 were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
- (4) Accruing consumer loans and leases past due 90 days or more as a percentage of outstanding consumer loans and leases were 0.62 percent (0.66 percent excluding the SOP 03-3 portfolio) and 0.57 percent at September 30, 2008 and December 31, 2007.
- (5) Represents acquired loans from Countrywide that were considered impaired and written down to fair value at the acquisition date in accordance with SOP 03-3. These amounts are included in the Outstandings column in this table.
- (6) Discontinued real estate includes pay option loans and subprime loans obtained in connection with the acquisition of Countrywide. The Corporation no longer originates these products.
- (7) Outstandings include foreign consumer loans of \$2.4 billion and \$3.4 billion at September 30, 2008 and December 31, 2007.
- (8) Outstandings include consumer finance loans of \$2.7 billion and \$3.0 billion, and other foreign consumer loans of \$736 million and \$829 million at September 30, 2008 and December 31, 2007.

n/a = not applicable



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Table 18 presents net charge-offs and related ratios for our consumer loans and leases and net losses and related ratios for our managed credit card portfolio for the three and nine months ended September 30, 2008 and 2007. The reported net charge-off ratios for residential mortgage, home equity and discontinued real estate benefit from the addition of the Countrywide SOP 03-3 portfolio as the initial fair value adjustments recorded on those loans at acquisition would have already included the estimated credit losses.

**Table 18**  
**Consumer Net Charge-offs/Net Losses and Related Ratios**

(Dollars in millions)	Net Charge-offs/Losses				Net Charge-off/Loss Ratios (1)			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Held basis</b>								
Residential mortgage	\$ 242	\$ 13	\$ 459	\$ 30	0.37	% 0.02	% 0.23	% 0.02
Home equity	964	50	2,383	95	2.53	0.20	2.46	0.13
Discontinued real estate	(3)	n/a	(3)	n/a	(0.05)	n/a	(0.05)	n/a
Credit card – domestic	1,094	712	2,917	2,325	6.86	4.91	6.20	5.44
Credit card – foreign	148	96	389	270	3.46	3.19	3.19	3.09
Direct/Indirect consumer	845	353	2,060	917	3.94	1.92	3.35	1.79
Other consumer	106	78	275	182	11.36	7.18	9.45	5.29
<b>Total held</b>	<b>\$ 3,396</b>	<b>\$ 1,302</b>	<b>\$ 8,480</b>	<b>\$ 3,819</b>	<b>2.24</b>	<b>0.99</b>	<b>2.01</b>	<b>1.02</b>
<b>Supplemental managed basis data</b>								
Credit card – domestic	\$ 2,643	\$ 1,707	\$ 7,125	\$ 5,144	6.87	4.76	6.24	4.91
Credit card – foreign	353	317	994	932	4.21	4.24	4.06	4.31
<b>Total credit card – managed</b>	<b>\$ 2,996</b>	<b>\$ 2,024</b>	<b>\$ 8,119</b>	<b>\$ 6,076</b>	<b>6.40</b>	<b>4.67</b>	<b>5.85</b>	<b>4.81</b>

(1) Net charge-off/loss ratios are calculated as annualized held net charge-offs or managed net losses divided by average outstanding held or managed loans and leases during the period for each loan and lease category.

n/a = not applicable

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Table 19 presents net charge-offs and related ratios for our consumer loans and leases adjusted to exclude the SOP 03-3 portfolio for the three and nine months ended September 30, 2008. There was no impact to net charge-offs excluding the SOP 03-3 portfolio for the three and nine months ended September 30, 2008 as all impaired loans were written down to fair value upon acquisition. Consequently the net charge-off amounts disclosed in the table below are the same as Table 18. The exclusion of the SOP 03-3 portfolio affects only the residential mortgage, home equity and discontinued real estate loan balances on an ending and average basis as these are the categories of loans acquired from Countrywide. As a result, the net charge-off ratios for the table below differ from the reported view above.

**Table 19**  
**Consumer Net Charge-offs and Related Ratios (Adjusted to Exclude the SOP 03-3 Portfolio)**

(Dollars in millions)	Net Charge-offs		Net Charge-off Ratios (1)	
	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
<b>Held basis</b>				
Residential mortgage	\$ 242	\$ 459	0.38 %	0.24 %
Home equity	964	2,383	2.77	2.54
Discontinued real estate	(3)	(3)	(0.43)	(0.43)
Credit card – domestic	1,094	2,917	6.86	6.20
Credit card – foreign	148	389	3.46	3.19
Direct/Indirect consumer	845	2,060	3.94	3.35
Other consumer	106	275	11.36	9.45
<b>Total held</b>	<b>\$ 3,396</b>	<b>\$ 8,480</b>	<b>2.40</b>	<b>2.05</b>

(1) Net charge-off ratios are calculated as annualized held net charge-offs divided by average outstanding loans and leases adjusted to exclude the SOP 03-3 outstandings during the period for each loan and lease category.

In certain cases, the inclusion of the SOP 03-3 portfolio, which was written down to fair value at acquisition, may impact portfolio credit statistics and trends. We believe that the presentation of information adjusted to exclude the impacts of the SOP 03-3 portfolio is more representative of the ongoing operations and credit quality of the business. As a result, in the below discussions of the residential mortgage, home equity and discontinued real estate portfolios, we supplement certain reported statistics with information that is adjusted to exclude the impacts of the SOP 03-3 portfolio. In addition, beginning on page 131, we separately disclose information on the SOP 03-3 portfolio.

### Residential Mortgage

The residential mortgage portfolio, which excludes the discontinued real estate portfolio acquired with Countrywide, makes up the largest percentage of our consumer loan portfolio at 43 percent of consumer loans and leases (45 percent excluding the SOP 03-3 portfolio) at September 30, 2008. Approximately 23 percent of the residential portfolio is in *GCSBB* and *GWIM* and represents residential mortgages that are originated for the home purchase and refinancing needs of our customers. The remaining portion of the portfolio is mostly in *All Other*, and is comprised of both purchased loans, including certain loans from the Countrywide portfolio, as well as residential loans originated for our customers which are used in our overall ALM activities.

Outstanding loans and leases decreased \$18.0 billion at September 30, 2008 compared to December 31, 2007 as new loan originations and the addition of the Countrywide acquisition were more than offset by sales, paydowns and conversions of loans into retained mortgage backed securities. The Countrywide acquisition added \$26.8 billion of residential mortgage outstandings, of which \$7.3 billion is included in the SOP 03-3 portfolio. Nonperforming balances increased \$2.6 billion due to the impacts of weak housing and economic markets and seasoning of the portfolio reflective of growth in the business. At September 30, 2008 and December 31, 2007, loans past due 90 days or more and still accruing interest of \$268 million and \$237 million were related to repurchases pursuant to our servicing agreements with Government National Mortgage Association (GNMA) mortgage pools where repayments are insured by the FHA or guaranteed by the Department of Veterans Affairs.

Net charge-offs increased \$229 million to \$242 million for the three months ended September 30, 2008, or 0.37 percent (0.38 percent excluding the SOP 03-3 portfolio) of total average residential mortgage loans compared to 0.02 percent for the same period in 2007. For the nine month period ended September 30, 2008, net charge-offs increased \$429 million to \$459 million, or 0.23 percent (0.24 percent excluding the SOP 03-3 portfolio) of total average residential mortgage loans

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compared to 0.02 percent for the same period in 2007. These increases were reflective of the impacts of the weak housing markets and the slowing economy. See page 131 for more information on the SOP 03-3 residential mortgage portfolio.

We mitigate a portion of our credit risk through synthetic securitizations which are cash collateralized and provide mezzanine risk protection which will reimburse us in the event that losses exceed 10 bps of the original pool balance. As of September 30, 2008 and December 31, 2007, \$117.9 billion and \$140.0 billion of mortgage loans were protected by these agreements. In addition, we have entered into credit protection agreements with government-sponsored entities on \$10.8 billion and \$33.0 billion as of September 30, 2008 and December 31, 2007, providing full protection on conforming residential mortgage loans that become severely delinquent. These structures provided risk mitigation for approximately 50 percent and 63 percent of our residential mortgage portfolio at September 30, 2008 and December 31, 2007. The reduction in the protection was driven by an increase in loan sales and securitizations during the period, some of which were insured, and the addition of Countrywide mortgages resulting from the acquisition. Our regulatory risk-weighted assets are reduced as a result of these risk protection transactions because we transferred a portion of our credit risk to unaffiliated parties. At September 30, 2008 and December 31, 2007, these transactions had the cumulative effect of reducing our risk-weighted assets by \$37.0 billion and \$49.0 billion, and strengthened our Tier 1 Capital ratio at September 30, 2008 and December 31, 2007 by 21 bps and 27 bps.

Excluding the SOP 03-3 portfolio, residential mortgage loans with greater than 90 percent refreshed LTV represented 21 percent of the portfolio and those loans with refreshed FICO lower than 620 represented seven percent of the portfolio. In addition, residential mortgage loans to borrowers in the state of California represented 36 percent and 32 percent of total residential mortgage loans at September 30, 2008 and December 31, 2007. The Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area (MSA) within California represented 12 percent and 11 percent of the total residential mortgage portfolio at September 30, 2008 and December 31, 2007. In addition, residential mortgage loans to borrowers in the state of Florida represented six percent of the total residential mortgage portfolio at both September 30, 2008 and December 31, 2007. Additionally, 55 percent and 38 percent of loans in California and Florida are in reference pools of synthetic securitizations, as described above, which provide mezzanine risk protection. Total credit risk on two percent and three percent of our mortgage loans in California and Florida has been mitigated through the purchase of protection from government sponsored entities. The table below presents outstandings, nonperforming loans and net charge-offs and the related ratios by certain state concentrations for the residential mortgage portfolio.

**Table 20**  
**Residential Mortgage State Concentrations**

(Dollars in millions)	September 30, 2008				Net Charge-offs			
	Outstandings		Nonperforming		Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
California	\$ 90,206	36.1 %	\$ 1,352	29.2 %	\$ 114	47.1 %	\$ 195	42.5 %
Florida	15,960	6.4	683	14.7	37	15.3	75	16.3
New York	15,895	6.4	172	3.7	1	0.4	4	0.9
Texas	11,021	4.4	193	4.2	4	1.7	13	2.8
Virginia	10,629	4.3	146	3.1	9	3.7	17	3.7
New Jersey	9,101	3.6	154	3.3	3	1.2	8	1.8
Other U.S./Foreign	96,838	38.8	1,938	41.8	74	30.6	147	32.0
<b>Total residential mortgage loans (excluding SOP 03-3 loans)</b>	<b>\$ 249,650</b>	<b>100.0 %</b>	<b>\$ 4,638</b>	<b>100.0 %</b>	<b>\$ 242</b>	<b>100.0 %</b>	<b>\$ 459</b>	<b>100.0 %</b>
<b>Total SOP 03-3 residential mortgage loans <sup>(1)</sup></b>	<b>7,339</b>							
<b>Total residential mortgage loans</b>	<b>\$ 256,989</b>							

(1) Represents acquired loans from Countrywide that were considered impaired and written down to fair value at the acquisition date in accordance with SOP 03-3. See page 131 for the discussion of the characteristics of the SOP 03-3 loans.

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 September 30, 2008, our CRA portfolio comprised seven percent of the total ending residential mortgage loan balances but comprised 25 percent of

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nonperforming residential mortgage loans. This portfolio also comprised 27 percent and 26 percent of residential mortgage net charge-offs during the three and nine months ended September 30, 2008. While approximately 50 percent of our residential mortgage portfolio carries risk mitigation protection, only a small portion of our CRA portfolio is covered by this protection.

### **Home Equity**

At September 30, 2008, approximately 80 percent of the home equity portfolio was included in *GCSBB*, while the remainder of the portfolio was mostly in *GWIM*. Outstanding home equity loans increased \$37.1 billion, or 32 percent, at September 30, 2008 compared to December 31, 2007, due to the Countrywide acquisition which added approximately \$29.0 billion in home equity loans of which \$13.0 billion is included in the SOP 03-3 portfolio. See page 131 for more information on the SOP 03-3 residential mortgage portfolio.

Home equity unused lines of credit totaled \$113.6 billion at September 30, 2008 compared to \$120.1 billion at December 31, 2007. The \$6.5 billion decrease was despite the \$5.9 billion in unused lines acquired from the nonimpaired Countrywide portfolio. A portion of the decrease was driven by line management initiatives which reduced risk on existing lines with high combined loan-to-values (CLTVs), particularly in those states that have experienced the most significant housing price declines. The home equity utilization rate was 50 percent at September 30, 2008 compared to 44 percent at December 31, 2007.

Nonperforming home equity loans increased \$709 million compared to December 31, 2007 and net charge-offs increased \$914 million to \$964 million for the three months ended September 30, 2008, or 2.53 percent (2.77 percent excluding the SOP 03-3 portfolio) of total average home equity loans compared to 0.20 percent for the same period in 2007. For the nine months ended September 30, 2008, net charge-offs increased to \$2.4 billion, or 2.46 percent (2.54 percent excluding the SOP 03-3 portfolio) of total average home equity loans compared to 0.13 percent for the same period in 2007. These increases were driven by the continued weakness in the housing markets, the slowing economy and seasoning of vintages originated in periods of higher growth. Additionally, these increases were driven by high CLTV loans in geographic areas that have experienced the most significant declines in home prices. Home price declines coupled with the fact that most home equity loans are secured by second lien positions have significantly reduced and in some cases resulted in no collateral value after consideration of the first lien position. This drove more severe charge-offs as borrowers defaulted.

Excluding the SOP 03-3 portfolio, home equity loans with greater than 90 percent refreshed CLTV comprised 35 percent of the home equity portfolio while loans with a refreshed FICO lower than 620 represented nine percent of the home equity loans at September 30, 2008. These higher CLTV loans represented 88 percent and 84 percent of net charge-offs for the three and nine months ended September 30, 2008. In addition, \$35.8 billion, or 26 percent of our home equity portfolio was comprised of 2006 vintages which continue to season and have a higher refreshed CLTV. These 2006 vintage loans accounted for approximately 48 percent and 53 percent of net charge-offs for the three and nine months ended September 30, 2008. The portfolio's 2007 vintages, which represent 27 percent of the portfolio, are showing similar asset quality characteristics as the 2006 vintages and accounted for 32 percent and 25 percent of net charge-offs in the three and nine months ended September 30, 2008. Additionally, legacy Bank of America discontinued the program of purchasing non-franchise originated loans in the second quarter of 2007. These purchased loans represented only three percent of the portfolio but accounted for 16 percent of net charge-offs for both the three and nine months ended September 30, 2008.

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Excluding the SOP 03-3 portfolio, our home equity loan portfolio in the states of California and Florida represented in aggregate 40 percent of outstanding home equity loans at September 30, 2008 and 39 percent of outstanding home equity loans at December 31, 2007. These states accounted for \$1.1 billion, or 56 percent, of nonperforming home equity loans at September 30, 2008. In addition, these states represented 67 percent and 64 percent of the home equity net charge-offs for the three and nine months ended September 30, 2008. In the New York area, the New York-Northern New Jersey-Long Island MSA made up 10 percent of outstanding home equity loans at September 30, 2008 but comprised only four percent and five percent of net charge offs for the three and nine months ended September 30, 2008. The Los Angeles-Long Beach-Santa Ana MSA within California made up 10 percent of outstanding home equity loans at September 30, 2008 and 12 percent and 11 percent of net charge-offs for the three and nine months ended September 30, 2008. The table below presents outstandings, nonperforming loans, net charge-offs and the related ratios by certain state concentrations for the home equity portfolio.

**Table 21**  
**Home Equity State Concentrations**

(Dollars in millions)	September 30, 2008						Net Charge-offs					
	Outstandings			Nonperforming			Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Amount	Percent of Total	%	Amount	Percent of Total	%	Amount	Percent of Total	%	Amount	Percent of Total	%
California	\$ 37,670	27.1	%	\$ 682	33.3	%	\$ 409	42.4	%	\$ 1,012	42.5	%
Florida	17,685	12.7		464	22.7		232	24.1		519	21.8	
New Jersey	8,772	6.3		91	4.4		23	2.4		68	2.9	
New York	8,522	6.1		128	6.2		23	2.4		69	2.9	
Virginia	4,573	3.3		69	3.4		44	4.6		115	4.8	
Texas	3,019	2.2		12	0.6		4	0.4		12	0.5	
Other U.S./Foreign	58,740	42.3		603	29.4		229	23.7		588	24.6	
<b>Total home equity loans (excluding SOP 03-3 loans)</b>	<b>\$ 138,981</b>	<b>100.0</b>	<b>%</b>	<b>\$ 2,049</b>	<b>100.0</b>	<b>%</b>	<b>\$ 964</b>	<b>100.0</b>	<b>%</b>	<b>\$ 2,383</b>	<b>100.0</b>	<b>%</b>
<b>Total SOP 03-3 home equity loans <sup>(1)</sup></b>	<b>12,957</b>											
<b>Total home equity loans</b>	<b>\$ 151,938</b>											

(1) Represents acquired loans from Countrywide that were considered impaired and written down to fair value at the acquisition date in accordance with SOP 03-3. See page 131 for the discussion of the characteristics of the SOP 03-3 loans.

## Discontinued Real Estate

The discontinued real estate portfolio, totaling \$22.1 billion at September 30, 2008, consisted of pay-option and pay-advantage ARMs (pay option loans) and subprime loans obtained in connection with the acquisition of Countrywide. At acquisition, the majority of the discontinued real estate portfolio was considered impaired and, in accordance with SOP 03-3, written down to fair value. At September 30, 2008 the SOP 03-3 portfolio comprised \$19.7 billion of the \$22.1 billion in discontinued real estate outstandings. This portfolio is included in *All Other* and is managed as part of our overall ALM activities. See page 131 for more information on the SOP 03-3 residential mortgage portfolio.

At September 30, 2008, excluding the SOP 03-3 portfolio, loans with greater than 90 percent refreshed CLTV comprised 17 percent of the portfolio and those with refreshed FICO scores lower than 620 represented 20 percent of the portfolio. California represented 32 percent of the portfolio and 30 percent of the nonperforming loans while Florida represented 11 percent of the portfolio and 13 percent of the nonperforming loans at September 30, 2008. The Los Angeles-Long Beach-Santa Ana MSA within California made up 14 percent of outstanding discontinued real estate loans at September 30, 2008.

Pay option ARMs 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 ten-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 loans' 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 the loan's principal balance to reach a certain level within the first 10 years of the loans, the payment is reset to the interest-only payment; then at the 10-year point, the fully amortizing payment is required. Pay option ARMs and payment advantage ARMs are collectively referred to as pay option loans.

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The difference between the frequency of changes in the loans' interest rates and payments along with a limitation on changes in the minimum monthly payments to 7.5 percent per year can result in payments that are not sufficient to pay all of the monthly interest charges (i.e., negative amortization). Unpaid interest charges are added to the loan balance until the loan's balance increases to a specified limit, which is 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.

### **SOP 03-3 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 SOP 03-3. Evidence of credit quality deterioration as of the purchase date may include statistics such as past due status, refreshed borrower credit scores, and refreshed LTV, some of which are not immediately available as of the purchase date. We will continue to evaluate this information and other credit related information as it becomes available. SOP 03-3 addresses accounting for differences between contractual and expected cash flows to be collected from the Corporation's initial investment in loans if those differences are attributable, at least in part, to credit quality. SOP 03-3 requires that acquired impaired loans be recorded at fair value and prohibits "carrying over" or the creation of valuation allowances in the initial accounting for loans acquired that are within the scope of this SOP. The SOP 03-3 portfolio associated with the acquisition of LaSalle did not materially impact results at and during the three and nine months ended September 30, 2008 and is excluded from the following discussion.

In accordance with SOP 03-3, certain acquired loans of Countrywide that were considered impaired were written down to fair value at the acquisition date. As a result, the reported net charge-offs on these loans are significantly lower than historical levels as the initial fair value at acquisition date would have already considered the estimated credit losses on these loans. As of September 30, 2008 the carrying value and the unpaid principal balance of these loans was \$39.9 billion and \$52.8 billion. SOP 03-3 does not apply to loans Countrywide previously securitized as they are not held on the Corporation's Balance Sheet. During the three months ended September 30, 2008 had the acquired portfolio not been subject to SOP 03-3, we would have recorded additional net charge-offs of \$1.5 billion before consideration of conforming accounting adjustments to align the charge-off policies and practices of Countrywide with those of the Corporation. These charge-offs are in line with our expectations. For further information regarding loans accounted for in accordance with SOP 03-3 see *Note 6 – Outstanding Loans and Leases* to the Consolidated Financial Statements.

In the paragraphs below we provide additional information on the residential mortgage, home equity and discontinued real estate loans that were accounted for under SOP 03-3. Since these loans were written down to fair value upon acquisition, we are reporting this information separately. In certain cases we supplement the reported statistics on these SOP 03-3 portfolios with information that is presented as if the acquired loans had not been subject to SOP 03-3.

### Residential Mortgage

The residential mortgage SOP 03-3 portfolio outstandings were \$7.3 billion at September 30, 2008 and comprised 18 percent of the total SOP 03-3 portfolio. Those loans with a refreshed FICO score lower than 620 represented 27 percent of the residential mortgage SOP 03-3 portfolio at September 30, 2008. Refreshed LTV's greater than 90 percent represented 33 percent of the residential mortgage portfolio after consideration of purchase accounting adjustments. Refreshed LTVs greater than 90 percent based on the unpaid principal balance represented 80 percent of the residential mortgage portfolio at September 30, 2008.

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California represented approximately 52 percent of the outstanding residential mortgage SOP 03-3 portfolio and Florida represented approximately eight percent at September 30, 2008. Had the acquired portfolio not been subject to SOP 03-3 the residential mortgage portfolio would have recorded additional net charge-offs of \$236 million. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been subject to SOP 03-3, by certain state concentrations.

**Table 22**  
**SOP 03-3 Portfolio—Residential Mortgage State Concentrations**

(Dollars in millions)	September 30, 2008			SOP 03-3 Net Charge-offs (1) Three Months Ended September 30, 2008		
	Outstandings		%	Three Months Ended September 30, 2008		%
	Amount	Percent of Total		Amount	Percent of Total	
California	\$ 3,795	51.7	%	\$ 87	36.9	%
Florida	547	7.5		59	25.0	
Virginia	434	5.9		6	2.5	
Texas	193	2.6		3	1.3	
Maryland	190	2.6		3	1.3	
Other U.S. / Foreign	2,180	29.7		78	33.0	
<b>Total SOP 03-3 residential mortgage loans</b>	<b>\$ 7,339</b>	<b>100.0</b>	<b>%</b>	<b>\$ 236</b>	<b>100.0</b>	<b>%</b>

(1) Represents additional net charge-offs for the three months ended September 30, 2008 had the portfolio not been subject to SOP 03-3.

## Home Equity

The home equity SOP 03-3 outstandings were \$13.0 billion at September 30, 2008 and comprised 33 percent of the total Countrywide SOP 03-3 portfolio. Those loans with a refreshed FICO score lower than 620 represented 17 percent of the home equity SOP 03-3 portfolio at September 30, 2008. Refreshed CLTVs greater than 90 percent represented 81 percent of the home equity portfolio after consideration of purchase accounting adjustments. Refreshed CLTVs greater than 90 percent based on the unpaid principal balance represented 90 percent of the home equity portfolio at September 30, 2008.

California represented approximately 36 percent of the outstanding home equity SOP 03-3 portfolio and Florida represented approximately six percent at September 30, 2008. Had the acquired portfolio not been subject to SOP 03-3 the home equity portfolio would have recorded additional net charge-offs of \$772 million. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been subject to SOP 03-3, by certain state concentrations.

**Table 23**  
**SOP 03-3 Portfolio – Home Equity State Concentrations**

(Dollars in millions)	September 30, 2008			SOP 03-3 Net Charge-offs (1) Three Months Ended September 30, 2008		
	Outstandings		%	Three Months Ended September 30, 2008		%
	Amount	Percent of Total		Amount	Percent of Total	
California	\$ 4,683	36.1	%	\$ 384	49.8	%
Florida	834	6.4		101	13.1	
Arizona	570	4.4		39	5.0	
Virginia	505	3.9		22	2.9	
Colorado	438	3.4		13	1.7	
Other U.S. / Foreign	5,927	45.8		213	27.5	
<b>Total SOP 03-3 home equity loans</b>	<b>\$ 12,957</b>	<b>100.0</b>	<b>%</b>	<b>\$ 772</b>	<b>100.0</b>	<b>%</b>

(1) Represents additional net charge-offs for the three months ended September 30, 2008 had the portfolio not been subject to SOP 03-3.

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Discontinued Real Estate

The discontinued real estate SOP 03-3 portfolio outstandings were \$19.7 billion at September 30, 2008 and comprised 49 percent of the total Countrywide SOP 03-3 portfolio. Those loans with a refreshed FICO score lower than 620 represented 28 percent of the discontinued real estate SOP 03-3 portfolio at September 30, 2008. Refreshed CLTVs greater than 90 percent represented 23 percent of the discontinued real estate portfolio after consideration of purchase accounting adjustments. Refreshed CLTVs greater than 90 percent based on the unpaid principal balance represented 70 percent of the home equity portfolio at September 30, 2008.

California represented approximately 56 percent of the outstanding discontinued real estate SOP 03-3 portfolio and Florida represented approximately 10 percent at September 30, 2008. Had the acquired portfolio not been subject to SOP 03-3 the discontinued real estate portfolio would have recorded additional net charge-offs of \$980 million. The table below presents outstandings net of purchase accounting adjustments and net charge-offs had the portfolio not been subject to SOP 03-3, by certain state concentrations.

**Table 24**  
**SOP 03-3 Portfolio – Discontinued Real Estate State Concentrations**

(Dollars in millions)	September 30, 2008			SOP 03-3 Net Charge-offs (1)		
	Outstandings			Three Months Ended September 30, 2008		
	Amount	Percent of Total	%	Amount	Percent of Total	%
California	\$ 10,939	55.7	%	\$ 566	57.8	%
Florida	1,919	9.8		165	16.8	
Arizona	730	3.7		32	3.3	
Virginia	654	3.3		27	2.8	
Washington	528	2.7		4	0.4	
Other U.S./ Foreign	4,882	24.8		186	18.9	
<b>Total SOP 03-3 discontinued real estate loans</b>	<b>\$ 19,652</b>	<b>100.0</b>	<b>%</b>	<b>\$ 980</b>	<b>100.0</b>	<b>%</b>

(1) Represents additional net charge-offs for the three months ended September 30, 2008 had the portfolio not been subject to SOP 03-3.

At September 30, 2008 the unpaid principal balance of pay option loans was \$25.1 billion, including loans that were impaired at acquisition, with a carrying amount of \$20.1 billion, net of \$5.0 billion in purchase accounting writedowns in accordance with SOP 03-3. Total principal balance of pay option loans with accumulated negative amortization was \$18.2 billion, accumulated negative amortization from the original loan balance was \$1.4 billion and the percentage of borrowers electing to make only the minimum payment on option arms was 66 percent at September 30, 2008. We continue to evaluate our exposure to payment resets on the acquired negatively amortizing loans and have taken into consideration several assumptions regarding this evaluation (e.g., prepayment rates). We also continue to evaluate the potential for resets on the SOP 03-3 pay option portfolio. Based on our expectations four percent, 29 percent and 17 percent of the pay option loan portfolio is expected to be reset in 2009, 2010, and 2011, respectively. Approximately eight percent is expected to be reset thereafter, and approximately 42 percent are expected to repay prior to being reset.

As we continue to evaluate and manage these SOP 03-3 portfolios, we will determine the appropriateness of including them as part of our current loss mitigation options including the \$8.4 billion in interest rate and principal reductions as part of the home retention program that was developed in conjunction with several state attorneys general to modify troubled mortgages. This program is in line with the Corporation's original expectations upon acquisition and will not impact the Corporation's purchase accounting adjustments. For more information see Recent Events beginning on page 62.

**Credit Card – Domestic**

The consumer domestic credit card portfolio is managed in *Card Services*. Outstandings in the held domestic credit card loan portfolio decreased \$2.8 billion at September 30, 2008 compared to December 31, 2007 due primarily to an increase in securitized levels. Held domestic loans past due 90 days or more and still accruing interest increased \$118 million.



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Net charge-offs for the held domestic portfolio increased \$382 million to \$1.1 billion for the three months ended September 30, 2008, or 6.86 percent of total average held credit card – domestic loans compared to 4.91 percent for the same period in 2007. For the nine months ended September 30, 2008, net charge-offs increased \$592 million to \$2.9 billion, or 6.20 percent of total average loans compared to 5.44 percent for the same period a year ago. These increases were reflective of the slowing economy including rising unemployment and higher bankruptcies particularly in geographic areas that have experienced the most significant home price declines.

Managed domestic credit card outstandings remained relatively flat at \$151.1 billion at September 30, 2008 compared to December 31, 2007. Managed net losses increased \$936 million to \$2.6 billion for the three months ended September 30, 2008, or 6.87 percent of total average managed domestic loans compared to 4.76 percent for the same period in 2007. For the nine months ended September 30, 2008, net losses increased \$2.0 billion to \$7.1 billion, or 6.24 percent of total average managed domestic loans compared to 4.91 percent for the same period a year ago. These increases were driven by the same factors as described in the held discussion above.

Our managed credit card – domestic loan portfolio in the states of California and Florida represented in aggregate 24 percent of credit card – domestic outstandings at September 30, 2008. These states represented 32 percent of the credit card – domestic net losses for the three months ended September 30, 2008 and 30 percent for the nine months ended September 30, 2008. The table below presents asset quality indicators by certain state concentrations for the credit card – domestic portfolio.

**Table 25**  
**Credit Card – Domestic State Concentrations – Managed Basis**

(Dollars in millions)	September 30, 2008						Net Losses					
	Outstandings			Accruing Past Due 90 Days or More			Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Amount	Percent of		Amount	Percent of		Amount	Percent of		Amount	Percent of	
		Total	%		Total	%		Total	%		Total	%
California	\$ 23,432	15.5	%	\$ 882	19.4	%	\$ 513	19.4	%	\$ 1,319	18.5	%
Florida	12,792	8.5		558	12.3		324	12.3		840	11.8	
Texas	10,082	6.7		284	6.2		159	6.0		466	6.5	
New York	9,237	6.1		244	5.4		136	5.1		382	5.4	
New Jersey	5,992	4.0		158	3.5		84	3.2		222	3.1	
Virginia	4,543	3.0		117	2.6		68	2.6		179	2.5	
Other U.S.	85,040	56.2		2,302	50.6		1,359	51.4		3,717	52.2	
<b>Total credit card – domestic loans</b>	<b>\$ 151,118</b>	<b>100.0</b>	<b>%</b>	<b>\$ 4,545</b>	<b>100.0</b>	<b>%</b>	<b>\$ 2,643</b>	<b>100.0</b>	<b>%</b>	<b>\$ 7,125</b>	<b>100.0</b>	<b>%</b>

Managed consumer credit card unused lines of credit, for both domestic and foreign credit card, totaled \$824.6 billion at September 30, 2008 compared to \$848.7 billion at December 31, 2007. The \$24.1 billion decrease was driven primarily by account management initiatives.

## Credit Card – Foreign

The consumer foreign credit card portfolio is managed in *Card Services*. Outstandings in the held foreign credit card loan portfolio increased \$3.4 billion to \$18.3 billion at September 30, 2008 compared to December 31, 2007 primarily due to a lower level of securitizations. Net charge-offs for the held foreign portfolio increased \$52 million to \$148 million for the three months ended September 30, 2008, or 3.46 percent of total average held credit card – foreign loans compared to 3.19 percent for the same period in 2007. For the nine months ended September 30, 2008, net charge-offs increased \$119 million to \$389 million, or 3.19 percent of total average held credit card – foreign loans compared to 3.09 percent for the same period in 2007. The increases were driven primarily by seasoning of the portfolio, reflective of growth and a lower level of securitizations in 2008.

Managed foreign credit card outstandings increased \$451 million to \$32.3 billion at September 30, 2008 compared to December 31, 2007 due to organic growth partially offset by the strengthening of the U.S. dollar against certain foreign currencies. Net losses for the managed foreign portfolio increased \$36 million to \$353 million for the three months ended September 30, 2008, or 4.21 percent of total average managed credit card – foreign loans compared to 4.24 percent for the same period in 2007. For the nine months ended September 30, 2008, net losses increased \$62 million to \$994 million, or 4.06 percent of total average managed credit card – foreign loans compared to 4.31 percent for the same period in 2007. The increases in the net losses were driven by seasoning of the portfolio, reflective of growth. The decreases in the loss rates were driven primarily by a higher rate of loan growth and higher recoveries in the Canadian portfolio.

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**Direct/Indirect Consumer**

At September 30, 2008, approximately 48 percent of the direct/indirect portfolio was included in *Business Lending* (automotive, marine, motorcycle and recreational vehicle loans), 38 percent was included in *GCSBB* (unsecured personal loans, student and other non-real estate secured) and the remainder was included in *GWIM* (principally other non-real estate secured and unsecured personal loans).

Outstanding loans and leases increased \$6.3 billion at September 30, 2008 compared to December 31, 2007 due to growth in the *Card Services* unsecured lending product and purchases of automobile loan portfolios partially offset by the securitization of automobile loans. Loans past due 90 days or more and still accruing interest increased \$368 million. Net charge-offs increased \$492 million to \$845 million for the three months ended September 30, 2008, or 3.94 percent of total

average held direct/indirect loans compared to 1.92 percent for the same period in 2007. For the nine months ended September 30, 2008, net charge-offs increased \$1.1 billion to \$2.1 billion, or 3.35 percent of total average held direct/indirect compared to 1.75 percent for the same period in 2007. The increases in loans past due 90 days or more and still accruing interest and net charge-offs were concentrated in the *Card Services* unsecured lending portfolio, driven by recent portfolio deterioration reflecting the effects of a slowing economy particularly in states most impacted by the slowdown in housing, notably California and Florida, and seasoning of the portfolio, reflective of growth.

Direct/Indirect consumer loans to borrowers in the state of California represented 13 percent of total direct/indirect consumer loans at September 30, 2008. In addition, direct/indirect consumer loans to borrowers in the state of Florida represented nine percent of the total direct/indirect consumer portfolio at September 30, 2008. In aggregate, California and Florida represented 30 percent of the net charge-offs for both the three and nine months ended September 30, 2008. The table below presents asset quality indicators by certain state concentrations for the direct/indirect consumer loan portfolio.

**Table 26**  
**Direct/Indirect State Concentrations**

	September 30, 2008						Net Charge-offs			
	Outstandings		Accruing Past Due 90 Days or More		Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008			
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
(Dollars in millions)										
California	\$ 10,641	12.8 %	\$ 201	18.0 %	\$ 164	19.4 %	\$ 395	19.1 %		
Texas	7,508	9.1	75	6.8	60	7.1	157	7.6		
Florida	7,374	8.9	110	9.9	92	10.9	213	10.4		
New York	4,952	6.0	63	5.7	47	5.5	112	5.4		
New Jersey	2,470	3.0	34	3.1	23	2.8	55	2.7		
Virginia	2,260	2.7	27	2.4	20	2.4	46	2.2		
Other U.S./Foreign	47,644	57.5	603	54.1	439	51.9	1,082	52.6		
<b>Total direct/indirect loans</b>	<b>\$ 82,849</b>	<b>100.0 %</b>	<b>\$ 1,113</b>	<b>100.0 %</b>	<b>\$ 845</b>	<b>100.0 %</b>	<b>\$ 2,060</b>	<b>100.0 %</b>		

**Other Consumer**

At September 30, 2008, approximately 72 percent of the other consumer portfolio was associated with portfolios from certain consumer finance businesses that we have previously exited and is included in *All Other*. The remainder consisted of the foreign consumer loan portfolio which is mostly included in *Card Services* and deposit overdrafts. Net charge-offs increased \$28 million and \$93 million for the three and nine months ended September 30, 2008 from the same period a year ago driven by deposit overdraft net charge-offs reflecting a higher average balance per account and account growth.

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**Nonperforming Consumer Assets Activity**

Table 27 presents nonperforming consumer assets activity during the most recent five quarters. Total net additions to nonperforming loans and leases in the third quarter of 2008 were \$1.6 billion compared to \$761 million in the second quarter of 2008. In both periods, these net additions were driven by the residential mortgage and home equity portfolios reflective of the weakening housing markets, the slowing economy, seasoning of the portfolio, reflective of growth and to a lesser extent the CRA portfolio, which represented approximately 23 percent of the net increase in nonperforming loans at September 30, 2008. The increase in foreclosed properties of \$1.2 billion was driven by the addition of Countrywide. Nonperforming loans do not include acquired loans that were considered impaired and written down to fair value at the acquisition date in accordance with SOP 03-3 as of September 30, 2008 as the loans accrete interest.

**Table 27**  
**Nonperforming Consumer Assets Activity <sup>(1)</sup>**

(Dollars in millions)	Third Quarter 2008	Second Quarter 2008	First Quarter 2008	Fourth Quarter 2007	Third Quarter 2007
<b>Nonperforming loans and leases</b>					
<b>Balance, beginning of period</b>	<b>\$ 5,220</b>	<b>\$ 4,459</b>	<b>\$ 3,442</b>	<b>\$ 2,040</b>	<b>\$ 1,460</b>
Additions to nonperforming loans and leases:					
New nonaccrual loans and leases	3,486	2,540	2,088	1,923	998
Reductions in nonperforming loans and leases:					
Paydowns and payoffs <sup>(2)</sup>	(134)	(40)	(36)	(19)	(108)
Returns to performing status <sup>(3)</sup>	(301)	(398)	(380)	(225)	(187)
Charge-offs	(1,220)	(1,084)	(572)	(216)	(73)
Transfers to foreclosed properties	(226)	(257)	(83)	(56)	(49)
Transfers to loans held-for-sale	(3)	—	—	(5)	(1)
Total net additions to nonperforming loans and leases	1,602	761	1,017	1,402	580
<b>Total nonperforming loans and leases, end of period</b>	<b>6,822</b>	<b>5,220</b>	<b>4,459</b>	<b>3,442</b>	<b>2,040</b>
<b>Foreclosed properties</b>					
<b>Balance, beginning of period</b>	<b>475</b>	<b>402</b>	<b>276</b>	<b>159</b>	<b>82</b>
Additions to foreclosed properties:					
LaSalle balance, October 1, 2007	—	—	—	70	—
Countrywide balance, July <sup>(4)</sup> 2008	952	—	—	—	—
New foreclosed properties	646	172	216	128	125
Reductions in foreclosed properties:					
Sales	(349)	(80)	(25)	(28)	(8)
Writedowns	(68)	(19)	(65)	(53)	(40)
Total net additions to foreclosed properties	1,181	73	126	117	77
<b>Total foreclosed properties, end of period</b>	<b>1,656</b>	<b>475</b>	<b>402</b>	<b>276</b>	<b>159</b>
<b>Nonperforming consumer assets, end of period</b>	<b>\$ 8,478</b>	<b>\$ 5,695</b>	<b>\$ 4,861</b>	<b>\$ 3,718</b>	<b>\$ 2,199</b>
Nonperforming consumer loans and leases as a percentage of outstanding consumer loans and leases	1.14%	1.00%	0.82%	0.62%	0.39%
Nonperforming consumer assets as a percentage of outstanding consumer loans, leases and foreclosed properties	1.41	1.09	0.89	0.67	0.42

(1) Balances do not include nonperforming LHFS included in other assets of \$304 million, \$218 million, \$157 million, \$95 million, and \$63 million at September 30, 2008, June 30, 2008, March 31, 2008, December 31, 2007, and September 30, 2007, respectively.

(2) Consumer loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

(3) Our policy is not to classify consumer credit card and consumer non-real estate loans and leases as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.

(4) Our policy is to record any losses in the value of foreclosed properties as a reduction in the allowance for credit losses during the first 90 days after transfer of a loan into foreclosed properties. Thereafter, all losses in value are recorded as noninterest expense. New foreclosed properties in the table above are net of the charge-offs taken during the first 90 days after transfer.

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**Commercial Portfolio Credit Risk Management**

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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 their financial position. As part of the overall credit risk assessment of a borrower or counterparty, most of 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. If necessary, risk ratings are adjusted to reflect changes in the financial condition, cash flow or financial situation of a borrower or counterparty. We use risk rating aggregations to measure and evaluate concentrations within portfolios. Risk ratings are a factor in determining the level of assigned economic capital and the allowance for credit losses. In making credit decisions, we consider risk rating, collateral, country, industry and single name concentration limits while also balancing the total borrower or counterparty relationship. Our lines of business and risk management personnel use a variety of tools to continuously monitor the ability of a borrower or counterparty to perform under its obligations.

For information on our accounting policies regarding delinquencies, nonperforming status and charge-offs for the commercial portfolio, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K.

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***Management of Commercial Credit Risk Concentrations***

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Commercial credit risk is evaluated and managed with a 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 and customer relationship. Distribution of loans and leases by loan size is an additional measure of the portfolio risk diversification. We also review, measure, and manage commercial real estate loans by geographic location and property type. In addition, within our international portfolio, we evaluate borrowings by region and by country. Tables 30, 32, 34, and 38 summarize our concentrations. Additionally, we utilize the syndication of exposure to third parties, loan sales, hedging and other risk mitigation techniques to manage the size and risk profile of the portfolio.

From the perspective of portfolio risk management, customer concentration management is most relevant in *GCIB*. Within that segment's *Business Lending* and *CMAS* businesses, we facilitate bridge financing (high grade debt, high yield debt, CMBS and equity) to fund acquisitions, recapitalizations and other short-term needs as well as provide syndicated financing for our clients. These concentrations are managed in part through our established "originate to distribute" strategy. These client transactions are sometimes large and leveraged. They can also have a higher degree of risk as we are providing offers or commitments for various components of the clients' capital structures, including lower rated unsecured and subordinated debt tranches and/or equity. In many cases, these offers to finance will not be accepted. If accepted, these conditional commitments are often retired prior to or shortly following funding via the placement of securities, syndication or the client's decision to terminate. Where we have a binding commitment and there is a market disruption or other unexpected event, there may be heightened exposure in the portfolios and forward calendar, and a higher potential for writedown or loss unless the terms of the commitment can be modified and/or an orderly disposition of the exposure can be made.

The Corporation's share of the leveraged finance and CMBS forward calendars was \$2.3 billion and \$700 million at September 30, 2008 compared to \$12.2 billion and \$2.2 billion at December 31, 2007. Funded leveraged finance and CMBS exposure both of which are included in assets held-for-sale totaled \$4.3 billion and \$7.5 billion at September 30, 2008 compared to \$6.1 billion and \$13.6 billion at December 31, 2007. The funded CMBS debt consisted of \$6.5 billion of floating-rate financings, most of which were acquisition-related financing to major, well known operating companies. Net writedowns and losses on sales totaled \$293 million, net of fees and hedges, comprised of \$145 million related to leveraged finance and \$148 million related to these CMBS were taken during the three months ended September 30, 2008 on both funded and forward calendar commitments to reflect the current market prices, where available, or the estimated price at which the exposures could be distributed in the market. Pre-market disruption exposure originated prior to September 30, 2007, included in the leveraged finance forward calendar, all of which was funded, amounted to \$4.2 billion at September 30, 2008 compared to \$10.7 billion for the leveraged finance forward calendar and \$6.1 billion for the funded portfolio at December 31, 2007. We have not originated any material CMBS exposures subsequent to September 30, 2007.

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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), which exceed our single name credit risk concentration guidelines at fair value in accordance with SFAS 159. Any fair value adjustment upon origination and subsequent changes in the fair value of these loans and unfunded commitments are recorded in other income. By including the credit risk of the borrower in the fair value adjustments, any credit deterioration or improvement is recorded immediately as part of the fair value adjustment. As a result, the allowance for loan and lease losses and the reserve for unfunded lending commitments are not used to capture credit losses inherent in these nonperforming or impaired loans and unfunded commitments. The Commercial Credit Portfolio tables have been modified to exclude loans and unfunded commitments that are carried at fair value and to adjust related ratios. See the Commercial Loans Measured at Fair Value section on page 144 for more information on the performance of these loans and loan commitments and see *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements for additional information on our SFAS 159 elections.

### Commercial Credit Portfolio

Commercial credit quality indicators continued to deteriorate from historically low levels for the three and nine months ended September 30, 2008 due to the weakness in the housing and financial markets. The commercial nonperforming loan ratio increased to 1.45 percent at September 30, 2008 compared to 0.67 percent at December 31, 2007 driven by the continued deterioration in the homebuilder sector within commercial real estate. The commercial utilized criticized exposure ratio, excluding assets held for sale and assets in the fair value portfolio, increased to 7.32 percent at September 30, 2008 from 4.18 percent at December 31, 2007, rising from very low 2007 levels. The increase was driven by commercial real estate (largely homebuilders), continued deterioration in reservable exposure across various other portfolios within *GCIB* and non-reservable mark-to-market derivative assets. In addition, the increase in utilized criticized exposure was partially driven by the legacy LaSalle portfolio.

Table 28 presents our commercial loans and leases, and related credit quality information at September 30, 2008 and December 31, 2007.

**Table 28**  
**Commercial Loans and Leases**

(Dollars in millions)	Outstandings		Nonperforming <sup>(1)</sup>		Accruing Past Due 90 Days or More <sup>(2)</sup>	
	September 30 2008	December 31 2007	September 30 2008	December 31 2007	September 30 2008	December 31 2007
<b>Commercial loans and leases</b>						
Commercial – domestic <sup>(3)</sup>	\$ 199,874	\$ 189,011	\$ 1,566	\$ 852	\$ 252	\$ 119
Commercial real estate	63,736	61,298	3,090	1,099	204	36
Commercial lease financing	22,416	22,582	35	33	45	25
Commercial – foreign	32,951	28,376	48	19	5	16
	318,977	301,267	4,739	2,003	506	196
<b>Small business commercial – domestic <sup>(4)</sup></b>	<b>19,429</b>	<b>19,286</b>	<b>183</b>	<b>152</b>	<b>598</b>	<b>427</b>
Total commercial loans and leases excluding loans measured at fair value	338,406	320,553	4,922	2,155	1,104	623
Total measured at fair value <sup>(5)</sup>	5,383	4,590	-	-	-	-
<b>Total commercial loans and leases</b>	<b>\$ 343,789</b>	<b>\$ 325,143</b>	<b>\$ 4,922</b>	<b>\$ 2,155</b>	<b>\$ 1,104</b>	<b>\$ 623</b>

(1) Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 1.45 percent and 0.67 percent at September 30, 2008 and December 31, 2007.

(2) Accruing commercial loans and leases past due 90 days or more as a percentage of outstanding commercial loans and leases excluding loans measured at fair value were 0.32 percent and 0.19 percent at September 30, 2008 and December 31, 2007.

(3) Excludes small business commercial – domestic loans.

(4) Small business commercial – domestic is primarily card related.

(5) Certain commercial loans are measured at fair value in accordance with SFAS 159 and include commercial – domestic loans of \$4.0 billion and \$3.5 billion, commercial – foreign loans of \$1.2 billion and \$790 million and commercial real estate loans of \$213 million and \$304 million at September 30, 2008 and December 31, 2007.

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Table 29 presents our commercial net charge-offs and net charge-off ratios for the three and nine months ended September 30, 2008 and 2007. The loans and leases net charge-off ratio increased to 1.13 percent and 0.89 percent for the three and nine months ended September 30, 2008 compared to a net charge-off ratio of 0.42 percent and 0.37 percent for the same periods in 2007. The increase was principally attributable to higher net charge-offs in our small business portfolio in *GCSBB* and the homebuilder loan portfolio in *GCIB* primarily driven by the impacts of a slowing economy, particularly in geographic areas that have experienced the most significant housing declines. Excluding small business commercial – domestic the total commercial net charge-off ratio was 0.54 percent and 0.36 percent for the three and nine months ended September 30, 2008, compared to a net charge-off ratio of 0.05 percent and 0.04 percent for the three and nine months ended September 30, 2007, primarily due to higher net charge-offs in the homebuilder loan portfolio in *GCIB* reflecting the impacts of a slowing economy, particularly in geographic areas that have experienced the most significant home price declines. Commercial – domestic net charge-offs also increased from very low prior year levels.

**Table 29**  
**Commercial Net Charge-offs and Net Charge-off Ratios**

	Net Charge-offs				Net Charge-off Ratios <sup>(1)</sup>			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30		September 30		September 30		September 30	
(Dollars in millions)	2008	2007	2008	2007	2008	2007	2008	2007
Commercial – domestic <sup>(2)</sup>	\$ 117	\$ 11	\$ 264	\$ 64	0.23 %	0.03 %	0.18 %	0.06 %
Commercial real estate	262	28	505	30	1.65	0.28	1.08	0.11
Commercial lease financing	8	(3)	29	(15)	0.13	(0.07)	0.17	(0.10)
Commercial – foreign	46	(4)	44	(1)	0.56	(0.06)	0.18	(0.01)
	433	32	842	78	0.54	0.05	0.36	0.04
Small business commercial – domestic <sup>(3)</sup>	527	239	1,368	598	10.64	5.38	9.23	4.82
<b>Total commercial net charge-offs</b>	<b>\$ 960</b>	<b>\$ 271</b>	<b>\$ 2,210</b>	<b>\$ 676</b>	<b>1.13</b>	<b>0.42</b>	<b>0.89</b>	<b>0.37</b>

(1) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding loans and leases excluding loans measured at fair value during the period for each loan and lease category.

(2) Excludes small business commercial – domestic loans.

(3) Small business commercial – domestic is primarily card related.

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Table 30 presents commercial credit exposure by type for utilized, unfunded and total binding committed credit exposure. The increase in standby letters of credit and financial guarantees of \$12.9 billion was centered in *Business Lending* primarily concentrated in government and healthcare provider related industries. The increase in derivative assets of \$11.1 billion was centered in interest rate swaps, foreign exchange contracts and credit derivatives, and was driven by the strengthening of the U.S. dollar against certain foreign currencies, and widening credit spreads. The decrease of \$12.2 billion in assets held-for-sale was driven primarily by distributions and sales as well as a commercial mortgage-backed securitization which occurred during the first quarter of 2008. For more information on our credit derivatives, see Industry Concentrations beginning on page 146 and for more information on our funded leveraged finance and CMBS exposures refer to Management of Commercial Credit Risk Concentrations on page 137.

**Table 30**  
**Commercial Credit Exposure by Type**

(Dollars in millions)	Commercial Utilized (1, 2)		Commercial Unfunded (3, 4)		Total Commercial Committed	
	September 30 2008	December 31 2007	September 30 2008	December 31 2007	September 30 2008	December 31 2007
Loans and leases	\$ 343,789	\$ 325,143	\$ 310,354	\$ 329,396	\$ 654,143	\$ 654,539
Standby letters of credit and financial guarantees (5)	71,091	58,747	4,556	4,049	75,647	62,796
Derivative assets (6)	45,792	34,662	-	-	45,792	34,662
Assets held-for-sale	15,518	26,475	219	1,489	15,737	27,964
Commercial letters of credit	4,333	4,413	762	140	5,095	4,553
Bankers' acceptances	3,746	2,411	52	2	3,798	2,413
Foreclosed properties	176	75	-	-	176	75
<b>Total commercial credit exposure</b>	<b>\$ 484,445</b>	<b>\$ 451,926</b>	<b>\$ 315,943</b>	<b>\$ 335,076</b>	<b>\$ 800,388</b>	<b>\$ 787,002</b>

- (1) Exposure includes standby letters of credit, financial guarantees, commercial letters of credit and bankers' acceptances for which the bank is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes.
- (2) Total commercial utilized exposure includes loans and issued letters of credit measured at fair value in accordance with SFAS 159 and is comprised of loans outstanding of \$5.4 billion and \$4.6 billion, and letters of credit at notional value of \$1.3 billion and \$1.1 billion at September 30, 2008 and December 31, 2007.
- (3) Total commercial unfunded exposure includes loan commitments measured at fair value in accordance with SFAS 159 with a notional value of \$16.0 billion and \$19.8 billion at September 30, 2008 and December 31, 2007.
- (4) Excludes unused business card lines which are not legally binding.
- (5) Derivative assets are reported on a mark-to-market basis, reflect the effects of legally enforceable master netting agreements, and have been reduced by cash collateral of \$18.1 billion and \$12.8 billion at September 30, 2008 and December 31, 2007. In addition to cash collateral, derivative assets are also collateralized by \$4.0 billion and \$8.5 billion of primarily other marketable securities at September 30, 2008 and December 31, 2007 for which credit risk has not been reduced.
- (6) Total commercial committed exposure consists of \$12.4 billion and \$23.9 billion of commercial LHFS exposure (e.g., commercial mortgage and leveraged finance) and \$3.3 billion and \$4.1 billion of investments held-for-sale exposure at September 30, 2008 and December 31, 2007.

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Table 31 presents commercial utilized reservable criticized exposure by product type and other utilized non-reservable criticized exposure. Total commercial utilized criticized exposure, excluding assets held-for-sale and the fair value portfolio, increased \$16.3 billion, or 93 percent from December 31, 2007, primarily due to increases in commercial – domestic reflecting deterioration across various industries and commercial real estate reflecting the housing markets weakness on the homebuilder sector of the portfolio. The increase in other utilized non-reservable criticized exposure was driven by a combination of downgrades on certain credit derivative assets and an increase in the positive mark-to-market on such positions. The table below excludes utilized criticized exposure related to assets held-for-sale of \$3.5 billion and \$2.9 billion at September 30, 2008 and December 31, 2007 and other utilized criticized exposure measured at fair value in accordance with SFAS 159 of \$1.1 billion at both September 30, 2008 and December 31, 2007. See Commercial Loans Measured at Fair Value on page 144 for a discussion of the fair value portfolio. Criticized assets in the held-for-sale portfolio, are carried at fair value or the lower of cost or market, including bridge exposure of \$2.8 billion and \$2.3 billion at September 30, 2008 and December 31, 2007 which are funded in the normal course of our *Business Lending* and *CMAS* businesses and are managed in part through our “originate to distribute” strategy (see Management of Commercial Credit Risk Concentrations beginning on page 137 for more information on bridge financing).

**Table 31**  
**Commercial Utilized Criticized Exposure <sup>(1)</sup>**

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Amount	Percent <sup>(2)</sup>	Amount	Percent <sup>(2)</sup>
Commercial – domestic <sup>(3)</sup>	\$ 15,441	5.89 %	\$ 8,537	3.55 %
Commercial real estate	12,028	17.29	6,750	10.25
Commercial lease financing	1,131	5.05	594	2.63
Commercial – foreign	1,206	2.82	449	1.23
<b>Small business commercial – domestic <sup>(4)</sup></b>	<b>29,806</b>	<b>7.51</b>	<b>16,330</b>	<b>4.47</b>
Commercial utilized reservable criticized exposure	1,203	6.17	846	4.37
Other utilized non-reservable criticized exposure <sup>(5)</sup>	31,009	7.45	17,176	4.46
<b>Total commercial utilized criticized exposure excluding assets-held-for-sale and the fair value portfolio</b>	<b>2,828</b>	<b>6.16</b>	<b>368</b>	<b>1.06</b>
	\$ 33,837	7.32	\$ 17,544	4.18

(1) Criticized exposure corresponds to the Special Mention, Substandard and Doubtful asset categories defined by regulatory authorities. Balances and ratios have been adjusted to exclude assets held-for-sale and exposure measured at fair value in accordance with SFAS 159 at September 30, 2008 and December 31, 2007.

(2) Ratios are calculated as commercial utilized criticized exposure divided by total commercial utilized exposure for each exposure category.

(3) Excludes small business commercial – domestic exposure.

(4) In addition to loans and leases, exposure includes standby letters of credit, financial guarantees, commercial letters of credit and bankers' acceptances for which the bank is legally bound to advance funds under prescribed conditions, during a specified period. Although funds have not been advanced, these exposure types are considered utilized for credit risk management purposes.

(5) Other utilized non-reservable criticized exposure includes derivative assets and foreclosed properties.

### Commercial – Domestic

At September 30, 2008, approximately 88 percent of the commercial – domestic portfolio, excluding small business, was included in *GCIB*, primarily in *Business Lending* (business banking, middle market and large multinational corporate loans and leases) and *CMAS* (acquisition and bridge financing and institutional investor services). The remaining 12 percent was mostly in *GWIM* (business-purpose loans for wealthy individuals). Outstanding commercial – domestic loans increased \$10.9 billion to \$199.9 billion at September 30, 2008 compared to December 31, 2007 driven by increased margin loans in *CMAS* and growth in *Business Lending* and *GWIM*, partially offset by the sale of our equity prime brokerage business during the quarter. Nonperforming commercial – domestic loans increased \$714 million to \$1.6 billion from December 31, 2007. Net charge-offs were up \$106 million and \$200 million, for the three and nine months ended September 30, 2008. Criticized utilized commercial – domestic reservable exposure, increased \$6.9 billion from December 31, 2007, to \$15.4 billion primarily driven by deterioration across various portfolios within *GCIB*. Additionally, commercial – domestic drove the increase in other utilized non-reservable criticized exposure, primarily mark-to-market derivative assets. The increases in nonperforming loans, net charge-offs and utilized criticized exposure were broad-based in terms of borrowers and industries and were up from very low levels in 2007.



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**Commercial Real Estate**

The commercial real estate portfolio is mostly managed in *Business Lending* and consists of loans issued primarily to public and private developers, homebuilders and commercial real estate firms. Outstanding loans and leases increased \$2.4 billion to \$63.7 billion at September 30, 2008 compared to December 31, 2007 primarily driven by funding of previous commitments in the California, Southeast and Southwest regions as well as growth in industrial/warehouse, shopping centers/retail, office buildings, multiple use and hotels/motels. This growth was partially offset by decreases in residential and other property types.

Nonperforming commercial real estate loans increased \$2.0 billion to \$3.1 billion and utilized criticized reservable exposure increased \$5.3 billion to \$12.0 billion from December 31, 2007 attributable to the continuing impact of the housing slowdown on the homebuilder sector. Net charge-offs were \$262 million and \$505 million for the three and nine months ended September 30, 2008, increases of \$234 million and \$475 million from the prior year driven almost entirely by the homebuilder sector. Nonperforming assets and utilized criticized exposure in the homebuilder sector were \$2.7 billion and \$8.3 billion respectively, at September 30, 2008, compared to \$829 million and \$5.4 billion at December 31, 2007. At September 30, 2008, we had homebuilder-related utilized exposure of \$13.0 billion and commercial committed exposure of \$18.4 billion most of which is well-collateralized. The utilized criticized ratio and the nonperforming asset ratio for the homebuilder sector was 63.13 percent and 21.17 percent at September 30, 2008 compared to 38.47 percent and 6.11 percent at December 31, 2007. Assets held-for-sale associated with commercial real estate decreased \$6.1 billion to \$7.7 billion at September 30, 2008 compared to December 31, 2007, driven by distributions and sales as well as a commercial mortgage-backed securitization which occurred during the first quarter of 2008. Refer to Management of Commercial Credit Risk Concentrations on page 137 for a discussion of our CMBS exposure.

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Table 32 presents outstanding commercial real estate loans by geographic region and property type diversification.

**Table 32**  
**Outstanding Commercial Real Estate Loans <sup>(1)</sup>**

(Dollars in millions)	September 30	December 31
	2008	2007
<b>By Geographic Region <sup>(2)</sup></b>		
California	\$ 10,868	\$ 9,683
Northeast	8,963	8,978
Midwest	8,053	8,005
Southeast	7,314	6,490
Southwest	6,349	5,610
Illinois	6,172	6,835
Florida	5,104	4,908
Midsouth	3,187	2,912
Northwest	2,942	2,644
Other	1,560	2,190
Geographically diversified <sup>(3)</sup>	2,390	2,282
Non-U.S.	1,047	1,065
<b>Total outstanding commercial real estate loans <sup>(4)</sup></b>	<b>\$ 63,949</b>	<b>\$ 61,602</b>
<b>By Property Type</b>		
Office buildings	\$ 9,902	\$ 8,745
Shopping centers/retail	9,736	8,440
Residential	8,951	10,478
Apartments	7,861	7,615
Industrial/warehouse	7,046	5,419
Land and land development	6,196	6,286
Multiple use	2,781	1,689
Hotels/motels	2,573	1,535
Other	8,903	11,395
<b>Total outstanding commercial real estate loans <sup>(4)</sup></b>	<b>\$ 63,949</b>	<b>\$ 61,602</b>

(1) Primarily includes commercial loans and leases secured by non owner-occupied real estate which are dependent on the sale or lease of the real estate as the primary source of repayment.

(2) Distribution is based on geographic location of collateral. Geographic regions are in the U.S. unless otherwise noted.

(3) The geographically diversified category is comprised primarily of unsecured outstandings to real estate investment trusts and national home builders whose portfolios of properties span multiple geographic regions.

(4) Includes commercial real estate loans measured at fair value in accordance with SFAS 159 of \$213 million and \$304 million at September 30, 2008 and December 31, 2007.

(5) Represents loans mainly to borrowers whose primary business is commercial real estate, but the exposure is not secured by the listed property types.

## Commercial – Foreign

The commercial – foreign portfolio is managed primarily in *Business Lending* and *CMAS*. Outstanding loans increased \$4.6 billion to \$33.0 billion at September 30, 2008 compared to December 31, 2007 driven by organic growth combined with strengthening the U.S. dollar against foreign currencies. Criticized utilized reservable exposure increased \$757 million to \$1.2 billion. Net charge-offs of \$46 million and \$44 million mainly in our large corporate portfolio predominately related to two borrowers for the three and nine months ended September 30, 2008 compared to net recoveries of \$4 million and \$1 million for the same periods in 2007. For additional information on the commercial – foreign portfolio, refer to the Foreign Portfolio discussion beginning on page 149.

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### **Small Business Commercial – Domestic**

The small business commercial – domestic portfolio (business card and small business loans) is managed in *GCSBB*. Outstanding small business commercial – domestic loans increased \$143 million to \$19.4 billion at September 30, 2008 compared to December 31, 2007 driven by organic growth in the small business card portfolio. Approximately 60 percent of the small business commercial – domestic outstanding loans at September 30, 2008 were credit card related products. Nonperforming small business commercial – domestic loans increased \$31 million to \$183 million at September 30, 2008 compared to December 31, 2007, loans past due 90 days or more and still accruing interest increased \$171 million to \$598 million and criticized reservable exposure increased \$357 million, to \$1.2 billion, or 6.17 percent at September 30, 2008 compared to 4.37 percent, at December 31, 2007. Small business commercial – domestic net charge-offs were up \$288 million, to \$527 million, or 10.64 percent for the three months ended September 30, 2008 compared to 5.38 percent for the same period in 2007. For the nine months ended September 30, 2008, net charge-offs increased \$770 million to \$1.4 billion, or 9.23 percent of small business commercial – domestic net charge-offs compared to 4.82 percent for the same period in 2007. Approximately 75 percent of the small business commercial – domestic net charge-offs for the three and nine months ended September 30, 2008 were credit card related products. The increases in nonperforming loans, loans past due 90 days or more and still accruing interest and net charge-off levels were primarily driven by the impacts of a slowing economy, particularly in geographic areas that have experienced the most significant housing declines and portfolio seasoning reflective of growth in these businesses.

### **Commercial Loans Measured at Fair Value**

The commercial loans measured at fair value portfolio are managed in *CMAS*. At September 30, 2008, outstanding commercial loans measured at fair value increased \$793 million to an aggregate fair value of \$5.4 billion recorded in loans and leases and included commercial – domestic loans, excluding small business, of \$4.0 billion, commercial – foreign loans of \$1.2 billion and commercial real estate loans of \$213 million. We recorded net losses of \$182 million and \$250 million in other income resulting from changes in the fair value of the loan portfolio during the three and nine months ended September 30, 2008 compared to losses of \$79 million and \$78 million for the three and nine months ended September 30, 2007. These losses were primarily attributable to changes in instrument-specific credit risk and were predominately offset by hedging activities. At September 30, 2008 and December 31, 2007 none of these loans were 90 days or more past due and still accruing interest or had been placed on nonaccrual status. Utilized criticized exposure in the fair value portfolio remained flat at \$1.1 billion at September 30, 2008 compared to December 31, 2007.

In addition, unfunded lending commitments and letters of credit had an aggregate fair value of \$716 million and \$660 million at September 30, 2008 and December 31, 2007 and were recorded in accrued expenses and other liabilities. The associated aggregate notional amount of unfunded lending commitments and letters of credit subject to fair value treatment was \$17.3 billion and \$20.9 billion at September 30, 2008 and December 31, 2007. Net losses resulting from changes in fair value of commitments and letters of credit of \$5 million and \$64 million were recorded in other income during the three and nine months ended September 30, 2008 compared to losses of \$61 million and \$102 million for the same periods in 2007. These losses were primarily attributable to changes in instrument-specific credit risk and were predominately offset by hedging activities.

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**Nonperforming Commercial Assets Activity**

Table 33 presents the additions and reductions to nonperforming assets in the commercial portfolio during the most recent five quarters. The increase in nonaccrual loans and leases for the third quarter of 2008 was primarily attributable to continuing deterioration in our homebuilder portfolio.

**Table 33**  
**Nonperforming Commercial Assets Activity** <sup>(1, 2, 3)</sup>

(Dollars in millions)	Third Quarter 2008	Second Quarter 2008	First Quarter 2008	Fourth Quarter 2007	Third Quarter 2007
<b>Nonperforming loans and leases</b>					
<b>Balance, beginning of period</b>	<b>\$ 3,936</b>	<b>\$ 2,874</b>	<b>\$ 2,155</b>	<b>\$ 1,140</b>	<b>\$ 824</b>
Additions to nonperforming loans and leases:					
New nonaccrual loans and leases	1,969	1,714	1,399	1,542	583
Advances	28	38	21	62	6
Reductions in nonperforming loans and leases:					
Paydowns and payoffs	(371)	(345)	(383)	(249)	(155)
Sales	(19)	(12)	—	(33)	(1)
Returns to performing status <sup>(4)</sup>	(29)	(32)	(29)	(130)	(21)
Charge-offs <sup>(5)</sup>	(495)	(248)	(261)	(134)	(86)
Transfers to foreclosed properties	(84)	(53)	(28)	(43)	(10)
Transfers to loans held-for-sale	(13)	—	—	—	—
Total net additions to nonperforming loans and leases	986	1,062	719	1,015	316
<b>Total nonperforming loans and leases, end of period</b>	<b>4,922</b>	<b>3,936</b>	<b>2,874</b>	<b>2,155</b>	<b>1,140</b>
<b>Foreclosed properties</b>					
<b>Balance, beginning of period</b>	<b>118</b>	<b>92</b>	<b>75</b>	<b>33</b>	<b>26</b>
Additions to foreclosed properties:					
LaSalle balance, October 1, 2007	—	—	—	16	—
New foreclosed properties	84	53	28	43	10
Reductions in foreclosed properties:					
Sales	(19)	(25)	(8)	(16)	—
Writedowns	(7)	(2)	(3)	(1)	(3)
Total net additions to foreclosed properties	58	26	17	42	7
<b>Total foreclosed properties, end of period</b>	<b>176</b>	<b>118</b>	<b>92</b>	<b>75</b>	<b>33</b>
<b>Nonperforming commercial assets, end of period</b>	<b>\$ 5,098</b>	<b>\$ 4,054</b>	<b>\$ 2,966</b>	<b>\$ 2,230</b>	<b>\$ 1,173</b>
Nonperforming commercial loans and leases as a percentage of outstanding commercial loans and leases <sup>(6)</sup>	1.45%	1.15%	0.89%	0.67%	0.43%
Nonperforming commercial assets as a percentage of outstanding commercial loans and leases and foreclosed properties	1.51	1.19	0.91	0.70	0.44

(1) Balances do not include nonperforming LHFS included in other assets of \$544 million, \$170 million, \$170 million, \$93 million and \$30 million at September 30, 2008, June 30, 2008, March 31, 2008, December 31, 2007 and September 30, 2007, respectively. Balances do not include nonperforming AFS debt securities of \$436 million, \$676 million, \$789 million, \$180 million and \$24 million at September 30, 2008, June 30, 2008, March 31, 2008, December 31, 2007 and September 30, 2007, respectively. For more information on nonperforming AFS securities see the Cash Funds Support discussion on page 103.

(2) Balances do not include nonperforming derivative assets of \$423 million at September 30, 2008.

(3) Includes small business commercial – domestic activity.

(4) Commercial loans and leases may be restored to performing status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected, or when the loan otherwise becomes well-secured and is in the process of collection.

(5) Certain loan and lease products, including business card, are not classified as nonperforming; therefore, the charge-offs on these loans have no impact on nonperforming activity.

(6) Outstanding commercial loans and leases exclude loans measured at fair value in accordance with SFAS 159.

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***Industry Concentrations***

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Table 34 presents commercial committed and commercial utilized credit exposure by industry and the total net credit default protection purchased to cover the funded and the unfunded portion of certain credit exposure. Our commercial credit exposure is diversified across a broad range of industries.

Industry limits are used internally to manage industry concentrations and are based on committed exposure 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. The CRC oversees industry limits governance.

Total commercial committed credit exposure increased by \$13.4 billion, or two percent, at September 30, 2008 compared to December 31, 2007. Total commercial utilized credit exposure increased by \$32.5 billion, or seven percent, at September 30, 2008 compared to December 31, 2007. The overall commercial credit utilization rate at September 30, 2008 increased to 61 percent compared to 57 percent at December 31, 2007.

Real estate remains our largest industry concentration, accounting for 13 percent of total commercial committed exposure. The decrease of \$6.5 billion, or six percent, in real estate was driven primarily by a continuing decline in CMBS assets held-for-sale and a decrease in residential properties which includes homebuilders.

Diversified financials grew by \$13.8 billion, or 16 percent reflecting increases in capital markets exposure and consumer finance. More than half of this increase was driven by the addition of \$4.4 billion in asset backed commercial paper exposure and a \$3.2 billion fully committed secured credit facility with Merrill Lynch which is part of a larger bilaterally secured credit facility. For more information on the Merrill Lynch facilities, see Recent Events beginning on page 62. Consumer services increased \$4.3 billion, or 11 percent driven primarily by growth in education. Healthcare equipment and services increased \$3.2 billion or eight percent due to loan growth primarily to healthcare providers. Food, beverage and tobacco increased \$2.9 billion, or 11 percent due to growth in food products and a large syndicated transaction.

Monoline exposure is reported in the insurance industry and managed under the insurance portfolio industry limits. Direct loan exposure to monolines consisted of revolvers in the amount of \$131 million at September 30, 2008 and \$203 million at December 31, 2007. Net mark-to-market counterparty derivative credit exposure was \$1.9 billion at September 30, 2008 compared to \$420 million at December 31, 2007. The increase in the net mark-to-market exposure was due to credit deterioration related to underlying counterparties and spread widening in both wrapped CDO and structured finance related exposures.

We have indirect exposure to monolines primarily in the form of guarantees supporting our loans, investment portfolios, securitizations, 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. In the case of default we first look to the underlying securities and then to recovery on the purchased insurance. See page 94 for discussion on our CDO exposure and related credit protection.

We also have indirect exposure as we invest in securities where the issuers have purchased wraps (i.e., insurance). For example, municipalities and corporations purchase protection in order to enhance their pricing power which has the effect of reducing 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.

We have further exposure related to our public finance business where we are the lead manager or remarketing agent for transactions that are wrapped including ARS, tender option municipal bonds (TOBs), and variable rate demand notes (VRDNs). Recent concerns about monoline downgrades or insolvency have caused disruptions in each of these markets as investor concerns have impacted overall market liquidity and bond prices. We are the lead manager on municipal and, to a lesser extent, student loan ARS where a high percentage of the programs are wrapped by either monolines or other financial guarantors. We are the remarketing agent on TOBs and VRDN transactions and also provide commitments on approximately \$14.7 billion of VRDNs, which increased approximately \$1.2 billion in the third quarter, driven by the conversion by clients of ARS to VRDN structures, including those issued by municipalities and other organizations. These commitments obligate us to purchase the VRDNs in the event that they can not be remarketed or otherwise provide funding to the issuer, and are primarily held and reported in government and education related industry portfolios and managed under respective industry limits.

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In addition, at September 30, 2008, we also held trading account assets of approximately \$1.8 billion in ARS, \$3.8 billion in VRDNs and \$1.1 billion in TOBs acquired in connection with these activities. During the nine months ended September 30, 2008, we recorded losses of \$715 million on the ARS, primarily related to student loan-backed securities, including our commitment to repurchase ARS from certain clients as part of a settlement agreement with regulatory agencies. We no longer serve in our role as lead manager for these securities. We did not record any losses on the VRDNs and only minimal losses on the TOBs during the nine months ended September 30, 2008 as we continue to have liquidity exposure to these markets and instruments. As market conditions continue to evolve, these conditions may impact our results. For additional information on our liquidity exposure to TOBs, see the Municipal Bond Trusts and Corporate SPEs discussion within the Off- and On-Balance Sheet Arrangements discussion beginning on page 110.

**Table 34**  
**Commercial Credit Exposure by Industry** <sup>(1, 2)</sup>

(Dollars in millions)	Commercial Utilized		Total Commercial Committed	
	September 30 2008	December 31 2007	September 30 2008	December 31 2007
Real estate <sup>(3)</sup>	\$ 77,955	\$ 81,260	\$ 105,287	\$ 111,742
Diversified financials	49,917	37,872	99,909	86,118
Government and public education	35,716	31,743	55,841	57,437
Capital goods	27,904	25,908	53,006	52,356
Retailing	32,372	32,401	52,332	54,037
Healthcare equipment and services	27,479	24,337	44,189	40,962
Consumer services	27,469	23,382	42,967	38,650
Materials	22,139	22,176	37,529	38,717
Individuals and trusts	24,071	22,323	34,067	32,425
Commercial services and supplies	21,698	21,175	31,773	31,858
Banks	25,636	21,261	30,699	35,323
Food, beverage and tobacco	14,899	13,919	28,624	25,701
Energy	12,226	12,772	23,557	23,510
Media	8,690	7,901	19,966	19,343
Utilities	7,549	6,438	18,998	19,281
Transportation	12,569	12,803	18,258	18,824
Insurance	9,377	7,162	16,924	16,014
Religious and social organizations	9,020	8,208	12,191	10,982
Technology hardware and equipment	3,889	4,615	10,871	10,239
Consumer durables and apparel	6,100	5,802	10,798	10,907
Software and services	4,268	4,739	10,130	10,128
Pharmaceuticals and biotechnology	3,326	4,349	9,336	8,563
Telecommunication services	3,851	3,475	8,214	8,235
Food and staples retailing	3,934	3,611	6,504	6,465
Automobiles and components	2,788	2,648	5,726	6,960
Household and personal products	1,168	889	2,935	2,776
Semiconductors and semiconductor equipment	1,036	1,140	1,782	1,734
Other	7,399	7,617	7,975	7,715
<b>Total commercial credit exposure by industry</b> <sup>(4)</sup>	<b>\$ 484,445</b>	<b>\$ 451,926</b>	<b>\$ 800,388</b>	<b>\$ 787,002</b>
Net credit default protection purchased on total commitments			<b>\$ (8,914)</b>	<b>\$ (7,146)</b>

(1) Total commercial utilized and total commercial committed exposure includes loans and letters of credit measured at fair value in accordance with SFAS 159 and are comprised of loans outstanding of \$5.4 billion and \$4.6 billion, and issued letters of credit at notional value of \$1.3 billion and \$1.1 billion at September 30, 2008 and December 31, 2007. In addition, total commercial committed exposure includes unfunded loan commitments at notional value of \$16.0 billion and \$19.8 billion at September 30, 2008 and December 31, 2007.

(2) Includes small business commercial – domestic exposure.

(3) 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 upon the borrowers' or counterparties' primary business activity using operating cash flow and primary source of repayment as key factors.

(4) Represents net notional credit protection purchased.

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Credit protection is purchased to cover the funded portion as well as the unfunded portion of certain credit exposure. 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.

At September 30, 2008 and December 31, 2007, we had net notional credit default protection purchased in our credit derivatives portfolio to cover the funded and unfunded portion of certain credit exposures of \$8.9 billion and \$7.1 billion. The mark-to-market impacts, including the cost of the net credit default protection hedging our credit exposure, resulted in net gains of \$151 million and \$255 million for the three and nine months ended September 30, 2008 compared to net gains (losses) of \$38 million and \$(17) million in the same periods a year ago. The net gains for the three and nine months ended September 30, 2008 predominantly offset the losses recorded on loans and unfunded lending commitments measured at fair value. For further discussion see the Commercial Loans Measured at Fair Value section on page 144. The average VAR for our net credit default protection hedging our credit exposure was \$20 million and \$21 million for the three and nine months ended September 30, 2008 compared to \$13 million and \$18 million for the same periods a year ago. 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 \$17 million for the three months ended September 30, 2008 and September 30, 2007. The average VAR for the nine months ended September 30, 2008 was \$16 million. Refer to the Trading Risk Management discussion beginning on page 155 for a description of our VAR calculation for the market-based trading portfolio.

Tables 35 and 36 present the maturity profiles and the credit exposure debt ratings of the net credit default protection portfolio at September 30, 2008 and December 31, 2007.

**Table 35**  
**Net Credit Default Protection by Maturity Profile <sup>(1)</sup>**

	September 30 2008	December 31 2007
Less than or equal to one year	(4) %	2 %
Greater than one year and less than or equal to five years	94	67
Greater than five years	10	31
<b>Total net credit default protection</b>	<b>100 %</b>	<b>100 %</b>

(1) In order to mitigate the cost of purchasing ideal levels of credit protection, credit exposure can be added by selling credit protection. The distribution of maturities for net credit default protection purchased is shown as positive percentages and the distribution of maturities for net credit protection sold as negative percentages.

**Table 36**  
**Net Credit Default Protection by Credit Exposure Debt Rating <sup>(1)</sup>**

Ratings	September 30, 2008		December 31, 2007	
	Net Notional	Percent	Net Notional	Percent
AAA	\$ 48	(0.5) %	\$ (13)	0.2 %
AA	(51)	0.6	(92)	1.3
A	(3,269)	36.7	(2,408)	33.7
BBB	(4,186)	47.0	(3,328)	46.6
BB	(1,368)	15.3	(1,524)	21.3
B	(194)	2.2	(180)	2.5
CCC <sub>2</sub> and below	(55)	0.6	(75)	1.0
NR	161	(1.9)	474	(6.6)
<b>Total net credit default protection</b>	<b>\$ (8,914)</b>	<b>100.0 %</b>	<b>\$ (7,146)</b>	<b>100.0 %</b>

(1) In order to mitigate the cost of purchasing credit protection, credit exposure can be added by selling credit protection. The distribution of debt rating for net notional credit default protection purchased is shown as a negative and the net notional credit protection sold is shown as a positive amount.

(2) In addition to unrated names, "NR" includes \$200 million and \$550 million of net credit default swap index positions at September 30, 2008 and December 31, 2007. While index positions are principally investment grade, credit default swaps indices include names in and across each of the ratings categories.

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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 proprietary positions intended to profit from directional or relative value changes. We execute the majority of our credit derivative positions in the over-the-counter market with large, international financial institutions, including broker/dealers and to a lesser degree with a variety of other investors. Because these transactions are executed in the over-the-counter 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. Further, we enter 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.

The notional amounts presented in the following table represent the total contract/notional amount of credit derivatives outstanding and includes both purchased and written protection. 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. 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 on an aggregate basis have been reduced by cash collateral applied against derivative assets. The significant increase in credit spreads across nearly all major credit indices during the nine months ended September 30, 2008 drove the \$3.4 billion increase in counterparty credit risk for purchased protection. The \$579.0 billion decrease in the contract/notional value of credit derivatives was driven by our continued efforts to reduce aggregate positions to minimize market and operational risk.

Table 37

### Credit Derivatives

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Contract/Notional	Credit Risk	Contract/Notional	Credit Risk
<b>Credit derivatives</b>				
<b>Purchased protection:</b>				
Credit default swaps	\$ 1,221,113	\$ 9,545	\$ 1,482,210	\$ 6,806
Total return swaps	8,577	1,331	13,551	671
Other credit derivatives	465	-	8,431	16
<b>Total purchased protection</b>	<b>1,230,155</b>	<b>10,876</b>	<b>1,504,192</b>	<b>7,493</b>
<b>Written protection:</b>				
Credit default swaps	1,225,477	-	1,517,305	-
Total return swaps	10,304	-	24,884	-
Other credit derivatives	1,450	-	-	-
<b>Total written protection</b>	<b>1,237,231</b>	<b>-</b>	<b>1,542,189</b>	<b>-</b>
<b>Total credit derivatives</b>	<b>\$ 2,467,386</b>	<b>\$ 10,876</b>	<b>\$ 3,046,381</b>	<b>\$ 7,493</b>

In light of recent market events, banking regulators have been working with the industry to organize a central clearinghouse for credit derivative trading. It is expected that an exchange of this kind would reduce the risk of counterparty default as it would regulate collateral and payments as well as guarantee trades in the event that a member fails. We are participating in these initiatives.

### Foreign Portfolio

Our foreign credit and trading portfolio is 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.



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A risk management framework is in place to measure, monitor and manage foreign risk and exposures. Management oversight of country risk including cross-border risk is provided by the Country Risk Committee.

Table 38 sets forth total foreign exposure to borrowers or counterparties in emerging markets. Foreign exposure includes credit exposure net of local liabilities, securities, and other investments domiciled in countries other than the United States. Total foreign exposure can be adjusted for externally guaranteed exposure and certain collateral types. Exposure which is assigned external guarantees is reported under the country of the guarantor. Exposure with tangible collateral is reflected in the country where the collateral is held. For securities received, other than cross-border resale agreements, exposure is 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 rules.

**Table 38**  
**Selected Emerging Markets <sup>(1)</sup>**

(Dollars in millions)	Loans and Leases, and Loan Commitments	Other Financing <sup>(2)</sup>	Derivative Assets <sup>(3)</sup>	Securities/ Other Investments <sup>(4)</sup>	Total Cross- border Exposure <sup>(5)</sup>	Local Country Exposure Net of Local Liabilities <sup>(6)</sup>	Total Emerging Market Exposure at September 30, 2008	Increase (Decrease) From December 31, 2007
<b>Region/Country</b>								
<b>Asia Pacific</b>								
China	\$ 304	\$ 410	\$ 508	\$ 14,723	\$ 15,945	\$ 1	\$ 15,946	\$ (1,094)
South Korea	359	1,342	1,607	1,648	4,956	-	4,956	554
India	1,797	835	806	1,107	4,545	-	4,545	1,253
Singapore	417	81	381	296	1,175	-	1,175	(117)
Taiwan	318	34	110	143	605	378	983	(84)
Hong Kong	434	55	44	87	620	-	620	(175)
Other Asia Pacific <sup>(7)</sup>	166	137	35	350	688	-	688	1
<b>Total Asia Pacific</b>	<b>3,795</b>	<b>2,894</b>	<b>3,491</b>	<b>18,354</b>	<b>28,534</b>	<b>379</b>	<b>28,913</b>	<b>338</b>
<b>Latin America</b>								
Brazil	874	220	20	3,713	4,827	208	5,035	1,348
Mexico	1,422	315	36	3,116	4,889	95	4,984	546
Chile	577	45	15	12	649	6	655	(64)
Other Latin America <sup>(7)</sup>	316	267	12	126	721	135	856	209
<b>Total Latin America</b>	<b>3,189</b>	<b>847</b>	<b>83</b>	<b>6,967</b>	<b>11,086</b>	<b>444</b>	<b>11,530</b>	<b>2,039</b>
<b>Middle East and Africa</b>								
Bahrain	297	7	20	907	1,231	-	1,231	1,084
Other Middle East and Africa <sup>(7)</sup>	787	181	247	92	1,307	-	1,307	(487)
<b>Total Middle East and Africa</b>	<b>1,084</b>	<b>188</b>	<b>267</b>	<b>999</b>	<b>2,538</b>	<b>-</b>	<b>2,538</b>	<b>597</b>
<b>Central and Eastern Europe <sup>(7)</sup></b>								
	58	190	103	88	439	-	439	15
<b>Total emerging market exposure</b>	<b>\$ 8,126</b>	<b>\$ 4,119</b>	<b>\$ 3,944</b>	<b>\$ 26,408</b>	<b>\$ 42,597</b>	<b>\$ 823</b>	<b>\$ 43,420</b>	<b>\$ 2,989</b>

(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 excluding Greece.

(2) Includes acceptances, standby letters of credit, commercial letters of credit and formal guarantees.

(3) Derivative assets are reported on a mark-to-market basis and have been reduced by the amount of cash collateral applied of \$89 million and \$57 million at September 30, 2008 and December 31, 2007. At September 30, 2008 and December 31, 2007, there were \$334 million and \$2 million of other marketable securities collateralizing derivative assets for which credit risk has not been reduced.

(4) Generally, cross-border resale agreements are presented based on the domicile of the counterparty, consistent with FFIEC reporting rules. 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 rules.

(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 as allowed by the FFIEC. Total amount of available local liabilities funding local country exposure at September 30, 2008 was \$17.6 billion compared to \$21.6 billion at December 31, 2007. Local liabilities at September 30, 2008 in Asia Pacific and Latin America were \$17.1 billion and \$508 million, of which \$6.6 billion were in Hong Kong, \$5.0 billion in Singapore, \$2.1 billion in South Korea, \$1.1 billion in India, \$1.0 billion in China and \$586 million in Taiwan. There were no other countries with available local liabilities funding local country exposure greater than \$500 million.

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

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As presented in Table 38, foreign exposure to borrowers or counterparties in emerging markets increased \$3.0 billion to \$43.4 billion at September 30, 2008 compared to \$40.4 billion at December 31, 2007. The increase was primarily due to higher cross-border exposures in Brazil, India, Bahrain, South Korea, and Mexico. Foreign exposure to borrowers or counterparties in emerging markets represented 31 percent and 29 percent of total foreign exposure at September 30, 2008 and December 31, 2007.

At September 30, 2008, 67 percent of the emerging markets exposure was in Asia Pacific, compared to 71 percent at December 31, 2007. Asia Pacific emerging markets exposure increased by \$338 million, driven by increased cross-border exposures in India and South Korea, partially offset by the lower value of our investment in CCB. The CCB investment, classified in Table 38 as securities and other investments, accounted for \$14.5 billion and \$16.4 billion of exposure in China at September 30, 2008 and December 31, 2007. On July 21, 2008, under the terms of our purchase option we increased our ownership to approximately 11 percent by purchasing approximately \$1.9 billion of the common shares of CCB. These shares are restricted through August 2011 and are carried at cost.

At September 30, 2008, 27 percent of the emerging markets exposure was in Latin America compared to 23 percent at December 31, 2007. Latin America emerging markets exposure increased by \$2.0 billion, driven by the initial fair value adjustment associated with our investment in Banco Itaú and higher cross-border exposures in Brazil and Mexico. Our exposure in Brazil was primarily related to the carrying value of our investment in Banco Itaú, which accounted for \$3.7 billion and \$2.6 billion of exposure in Brazil at September 30, 2008 and December 31, 2007. Our investment in Banco Itaú is classified in Table 38 as securities and other investments. At September 30, 2008 and December 31, 2007, the equity investment in Banco Itaú represented seven percent of its outstanding voting and non-voting shares. Our 24.9 percent investment in Santander, which is classified as securities and other investments in the above table, accounted for \$2.9 billion and \$2.6 billion of exposure in Mexico at September 30, 2008 and December 31, 2007.

At September 30, 2008, six percent of the emerging markets exposure was in Middle East and Africa compared to five percent at December 31, 2007. Middle East and Africa emerging markets exposure increased by \$597 million, driven by increased cross-border securities and other investments exposure in Bahrain.

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## Provision for Credit Losses

The provision for credit losses increased \$4.4 billion to \$6.5 billion and \$13.2 billion to \$18.3 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007.

The consumer portion of the provision for credit losses increased \$3.9 billion to \$5.3 billion and \$11.2 billion to \$15.1 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007. The higher provision expense was primarily driven by higher net charge-offs and reserve increases in our home equity and residential mortgage portfolios, reflective of deterioration in the housing markets particularly in geographic areas that have experienced the most significant declines in home prices. Additionally, the slowing economy and portfolio deterioration resulted in reserve increases and higher net charge-offs in the unsecured lending and domestic credit card portfolios. For the nine months ended September 30, 2008, the absence of prior year reserve reductions also contributed to the increase in provision.

The commercial portion of the provision for credit losses increased \$600 million to \$1.2 billion and \$2.1 billion to \$3.3 billion for the three and nine months ended September 30, 2008 compared to the same periods in 2007. Increases for both periods were driven by higher net charge-offs within *GCIB*, primarily in the homebuilder loan portfolio, and from broad-based commercial domestic charge-offs in terms of both borrowers and industries, up from very low levels in 2007. Also, higher net charge-offs in our small business portfolios within *GCSBB* reflected deterioration from the impacts of a slowing economy, particularly in geographic areas that have experienced the most significant home price declines. The nine-month comparison also reflects increases in the reserves for deterioration in both our small business portfolio within *GCSBB* and in the homebuilder loan portfolio in *GCIB*. Additionally, for the nine months ended September 30, 2008, the absence of 2007 reserve releases in *All Other* also contributed to the increase in provision.

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***Allowance for Loan and Lease Losses***

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The allowance for loan and lease losses excludes loans measured at fair value in accordance with SFAS 159 as subsequent mark-to-market adjustments related to loans measured at fair value include a credit risk component. The allowance for loan and lease losses is allocated based on two components. We evaluate the adequacy of the allowance for loan and lease losses based on the combined total of these two components.

The first component of the allowance for loan and lease losses covers those commercial loans excluding loans measured at fair value that are either nonperforming or impaired. An allowance is allocated when the discounted cash flows (or collateral value or observable market price) are lower than the carrying value of that loan. For purposes of computing the 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 type and risk rating of the loans.

The second component of the allowance for loan and lease losses covers performing consumer and commercial loans and leases excluding loans measured at fair value. The allowance for commercial loan and lease losses is established by product type after analyzing historical loss experience by internal risk rating, current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. As of September 30, 2008, quarterly updating of historical loss experience did not have a material impact on the allowance for loan and lease losses. The allowance for consumer and certain homogeneous commercial loan and lease products is based on aggregated portfolio segment 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. These loss forecast models are updated on a quarterly basis in order to incorporate information reflective of the current economic environment. As of September 30, 2008, quarterly updating of the loss forecast models resulted in increases in the allowance for loan and lease losses driven by higher losses primarily in the unsecured lending, consumer card, and residential mortgage portfolios, reflective of deterioration in the housing markets, the impact of the slowing economy and the addition of the Countrywide portfolio.

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 the allowance for loan and lease losses are made by charges 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 40 was \$14.4 billion at September 30, 2008, an increase of \$7.6 billion from December 31, 2007. This increase was primarily driven by reserve increases related to higher losses in our home equity, unsecured lending, residential mortgage and consumer card portfolios, and the addition of the Countrywide portfolio. For further discussion, see Provision for Credit Losses beginning on page 151.

The allowance for commercial loan and lease losses was \$6.0 billion at September 30, 2008, a \$1.1 billion increase from December 31, 2007. The increase in allowance levels was driven by higher losses in the small business portfolio within *GCSBB* and reserve increases on the homebuilder loan portfolio within *GCIB*. For further discussion, see Provision for Credit Losses beginning on page 151.

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The allowance for loan and lease losses as a percentage of total loans and leases outstanding was 2.17 percent at September 30, 2008, compared to 1.33 percent at December 31, 2007. The increase in the ratio was primarily driven by reserve increases for higher losses in the home equity and residential mortgage portfolios, reflective of continued weakness in the housing markets and a slowing economy. The higher ratio was also due to reserve increases in the *Card Services*' unsecured lending, domestic credit card, and small business portfolios. These reserve increases were a result of the slowing economy, particularly in geographic areas that have experienced the most significant housing declines, and portfolio seasoning.

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### ***Reserve for Unfunded Lending Commitments***

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In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments excluding commitments measured at fair value, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to the same assessment as funded loans, except utilization assumptions are considered. The reserve for unfunded lending commitments is included in accrued expenses and other liabilities on the Consolidated Balance Sheet with changes to the reserve generally made through the provision for credit losses.

The reserve for unfunded lending commitments at September 30, 2008 was \$427 million compared to \$518 million at December 31, 2007. Our reserve for unfunded commitments decreased as our updated evaluation indicated lower loss content and a lower level of commitment exposures.

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Table 39 presents a rollforward of the allowance for credit losses for the three and nine months ended September 30, 2008 and 2007.

**Table 39**  
**Allowance for Credit Losses**

(Dollars in millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Allowance for loan and lease losses, beginning of period</b>	\$ 17,130	\$ 9,060	\$ 11,588	\$ 9,016
<b>Adjustment due to the adoption of SFAS 159</b>	-	-	-	(32)
<b>Loans and leases charged off</b>				
Residential mortgage	(252)	(18)	(480)	(48)
Home equity	(991)	(54)	(2,447)	(105)
Discontinued real estate	-	n/a	-	n/a
Credit card – domestic	(1,159)	(799)	(3,165)	(2,588)
Credit card – foreign	(169)	(115)	(459)	(324)
Direct/Indirect consumer	(1,013)	(483)	(2,551)	(1,297)
Other consumer	(120)	(96)	(322)	(236)
Total consumer charge-offs	(3,704)	(1,565)	(9,424)	(4,598)
Commercial – domestic <sup>(1)</sup>	(669)	(281)	(1,718)	(755)
Commercial real estate	(264)	(29)	(508)	(36)
Commercial lease financing	(11)	(14)	(44)	(35)
Commercial – foreign	(50)	(8)	(66)	(21)
Total commercial charge-offs	(994)	(332)	(2,336)	(847)
Total loans and leases charged off	(4,698)	(1,897)	(11,760)	(5,445)
<b>Recoveries of loans and leases previously charged off</b>				
Residential mortgage	10	5	21	18
Home equity	27	4	64	10
Discontinued real estate	3	n/a	3	n/a
Credit card – domestic	65	87	248	263
Credit card – foreign	21	19	70	54
Direct/Indirect consumer	168	130	491	380
Other consumer	14	18	47	54
Total consumer recoveries	308	263	944	779
Commercial – domestic <sup>(2)</sup>	25	31	86	93
Commercial real estate	2	1	3	6
Commercial lease financing	3	17	15	50
Commercial – foreign	4	12	22	22
Total commercial recoveries	34	61	126	171
Total recoveries of loans and leases previously charged off	342	324	1,070	950
Net charge-offs	(4,356)	(1,573)	(10,690)	(4,495)
Provision for loan and lease losses	6,530	2,014	18,381	5,050
Other <sup>(3)</sup>	1,042	34	1,067	(4)
Allowance for loan and lease losses, September 30	20,346	9,535	20,346	9,535
<b>Reserve for unfunded lending commitments, beginning of period</b>	507	376	518	397
Adjustment due to the adoption of SFAS 159	-	-	-	(28)
Provision for unfunded lending commitments	(80)	16	(91)	25
Other	-	-	-	(2)
Reserve for unfunded lending commitments, September 30	427	392	427	392
<b>Allowance for credit losses, September 30</b>	\$ 20,773	\$ 9,927	\$ 20,773	\$ 9,927
Loans and leases outstanding at September 30 <sup>(4)</sup>	\$ 937,293	\$ 789,012	\$ 937,293	\$ 789,012
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at September 30 <sup>(4)</sup>	2.17 %	1.21 %	2.17 %	1.21 %
Consumer allowance for loan and lease losses as a percentage of total consumer loans and leases outstanding at September 30	2.40	1.07	2.40	1.07
Commercial allowance for loan and lease losses as a percentage of total commercial loans and leases outstanding at September 30 <sup>(4)</sup>	1.76	1.48	1.76	1.48
Average loans and leases outstanding at September 30 <sup>(4)</sup>	\$ 942,346	\$ 776,606	\$ 895,853	\$ 743,542
Annualized net charge-offs as a percentage of average loans and leases outstanding at September 30 <sup>(4)</sup>	1.84 %	0.80 %	1.59 %	0.80 %
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases at September 30 <sup>(4)</sup>	173	300	173	300
Ratio of the allowance for loan and lease losses at September 30 to annualized net charge-offs	1.17	1.53	1.42	1.59

(1) Includes small business commercial – domestic charge-offs of \$536 million and \$252 million for the three months ended September 30, 2008 and 2007 and \$1.4 billion and \$636 million for the nine months ended September 30, 2008 and 2007.

(2) Includes small business commercial – domestic recoveries of \$9 million and \$13 million for the three months ended September 30, 2008 and 2007 and \$30 million and \$38 million for the nine months ended September 30, 2008 and 2007.

(3) Includes the \$1.3 billion addition of the Countrywide allowance for loan losses.

(4) Outstanding loan and lease balances and ratios do not include loans measured at fair value in accordance with SFAS 159 at and for the periods ended September 30, 2008 and 2007. Loans measured at fair value were \$5.4 billion and \$4.5 billion at September 30, 2008 and 2007.

n/a = not applicable

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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 40 presents our allocation by product type.

**Table 40**  
**Allocation of the Allowance for Credit Losses by Product Type**

(Dollars in millions)	September 30, 2008		December 31, 2007	
	Amount	Percent of Total	Amount	Percent of Total
<b>Allowance for loan and lease losses</b>				
Residential mortgage	\$ 1,376	6.8%	\$ 207	1.8%
Home equity	4,744	23.3	963	8.3
Discontinued real estate	82	0.4	n/a	n/a
Credit card – domestic	3,624	17.8	2,919	25.2
Credit card – foreign	633	3.1	441	3.8
Direct/Indirect consumer	3,742	18.4	2,077	17.9
Other consumer	184	0.9	151	1.3
Total consumer	14,385	70.7	6,758	58.3
Commercial – domestic <sup>(1)</sup>	4,072	20.0	3,194	27.6
Commercial real estate	1,376	6.8	1,083	9.3
Commercial lease financing	210	1.0	218	1.9
Commercial – foreign <sup>(2)</sup>	303	1.5	335	2.9
Total commercial	5,961	29.3	4,830	41.7
<b>Allowance for loan and lease losses</b>	<b>20,346</b>	<b>100.0%</b>	<b>11,588</b>	<b>100.0%</b>
<b>Reserve for unfunded lending commitments</b>	<b>427</b>		<b>518</b>	
<b>Allowance for credit losses</b>	<b>\$ 20,773</b>		<b>\$ 12,106</b>	

(1)Includes allowance for small business commercial – domestic loans of \$2.2 billion and \$1.4 billion at September 30, 2008 and December 31, 2007.

(2)Includes allowance for loan and lease losses for impaired commercial loans of \$561 million and \$123 million at September 30, 2008 and December 31, 2007.

n/a = not applicable

## Market Risk Management

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements. This risk is inherent in the financial instruments associated with our operations and/or activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Market-sensitive assets and liabilities are generated through loans and deposits associated with our traditional banking business, customer and proprietary trading operations, 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. More detailed information on our market risk management process is included on pages 61 through 68 of the MD&A of the Corporation's 2007 Annual Report on Form 10-K.

## Trading Risk Management

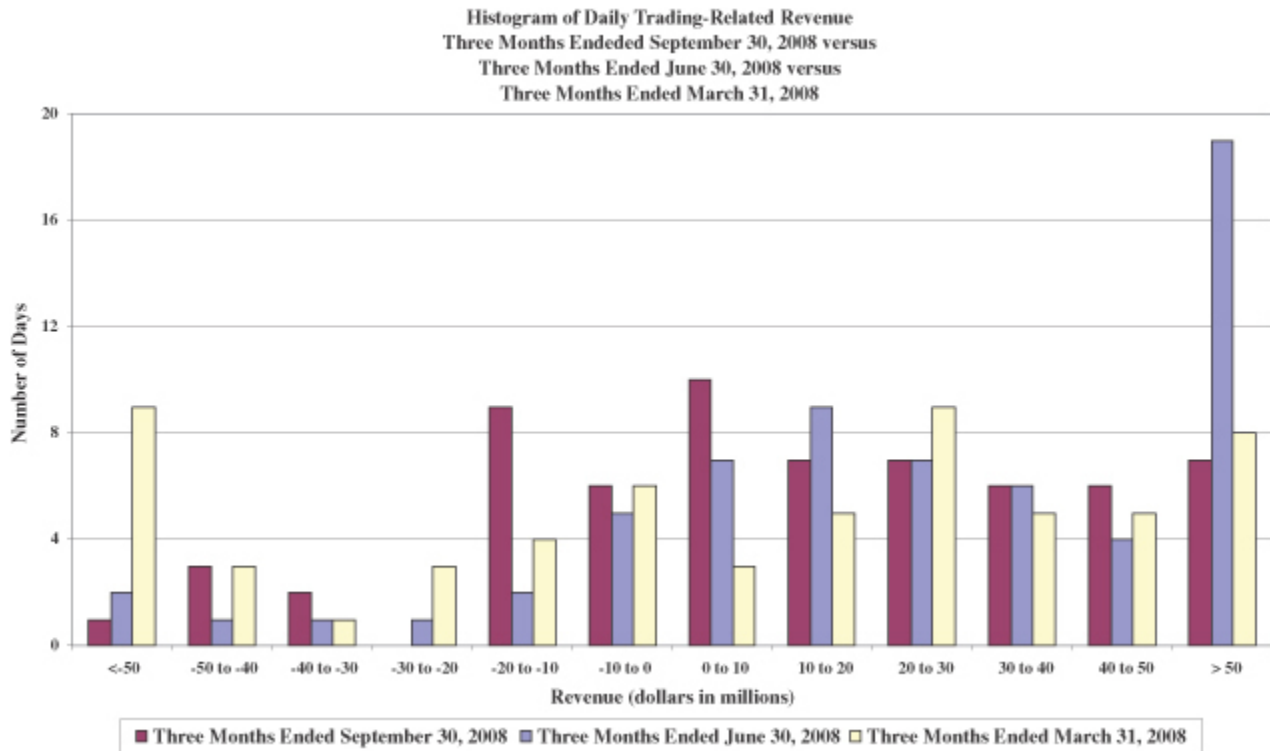
Trading-related revenues represent the amount earned from trading positions, including market-based net interest income, which are taken in a diverse range of financial instruments and markets. Trading account assets and liabilities and derivative positions are reported at fair value. For more information on fair value, see *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements. Trading-related revenues can be volatile and are largely driven by general market conditions and customer demand. Trading-related revenues are dependent on the volume and type of transactions, the level of risk assumed, and the volatility of price and rate movements at any given time within the ever-changing market environment.

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The GRC, chaired by the Global Markets Risk Executive, has been designated by ALCO 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 *CMAS* and prioritize those that need a proactive risk mitigation strategy.

At the GRC meetings, the committee considers significant daily revenues and losses by business along with an explanation of the primary driver of the revenue or loss. Thresholds are established 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 made to the GRC. The thresholds are developed in coordination with the respective risk managers to highlight those revenues or losses which exceed what is considered to be normal daily income statement volatility.

The following histogram is a graphic depiction of trading volatility and illustrates the daily level of trading-related revenue for the three months ended September 30, 2008 as compared with the three months ended June 30, 2008 and March 31, 2008. During the three months ended September 30, 2008, positive trading-related revenue was recorded for 67 percent of the trading days, 23 percent of the trading days had losses greater than \$10 million, and the largest loss was \$139 million. This can be compared to the three months ended June 30, 2008, where positive trading-related revenue was recorded for 81 percent of the trading days, 11 percent of the trading days had losses greater than \$10 million, and the largest loss was \$100 million. For the three months ended March 31, 2008, positive trading-related revenue was recorded for 57 percent of the trading days, 33 percent of the trading days had losses greater than \$10 million, and the largest loss was \$98 million.



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. The VAR represents the worst loss the portfolio is expected to experience based on historical trends with a given level of confidence. VAR 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

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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 which do not have extensive historical price data, or for illiquid positions for which accurate daily prices are not consistently available. Our VAR model uses a historical simulation approach based on three years of historical data and assumes 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.

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. This was of particular relevance during the second half of 2007 when markets experienced a period of extreme illiquidity resulting in losses that were far outside of the normal loss forecasts by VAR models. As such, from time to time, we update the assumptions and historical data underlying our VAR model. During the first quarter of 2008, we increased the frequency with which we update the historical data to a weekly basis. Previously, this was updated on a quarterly basis.

Due to the limitations mentioned above, we have historically used the VAR model as only one of the components in managing our trading risk and also use other techniques such as stress testing and desk level limits. Periods of extreme market stress influence the reliability of these techniques to various degrees. See discussion on stress testing below.

On a quarterly basis, the accuracy of the VAR methodology is reviewed by backtesting (i.e., comparing actual results against expectations derived from historical data) the VAR results against the daily profit and loss. Graphic representation of the backtesting results with additional explanation of backtesting excesses are reported to the GRC. Backtesting excesses occur when trading losses exceed the VAR. Senior management reviews and evaluates the results of these tests.

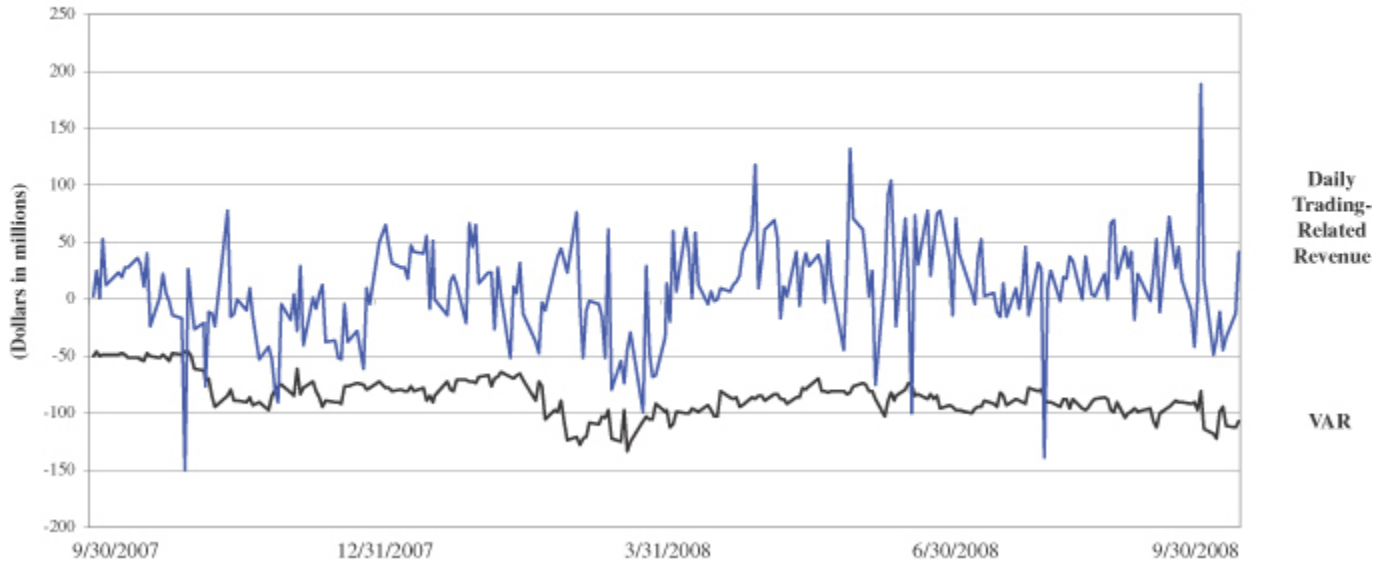
During the second half of 2007, CDO-related markets experienced significant illiquidity impacting the availability and reliability of transparent pricing resulting in the valuation of CDOs becoming more complex and time consuming. Accordingly, it was not possible to mark these positions to market on a daily basis. As a result, during the three months ended December 31, 2007, we recorded valuation adjustments in trading account profits (losses) of approximately \$4.0 billion on certain discrete dates relating to our super senior CDO exposure. During the nine months ended September 30, 2008, we continued to take writedowns on our CDO exposure, but revalued these positions on a more regular basis, and therefore no CDO-related losses were excluded from the following table for the nine months ended September 30, 2008. For more information on our CDO exposure and related losses, see the CDO discussion beginning on page 94.



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The following graph shows daily trading-related revenue and VAR, excluding the discrete writedowns on our super senior CDO exposure taken in the fourth quarter of 2007 as discussed above, for the twelve months ended September 30, 2008. Excluding these writedowns, actual losses exceeded daily trading VAR six times in the twelve months ended September 30, 2008 and losses exceeded daily trading VAR ten times in the twelve months ended September 30, 2007. The majority of the losses that exceeded daily trading VAR for the twelve months ended September 30, 2008, occurred during the market disruption which took place during the second half of 2007, with the exception of one trading day during the second quarter of 2008 which resulted from rating agency actions on assets held by conduits to which we provide credit support, and one trading day during the third quarter of 2008 which primarily resulted from CDO losses. During the first half of 2008, we saw a decrease in total trading VAR due to a reduction in our exposure. During the third quarter of 2008, we continued to reduce our exposure, but increased market volatility as well as widening credit spreads caused total trading VAR to increase from the second quarter of 2008.

**Trading Risk and Return**  
**Daily Trading-related Revenue and VAR**



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Table 41 presents average, high and low daily trading VAR for the three months ended September 30, 2008, June 30, 2008 and September 30, 2007, as well as average daily trading VAR for the nine months ended September 30, 2008 and 2007.

**Table 41**  
**Trading Activities Market Risk VAR**

(Dollars in millions)	Three Months Ended			Three Months Ended			Three Months Ended			Nine Months Ended	
	September 30, 2008			June 30, 2008			September 30, 2007			September 30	
	Average	High (1)	Low (1)	Average	High (1)	Low (1)	Average	High (1)	Low (1)	2008 Average	2007 Average
Foreign exchange	\$ 7.6	\$ 10.4	\$ 5.6	\$ 7.9	\$ 11.2	\$ 6.2	\$ 6.9	\$ 11.5	\$ 4.6	\$ 7.4	\$ 7.2
Interest rate	22.2	42.9	15.1	39.2	68.3	23.4	13.2	26.2	9.1	26.9	13.9
Credit	76.2	92.2	54.1	67.5	106.6	57.0	48.4	69.9	37.9	70.6	37.3
Real estate/mortgage	17.4	31.5	12.8	23.9	36.4	16.1	17.6	23.5	9.9	20.4	12.7
Equities	22.5	31.6	15.5	24.4	40.0	18.4	31.1	44.8	19.9	24.6	24.0
Commodities	8.5	17.7	4.3	11.1	15.0	7.7	7.8	9.2	6.6	9.7	6.8
Portfolio diversification	(59.8)	-	-	(86.5)	-	-	(68.3)	-	-	(68.8)	(53.4)
<b>Total market-based trading portfolio (2)</b>	<b>\$ 94.6</b>	<b>\$ 122.6</b>	<b>\$ 77.1</b>	<b>\$ 87.5</b>	<b>\$ 113.0</b>	<b>\$ 70.1</b>	<b>\$ 56.7</b>	<b>\$ 75.5</b>	<b>\$ 44.1</b>	<b>\$ 90.8</b>	<b>\$ 48.5</b>

(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.

(2) The table above does not include credit protection purchased to manage our counterparty credit risk.

The increase in average VAR for the three months ended September 30, 2008, as compared to the three months ended June 30, 2008, was primarily due to widening credit spreads during the third quarter of 2008, which increased VAR for our credit products and negatively impacted the portfolio diversification. The increases in average VAR during the three and nine months ended September 30, 2008 as compared to the same periods in 2007 were due to the increased market volatility that started during the second half of 2007 and continued through the third quarter of 2008. As discussed above, we updated our VAR model during the first quarter of 2008 and as the increased market volatility was incorporated into the historical price data, the level of VAR increased substantially. In periods of market stress, the GRC members communicate daily to discuss losses and VAR limit excesses. As a result of this process, the lines of business may selectively reduce risk. Where economically feasible, positions are sold or macro economic hedges are executed to reduce the exposure.

Counterparty credit risk is an adjustment to the mark-to-market value of derivative exposures reflecting the impact of the credit quality of counterparties on derivative assets and the impact of our credit quality on derivative liabilities. Since counterparty credit exposure is not included in the VAR component of the regulatory capital allocation, we do not include it in trading VAR, and it is therefore not included in the daily trading-related revenue illustrated in our histogram and used for backtesting. As of September 30, 2008 and June 30, 2008, the VAR for counterparty credit risk, together with associated hedges that are marked to market, was \$87 million and \$67 million.

## Stress Testing

Because the very nature of a VAR model suggests results can exceed our estimates, we also “stress test” our portfolio. Stress testing estimates the value change in our trading portfolio that may result from abnormal market movements. Various types of stress tests are run regularly against the overall trading portfolio and individual businesses. Historical scenarios simulate the impact of price changes which occurred during a set of extended historical market events. The results of these scenarios are reported daily to management. During the three months ended September 30, 2008, the largest daily losses among the historical scenarios ranged from \$21 million to \$763 million. This can be compared with losses from \$28 million to \$459 million for the historical scenarios during the three months ended June 30, 2008. The increase in historical stress values are attributed to the introduction of a new scenario related to the credit market disruptions over the past 12 months. Hypothetical scenarios simulate the anticipated shocks from predefined market stress events. These stress events include shocks to underlying market risk variables which may be well beyond the shocks found in the historical data used to calculate the VAR. 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.

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During the three months ended September 30, 2008, the largest losses among the hypothetical scenarios ranged from \$47 million to \$319 million. This is down from \$360 million to \$620 million for the hypothetical scenarios for the three months ended June 30, 2008. The results of these stress tests point to a decrease in risk taken during the three months ended September 30, 2008.

### Interest Rate Risk Management for Nontrading Activities

Interest rate risk represents the most significant market risk exposure to our nontrading positions. Our overall goal is to manage interest rate risk so that movements in interest rates do not adversely affect core net interest income – managed basis. Interest rate risk is measured as the potential volatility in our core net interest income – managed basis caused by changes in market interest rates. Client facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on our balance sheet. Interest rate risk from these activities, as well as the impact of changing market conditions, is managed through our ALM activities.

Simulations are used to estimate the impact on core net interest income – managed basis using numerous interest rate scenarios, balance sheet trends and strategies. These simulations evaluate how the above mentioned scenarios impact core net interest income – managed basis on short-term financial instruments, debt securities, loans, deposits, borrowings, and derivative instruments. In addition, these simulations incorporate assumptions about balance sheet dynamics such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. These simulations do not include the impact of hedge ineffectiveness.

Management analyzes core net interest income – managed basis forecasts utilizing different rate scenarios, with the base case utilizing forward interest rates. Management frequently updates the core net interest income – managed basis forecast for changing assumptions and differing outlooks based on economic trends and market conditions. Thus, we continually monitor our balance sheet position in an effort to maintain an acceptable level of exposure to interest rate changes.

We prepare forward-looking forecasts of core net interest income – managed basis. These baseline forecasts take into consideration expected future business growth, ALM positioning, and the direction of interest rate movements as implied by forward interest rates. We then measure and evaluate the impact that alternative interest rate scenarios have to these static baseline forecasts in order to assess interest rate sensitivity under varied conditions. The spot and 12-month forward rates used in our respective baseline forecasts at September 30, 2008 and December 31, 2007 were as follows:

**Table 42**  
**Forward Rates**

	September 30, 2008			December 31, 2007		
	Federal Funds	Three-Month LIBOR	10-Year Swap	Federal Funds	Three-Month LIBOR	10-Year Swap
Spot rates	2.00 %	4.05 %	4.49 %	4.25 %	4.70 %	4.67 %
12-month forward rates	2.32	3.12	4.67	3.13	3.36	4.79

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The following table reflects the pre-tax dollar impact to forecasted core net interest income – managed basis over the next twelve months from September 30, 2008 and December 31, 2007, resulting from a 100 bp gradual parallel increase, a 100 bp gradual parallel decrease, a 100 bp gradual curve flattening (increase in short-term rates or decrease in long-term rates) and a 100 bp gradual curve steepening (decrease in short-term rates or increase in long-term rates) from the forward market curve. For further discussion of core net interest income – managed basis see page 73.

**Table 43**  
**Estimated Core Net Interest Income – Managed Basis at Risk**

(Dollars in millions)			September 30	December 31
Curve Change	Short Rate	Long Rate	2008	2007
+100 Parallel shift	+100	+100	\$ (775)	\$ (952)
-100 Parallel shift	-100	-100	558	865
Flatteners				
Short end	+100	-	(927)	(1,127)
Long end	-	-100	(403)	(386)
Steepeners				
Short end	-100	-	970	1,255
Long end	-	+100	156	181

The sensitivity analysis above assumes that we take no action in response to these rate shifts over the indicated years. The estimated exposure is reported on a managed basis and reflects impacts that may be realized primarily in net interest income and card income on the Consolidated Statement of Income. This sensitivity analysis excludes any impact that could occur in the valuation of retained interests in the Corporation's securitizations due to changes in interest rate levels. For additional information on securitizations, see *Note 8 – Securitizations* to the Consolidated Financial Statements.

Our core net interest income – managed basis was liability sensitive at both September 30, 2008 and December 31, 2007. Beyond what is already implied in the forward market curve, the interest rate risk position has become less exposed to rising rates since December 31, 2007. Over a 12-month horizon, we would benefit from falling rates or a steepening of the yield curve beyond what is already implied in the forward market curve.

The spread between the three-month LIBOR rate and the Federal Funds target rate has significantly widened since December 31, 2007. While the overall balance sheet remains liability sensitive, we are typically asset sensitive to Federal Funds and Prime rates, and liability sensitive to LIBOR. As the Federal Funds and LIBOR dislocation widens, the benefit to net interest income from lower rates is limited. This spread widening has adversely impacted our ability to access the credit card asset-backed securitization market at favorable terms. For additional information see the *Card Services* discussion on page 82.

As part of our ALM activities, we use securities, residential mortgages, and interest rate and foreign exchange derivatives in managing interest rate sensitivity.

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## Securities

The securities portfolio is an integral part of our ALM position and is primarily comprised of debt securities and includes mortgage-backed securities and to a lesser extent corporate, municipal and other investment grade debt securities. At September 30, 2008, AFS debt securities were \$257.4 billion compared to \$213.3 billion at December 31, 2007. This increase was partially attributable to the acquisition of Countrywide, which added \$16.3 billion of AFS debt securities at September 30, 2008. There was also a reclassification of \$12.6 billion of AFS debt securities to trading account assets in connection with the Countrywide acquisition as we realigned our AFS portfolio to exclude certain securities that are used as economic hedges of MSRs. In addition, we repositioned our ALM portfolio due to market liquidity and funding conditions as we increased the level of mortgage-backed securities relative to loans. During the three months ended September 30, 2008 and 2007, we purchased AFS debt securities of \$26.9 billion and \$1.3 billion, sold \$20.2 billion and \$4.9 billion, and had maturities and received paydowns of \$6.1 billion and \$4.5 billion. We realized gains of \$10 million and \$7 million on sales of debt securities during the three months ended September 30, 2008 and 2007. In addition, we securitized \$2.3

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billion of residential mortgage loans into mortgage-backed securities which we retained during the three months ended September 30, 2008. We also converted \$5.7 billion of automobile loans into ABS during the three months ended September 30, 2008 and retained \$4.9 billion of those securities.

During the nine months ended September 30, 2008 and 2007, we purchased AFS debt securities of \$109.2 billion and \$7.2 billion, sold \$68.9 billion and \$10.9 billion, and had maturities and received paydowns of \$18.8 billion and \$15.2 billion. We realized gains of \$362 million and \$71 million on sales of debt securities during the nine months ended September 30, 2008 and 2007. In addition, we securitized \$23.4 billion of residential mortgage loans into mortgage-backed securities which we retained during the nine months ended September 30, 2008.

The amount of accumulated OCI loss related to AFS debt securities increased by pre-tax losses of \$2.6 billion and \$7.7 billion during the three and nine months ended September 30, 2008, driven by changes in value of certain mortgage-backed securities. For those securities that are in an unrealized loss position, we have the intent and ability to hold these securities to recovery.

Accumulated OCI includes \$518 million in after-tax losses at September 30, 2008, including \$6.7 billion of net unrealized losses related to AFS debt securities and \$6.2 billion of net unrealized gains related to AFS marketable equity securities. Total market value of the AFS debt securities was \$257.4 billion at September 30, 2008 with a weighted average duration of 4.6 years and primarily relates to our mortgage-backed securities portfolio.

Prospective changes to the accumulated OCI amounts for the AFS securities portfolio will be driven by further interest rate, credit or price fluctuations (including market value fluctuations associated with our CCB and Banco Itaú investments), the collection of cash flows including prepayment and maturity activity, and the passage of time. A portion of the Corporation's strategic investment in CCB and all of its investment in Banco Itaú is carried at fair value and their carrying values were \$14.4 billion and \$3.7 billion at September 30, 2008. Unrealized gains on these investments of \$6.1 billion and \$681 million, net-of-tax, are subject to currency and price fluctuations, and are recorded in accumulated OCI. On July 21, 2008, under the terms of our purchase option, we increased our ownership to approximately 11 percent by purchasing approximately \$1.9 billion of the common shares of CCB. These recently purchased shares are restricted through August 2011 and are carried at cost.

We recognized \$1.2 billion and \$2.3 billion of other-than-temporary impairment losses on AFS debt securities during the three and nine months ended September 30, 2008. These losses were primarily comprised of \$789 million and \$1.9 billion of CDO-related writedowns and \$272 million and \$365 million of writedowns related to certain investments in SIVs and senior debt issued by financial services companies. We also recognized \$375 million and \$388 million of other-than-temporary impairment losses on AFS marketable equity securities during the three and nine months ended September 30, 2008. These losses included writedowns on Fannie Mae and Freddie Mac preferred securities and a number of other equity securities. No such losses were recognized during the three and nine months ended September 30, 2007.

The impairment of 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 cost; the historical and implied volatility of the security; the financial condition of the issuer of the security; and the Corporation's intent and ability to hold the security to recovery. Based on the Corporation's evaluation of the above and other relevant factors, and after consideration of the losses described in the paragraph above, we do not believe that the AFS debt and marketable equity securities that are in an unrealized loss position at September 30, 2008 are other-than-temporarily impaired.

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## ***Residential Mortgage Portfolio***

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At September 30, 2008 residential mortgages were \$257.0 billion compared to \$274.9 billion at December 31, 2007. This decrease was attributable to the repositioning of our ALM portfolio, driven by market liquidity, as we increased the level of mortgage-backed securities relative to loans, partially offset by the acquisition of Countrywide which added \$26.8 billion of residential mortgages at September 30, 2008. During the three months ended September 30, 2008, we purchased \$110 million of residential mortgages related to ALM activities compared to purchases of \$531 million during the same period in 2007. We also added \$3.4 billion and \$15.1 billion of originated residential mortgages and we sold \$1.3 billion and \$10.1 billion of residential mortgages during the three months ended September 30, 2008 and 2007, which included

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\$1.2 billion and \$0 of originated residential mortgages, resulting in gains of \$29 million and \$41 million. We received paydowns of \$5.1 billion and \$6.5 billion during the three months ended September 30, 2008 and 2007. Additionally, we securitized \$2.3 billion of residential mortgage loans into mortgage-backed securities which we retained during the three months ended September 30, 2008.

During the nine months ended September 30, 2008, we purchased \$393 million of residential mortgages related to ALM activities compared to purchases of \$22.5 billion during the same period in 2007. We also added \$24.9 billion and \$55.5 billion of originated residential mortgages and we sold \$24.5 billion and \$28.4 billion of residential mortgages during the nine months ended September 30, 2008 and 2007, which included \$21.1 billion and \$18.1 billion of originated residential mortgages, resulting in gains of \$430 million and \$217 million. We received paydowns of \$21.8 billion and \$21.9 billion during the nine months ended September 30, 2008 and 2007. Additionally, we securitized \$23.4 billion of residential mortgage loans into mortgage-backed securities which we retained during the nine months ended September 30, 2008.

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## ***Interest Rate and Foreign Exchange Derivative Contracts***

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Interest rate and foreign exchange derivative contracts are utilized in our ALM activities and serve as an efficient tool to mitigate our interest rate and foreign exchange risk. We use derivatives to hedge the changes 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 and foreign currency forward contracts, to mitigate the foreign exchange risk associated with foreign currency-denominated assets and liabilities, as well as certain equity investments in foreign subsidiaries. Table 44 reflects the notional amounts, fair value, weighted average receive fixed and pay fixed rates, expected maturity, and estimated duration of our open ALM derivatives at September 30, 2008 and December 31, 2007.

Changes to the composition of our derivatives portfolio during the nine months ended September 30, 2008 reflect actions taken for interest rate and foreign exchange rate risk management. The decisions to reposition our derivative portfolio are based upon the current assessment of economic and financial conditions including the interest rate environment, balance sheet composition and trends, and the relative mix of our cash and derivative positions. The notional amount of our option positions decreased from \$140.1 billion at December 31, 2007 to \$5.0 billion at September 30, 2008. Changes in the levels of the option positions was driven by maturities of \$115.0 billion in purchased caps along with the termination of \$20.0 billion in sold floors. Our interest rate swap positions (including foreign exchange contracts) changed to a net receive fixed position of \$49.2 billion on September 30, 2008 compared to a net receive fixed position of \$101.9 billion on December 31, 2007. Changes in the notional levels of our interest rate swap position were driven by the net termination and maturity of \$58.8 billion in U.S. dollar-denominated receive fixed swaps, the termination of \$11.3 billion in pay fixed swaps, and the net termination of \$5.2 billion in foreign denominated receive fixed swaps. The notional amount of our foreign exchange basis swaps increased to \$55.9 billion at September 30, 2008 compared to \$54.5 billion at December 31, 2007.

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The following table includes derivatives utilized in our ALM activities, including those designated as SFAS 133 accounting hedges and economic hedges. The fair value of net ALM contracts decreased \$1.1 billion from a gain of \$6.1 billion at December 31, 2007 to a gain of \$4.9 billion at September 30, 2008. The decrease was primarily attributable to losses from changes in the value of foreign exchange basis swaps of \$2.2 billion. The decrease in the value of foreign exchange basis swaps was mostly attributable to the strengthening of the U.S. dollar against most foreign currencies during the nine months ended September 30, 2008. These losses were partially offset by gains from the termination of pay fixed interest rate swaps of \$429 million and the termination of option products of \$160 million, as well as changes in the value of foreign exchange contracts of \$320 million and U.S. dollar-denominated receive-fixed interest rate swaps of \$131 million.

**Table 44**  
**Asset and Liability Management Interest Rate and Foreign Exchange Contracts**  
September 30, 2008

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity							Average Estimated Duration
		Total	2008	2009	2010	2011	2012	Thereafter	
<b>Receive fixed interest rate swaps (1, 2)</b>	<b>\$ 1,123</b>								<b>6.98</b>
Notional amount		\$ 23,147	\$ 79	\$ 8	\$ 252	\$ -	\$ 1,008	\$ 21,800	
Weighted average fixed rate		5.38 %	5.91 %	9.53 %	4.79 %	- %	4.83 %	5.40 %	
<b>Pay fixed interest rate swaps (1)</b>	<b>-</b>								<b>-</b>
Notional amount		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Weighted average fixed rate		- %	- %	- %	- %	- %	- %	- %	
<b>Foreign exchange basis swaps (2, 3, 4)</b>	<b>3,978</b>								
Notional amount		\$ 55,851	\$ 1,001	\$ 4,588	\$ 6,456	\$ 4,134	\$ 8,588	\$ 31,084	
<b>Option products (5)</b>	<b>5</b>								
Notional amount		5,019	-	5,000	19	-	-	-	
<b>Foreign exchange contracts (2, 4, 6)</b>	<b>(179)</b>								
Notional amount (7)		25,947	(35)	2,337	4,214	1,236	1,363	16,832	
<b>Futures and forward rate contracts</b>	<b>-</b>								
Notional amount (7)		(103)	(103)	-	-	-	-	-	
<b>Net ALM contracts</b>	<b>\$ 4,927</b>								

December 31, 2007

(Dollars in millions, average estimated duration in years)	Fair Value	Expected Maturity							Average Estimated Duration
		Total	2008	2009	2010	2011	2012	Thereafter	
<b>Receive fixed interest rate swaps (1, 2)</b>	<b>\$ 992</b>								<b>3.70</b>
Notional amount		\$ 81,965	\$ 4,869	\$ 48,908	\$ 3,252	\$ 1,630	\$ 2,508	\$ 20,798	
Weighted average fixed rate		4.34 %	4.03 %	3.91 %	4.35 %	4.50 %	4.88 %	5.34 %	
<b>Pay fixed interest rate swaps (1)</b>	<b>(429)</b>								<b>5.37</b>
Notional amount		\$ 11,340	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 10,340	
Weighted average fixed rate		5.04 %	- %	- %	- %	- %	5.45 %	5.00 %	
<b>Foreign exchange basis swaps (2, 3, 4)</b>	<b>6,164</b>								
Notional amount		\$ 54,531	\$ 2,537	\$ 4,463	\$ 5,839	\$ 4,294	\$ 8,695	\$ 28,703	
<b>Option products (5)</b>	<b>(155)</b>								
Notional amount		140,114	130,000	10,000	76	-	-	38	
<b>Foreign exchange contracts (2, 4, 6)</b>	<b>(499)</b>								
Notional amount (7)		31,054	1,438	2,047	4,171	1,235	3,150	19,013	
<b>Futures and forward rate contracts</b>	<b>(3)</b>								
Notional amount (7)		752	752	-	-	-	-	-	
<b>Net ALM contracts</b>	<b>\$ 6,070</b>								

(1) At September 30, 2008 there were no forward starting pay or receive fixed swap positions. At December 31, 2007, the receive fixed interest rate swap notional that represented forward starting swaps and will not be effective until their respective contractual start dates was \$45.0 billion. There were no forward starting pay fixed swap positions at December 31, 2007.

(2) Does not include basis adjustments on fixed rate debt issued by the Corporation and hedged under fair value hedge relationships pursuant to SFAS 133 that substantially offset the fair values of these derivatives.

(3) Foreign exchange basis swaps consist of cross-currency variable interest rate swaps used separately or in conjunction with receive fixed interest rate swaps.

(4) Does not include foreign currency translation adjustments on certain foreign debt issued by the Corporation which substantially offset the fair values of these derivatives.

(5) Option products of \$5.0 billion at September 30, 2008 were comprised completely of purchased caps. Option products of \$140.1 billion at December 31, 2007 were comprised of \$120.1 billion in purchased caps and \$20.0 billion in sold floors.

(6) Foreign exchange contracts include foreign-denominated and cross-currency receive fixed interest rate swaps as well as foreign currency forward rate contracts. Total notional was comprised of \$26.1 billion in foreign-denominated and cross-currency receive fixed swaps and \$148 million in foreign currency forward rate contracts at September 30, 2008, and \$31.3 billion in foreign-denominated and cross-currency receive fixed swaps and \$211 million in foreign currency forward rate contracts at December 31, 2007.

(7) Reflects the net of long and short positions.





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The Corporation uses interest rate derivative instruments to hedge the variability in the cash flows of its assets and liabilities, and other forecasted transactions (cash flow hedges). From time to time, the Corporation also utilizes equity-indexed derivatives accounted for as SFAS 133 cash flow hedges to minimize exposure to price fluctuations on the forecasted purchase or sale of equity investments. The net losses on both open and terminated interest rate derivative instruments recorded in accumulated OCI net-of-tax was \$3.9 billion at September 30, 2008. These net losses are expected to be reclassified into earnings in the same period when 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 to interest rates beyond what is implied in forward yield curves at September 30, 2008, the pre-tax net losses are expected to be reclassified into earnings as follows: \$1.5 billion, or 24 percent within the next year, 68 percent within five years, and 90 percent within 10 years, with the remaining 10 percent thereafter. For more information on derivatives designated as cash flow hedges, see *Note 4 – Derivatives* to the Consolidated Financial Statements.

The amounts included in accumulated OCI for terminated interest rate derivative contracts were losses of \$3.8 billion, net-of-tax, at both September 30, 2008 and December 31, 2007. Losses on these terminated derivative contracts are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

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## **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 held for investment 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 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 may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. 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 certain derivatives, such as interest rate options, interest rate swaps, forward settlement contracts, euro dollar futures, mortgage-backed securities and U.S. Treasury securities. These instruments are used as economic hedges of IRLCs and residential first mortgage LHFS. At September 30, 2008 and December 31, 2007, the gross notional amount of derivatives economically hedging the IRLCs and residential first mortgage LHFS was \$91.5 billion and \$18.6 billion. On January 1, 2008, we adopted SAB 109 which generally has resulted in higher fair values being recorded upon initial recognition of derivative IRLCs. For more information on the adoption of SAB 109, see *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements.

MSRs are a nonfinancial asset 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 settlement contracts, euro dollar futures, mortgage-backed securities and U.S. Treasury securities as economic hedges of MSRs. The notional amount of the derivative contracts and other securities designated as economic hedges of MSRs at September 30, 2008 and December 31, 2007 was \$768.5 billion and \$69.0 billion. For the three and nine months ended September 30, 2008, we recorded gains in mortgage banking income of \$832 million and \$539 million related to the change in fair value of these derivative contracts as compared to gains (losses) of \$260 million and \$(109) million for the same periods in the prior year. For additional information on MSRs see *Note 17 – Mortgage Servicing Rights* to the Consolidated Financial Statements for more information on mortgage banking income see the *GCSBB* discussion on page 79.

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### **Compliance and Operational Risk Management**

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Compliance risk is the risk posed by the failure to manage regulatory, legal and ethical issues that could result in monetary damages, losses or harm to the bank's reputation or image. The Seven Elements of a Compliance Program provides the framework for the compliance programs that are consistently applied across the enterprise to manage compliance risk.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Operational risk also encompasses the failure to implement strategic objectives and initiatives in a successful, timely, and cost-effective manner. Successful operational risk management is particularly important to diversified financial services companies because of the nature, volume and complexity of the financial services business.

We approach compliance and operational risk management from two perspectives: corporate-wide and line of business-specific. The Compliance and Operational Risk Committee provides oversight of significant corporate-wide compliance and operational risk issues. Within Global Risk Management, Global Compliance and Operational Risk Management develops and guides the strategies, policies, practices, controls and monitoring tools for assessing and managing compliance and operational risks across the Corporation. Through training and communication efforts, compliance and operational risk awareness is driven across the Corporation.

We also mitigate compliance and operational risk through a broad-based approach to process management and process improvement. We have a dedicated Quality and Productivity team to manage and certify the process management and improvement efforts. For selected risks, we use specialized support groups, such as Enterprise Information Management and Supply Chain Management, to develop corporate-wide risk management practices, such as an information security program and a supplier program to ensure that suppliers adopt appropriate policies and procedures when performing work on behalf of the Corporation. These specialized groups also assist the lines of business in the development and implementation of risk management practices specific to the needs of the individual businesses. These groups also work with line of business executives and risk executives to develop and guide appropriate strategies, policies, practices, controls and monitoring tools for each line of business.

The lines of business are responsible for all the risks within the business line, including compliance and operational risks. Compliance and Operational Risk executives, working in conjunction with senior line of business executives, have developed key tools to help identify, measure, mitigate and monitor compliance and operational risk in each business line. Examples of these include processes to ensure compliance with laws and regulations, personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis, business recovery planning and new product introduction processes. In addition, the lines of business are responsible for monitoring adherence to corporate practices. Line of business management uses a self-assessment process, which helps to identify and evaluate the status of risk and control issues, including mitigation plans, as appropriate. The goal of the self-assessment process is to periodically assess changing market and business conditions, to evaluate key compliance and operational risks, as well as credit and market risks impacting each line of business, and assess the controls in place to mitigate the risks. In addition to information gathered from the self-assessment process, key compliance and operational risk indicators have been developed and are used to help identify trends and issues on both a corporate and a line of business level.

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### **ASF Framework**

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In December 2007, the American Securitization Forum (ASF) issued the Streamlined Foreclosure and Loss Avoidance Framework for Securitized Adjustable Rate Mortgage Loans (the ASF Framework). The ASF Framework was developed to address large numbers of subprime loans that are at risk of default when the loans reset from their initial fixed interest rates to variable rates. The objective of the framework is to provide uniform guidelines for evaluating large numbers of loans for refinancing in an efficient manner while complying with the relevant tax regulations and off-balance sheet accounting standards for loan securitizations. The ASF Framework targets loans that were originated between January 1, 2005 and July 31, 2007 and have an initial fixed interest rate period of 36 months or less, which are scheduled for their first interest rate reset between January 1, 2008 and July 31, 2010.

The ASF Framework categorizes the targeted loans into three segments. Segment 1 includes loans where the borrower is likely to be able to refinance into any available mortgage product. Segment 2 includes loans where the borrower is current but is unlikely to be able to refinance into any readily available mortgage industry product. Segment 3 includes

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loans where the borrower is not current. If certain criteria are met, ASF Framework loans in Segment 2 are eligible for fast-track modification under which the interest rate will be kept at the existing initial rate, generally for five years following the interest rate reset date. Upon evaluation, if targeted loans do not meet specific criteria to be eligible for one of the three segments, they are categorized as other loans, as shown in the table below. These criteria include the occupancy status of the borrower, structure and other terms of the loan. In January 2008, the SEC's Office of the Chief Accountant issued a letter addressing the accounting issues relating to the ASF Framework. The letter concluded that the SEC would not object to continuing off-balance sheet accounting treatment for Segment 2 loans modified pursuant to the ASF Framework.

For those current loans that are accounted for off-balance sheet that are modified, but not as part of the ASF Framework above, the servicer must perform on an individual basis, an analysis of the borrower and the loan to demonstrate it is probable that the borrower will not meet the repayment obligation in the near term. Such analysis shall provide sufficient evidence to demonstrate that the loan is in imminent or reasonably foreseeable default. The SEC's Office of the Chief Accountant issued a letter in July 2007 stating that it would not object to continuing off-balance sheet accounting treatment for these loans.

Prior to the acquisition of Countrywide on July 1, 2008, Countrywide began making fast-track loan modifications under Segment 2 of the ASF Framework in June 2008 and the off-balance sheet accounting treatment of QSPEs that hold those loans was not affected. In addition, other workout activities relating to subprime ARMs include modifications (e.g., interest rate reductions and capitalization of interest) and repayment plans were also made. These initiatives have continued subsequent to the acquisition in an effort to work with all of our customers that are eligible and affected by loans that meet the requisite criteria. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors.

As of September 30, 2008, the principal balance of beneficial interests issued by the QSPEs that hold subprime ARMs totaled \$58.9 billion and the fair value of beneficial interests related to those QSPEs held by the Corporation totaled \$124 million. The following table presents a summary of loans in QSPEs that hold subprime ARMs as of September 30, 2008 as well as workout and payoff activity for the subprime loans by ASF categorization for the three months ended September 30, 2008. Prior to the acquisition of Countrywide on July 1, 2008, we did not originate or service significant subprime residential mortgage loans, nor did we hold a significant amount of beneficial interest in QSPEs of subprime residential mortgage loans.

**Table 45**  
**QSPE Loans Subject to ASF Framework Evaluation**

	September 30, 2008		Activity During the Three Months Ended September 30, 2008				
	Balance	Percent	Payoffs	Fast-track	Other		Foreclosures
				Modifications	Workout Activities		
(Dollars in millions)							
Segment 1	\$ 4,029	6.9 %	\$ 480	\$ -	\$ 353	\$ -	
Segment 2	9,051	15.4	151	1,386	783	93	
Segment 3	8,971	15.2	37	-	975	787	
Total subprime ARMs	22,051	37.5	668	1,386	2,111	880	
Other loans	33,058	56.1	n/a	n/a	n/a	n/a	
Foreclosed properties	3,748	6.4	n/a	n/a	n/a	n/a	
<b>Total</b>	<b>\$58,857</b>	<b>100.0 %</b>	<b>\$ 668</b>	<b>\$ 1,386</b>	<b>\$ 2,111</b>	<b>\$ 880</b>	

n/a = not applicable

In October 2008, in connection with the Housing and Economic Recovery Act of 2008, we announced the creation of a home retention program that was developed in conjunction with several state attorneys general that will systematically modify troubled mortgages with up to \$8.4 billion in interest rate and principal reductions for approximately 400,000 Countrywide Financial Corporation (Countrywide) customers. This program is eligible to those borrowers who financed their primary residence with subprime or pay option adjustable rate mortgages serviced by Countrywide and originated prior to December 31, 2007. We hold approximately 12 percent of the eligible loans for investment while the remaining 88 percent are loans that we service but do not own. The program is a proactive loan modification process to provide relief to eligible borrowers who are seriously delinquent or are likely to become seriously delinquent as a result of loan features, such as rate resets or payment recasts. Modification options, among others, include FHA refinancing under the Housing and Economic Recovery Act of 2008; interest rate reductions, which may be granted automatically; and principal reductions on certain pay option adjustable rate mortgages. Under this program, eligible borrowers will not be charged loan modification

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fees and prepayment penalties will be waived for qualifying subprime and pay option adjustable rate mortgages Countrywide or its affiliates own. In addition, borrowers in participating states will have access to several programs to provide further financial relief. These foreclosure prevention efforts will reduce foreclosures and the related losses providing a solution for customers and protecting investors. This program is in line with the Corporation's original expectations upon acquisition and is not expected to impact the Corporation's purchase accounting adjustments.

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## **Complex Accounting Estimates**

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Our significant accounting principles, as described in *Note 1 – Summary of Significant Accounting Principles* to the Consolidated Financial Statements of the Corporation's 2007 Annual Report on Form 10-K, are essential in understanding the MD&A. Many of our significant accounting principles require complex judgments to estimate values of assets and liabilities. We have procedures and processes to facilitate making these judgments. The balance of our MSRs has increased substantially with the acquisition of Countrywide on July 1, 2008. As such, we have added a discussion on MSRs below. We have also provided the *Fair Value of Financial Instruments* portion of our Complex Accounting Estimates due to the current market disruptions and illiquidity in the marketplace. Other complex accounting estimates are summarized in Complex Accounting Estimates on pages 68 through 71 of the MD&A of the Corporation's 2007 Annual Report on Form 10-K.

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## **Mortgage Servicing Rights**

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MSRs are nonfinancial assets that are created when the underlying 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 (i.e., lower of cost or market) with impairment recognized as a reduction to mortgage banking income. At September 30, 2008, our total MSR balance was \$21.1 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 (OAS) 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 impact our net income. For example, decreasing the prepayment rate assumption by 10 percent while keeping all other assumptions unchanged could have resulted in an estimated increase of \$757 million in mortgage banking income at September 30, 2008. In order to validate our assumptions we periodically benchmark estimates used to independent appraisals.

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 MSRs fair value through the use of risk management instruments. To reduce the sensitivity of earnings to interest rate and market value fluctuations, certain derivatives such as options, securities and interest rate swaps may be used as economic hedges of the MSRs, but are not designated as hedges under SFAS 133. These derivatives are marked to market and recognized through mortgage banking income. The impact provided above does not reflect any hedge strategies that may be undertaken to mitigate such risk.

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 17 - Mortgage Servicing Rights* to the Consolidated Financial Statements.

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***Fair Value of Financial Instruments***

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We determine the fair market values of financial instruments based on the fair value hierarchy established in SFAS 157 which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. We carry certain corporate loans and loan commitments, LHFS, structured reverse repurchase agreements, and long-term deposits at fair value in accordance with SFAS 159. We also carry trading account assets and liabilities, derivative assets and liabilities, AFS debt and marketable equity securities, MSRs, and certain other assets at fair value. For more information, see *Note 16 – Fair Value Disclosures* to the Consolidated Financial Statements.

The values of assets and liabilities recorded at fair value include adjustments for market liquidity, credit quality and other deal specific factors, where appropriate. To ensure the prudent application of estimates and management judgment in determining the fair value of these assets and liabilities, various processes and controls have been adopted, which include: a model validation policy that requires a 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 value inputs. Our reliance on the receipt of this information is tempered by the knowledge of how the broker and/or pricing service develops its data, with a higher reliance being applied to those that are more directly observable and lesser reliance being applied on 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 recorded at fair value, which is primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value of trading account assets or 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 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. At September 30, 2008, \$7.7 billion, or four percent, of trading account assets were classified as level 3 fair value assets. No trading account liabilities were classified as level 3 liabilities at September 30, 2008.

The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Estimation risk is greater for derivative asset and liability positions that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case quantitative-based extrapolations of rate, price or index scenarios are used in determining fair values. The Corporation does incorporate, consistent with the requirements of SFAS 157, within its fair value measurements of over-the-counter derivatives the net credit differential between the counterparty credit risk and our own credit risk. The value of the credit differential is 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 within the determination of fair value, primarily based on historical experience, adjusted for any more recent name specific expectations.

At September 30, 2008, the level 3 fair values of derivative assets and liabilities determined by these quantitative models were \$9.1 billion and \$7.4 billion. These amounts reflect the full fair value of the derivatives and do not isolate the discrete value associated with the subjective valuation variable. Further, they represent two percent and one percent of derivative assets and liabilities, before the impact of legally enforceable master netting agreements. For the nine months ended September 30, 2008, there were no changes to the quantitative models, or uses of such models, that resulted in a material adjustment to the Consolidated Statement of Income.

Trading account profits (losses), 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 (losses) 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

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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 which is not expected to be exceeded with a specified confidence level, to measure and manage market risk. At September 30, 2008, the amount of our VAR was \$107 million based on a 99 percent confidence level. For more information on VAR, see Trading Risk Management beginning on page 155.

AFS debt and marketable equity securities are recorded at fair value, which is generally based on quoted market prices or market prices for similar assets.

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**Glossary**

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**Assets in Custody** – Consist largely of custodial and non-discretionary trust assets administered for customers excluding brokerage assets. 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 *Global Wealth and Investment Management* which generate asset management fees based on a percentage of the assets' market value. 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.

**Bridge Loan** – A loan or security which is expected to be replaced by permanent financing (debt or equity securities, loan syndication or asset sales) prior to the maturity date of the loan. Bridge loans may include an unfunded commitment, as well as funded amounts, and are generally expected to be retired in one year or less.

**CDO-Squared** – A type of CDO where the underlying collateralizing securities include tranches of other CDOs.

**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 Corporation is legally bound to advance funds during a specified period under prescribed conditions.

**Core Net Interest Income - Managed Basis** – Net interest income on a fully taxable-equivalent basis excluding the impact of market-based activities and certain securitizations.

**Credit Default Swaps (CDS)** – A derivative contract that provides protection against the deterioration of credit quality and would allow one party to receive payment in the event of default by a third party under a borrowing arrangement.

**Derivative** – A contract or agreement whose value is derived from changes in an underlying index such as interest rates, foreign exchange rates or prices of securities. Derivatives utilized by the Corporation include swaps, financial futures and forward settlement contracts, and option contracts.

**Excess Servicing Income** – For certain assets that have been securitized, interest income, fee revenue and recoveries in excess of interest paid to the investors, gross credit losses and other trust expenses related to the securitized receivables are all reclassified into excess servicing income, which is a component of card income. Excess servicing income also includes the changes in fair value of the Corporation's card related retained interests.

**Home Equity Rapid Amortization Event** – Certain events defined by the Corporation's home equity securitizations documents, including when aggregate draws on monoline insurer's policies (which protect the bondholders in the securitization) exceed a specified threshold. The existence of a rapid amortization event affects the flow of funds and may cause acceleration of payments to the holders of the notes.

**Interest-only (IO) Strip** – A residual interest in a securitization trust representing the right to receive future net cash flows from securitized assets after payments to third party investors and net credit losses. These arise when assets are transferred to a special purpose entity as part of an asset securitization transaction qualifying for sale treatment under GAAP.

**Interest Rate Lock Commitments (IRLCs)** – Commitment with a loan applicant in which the loan terms, including interest rate, are guaranteed for a designated period of time subject to credit approval.

**Letter of Credit** – A document issued by the Corporation on behalf of a customer to a third party promising to pay that third party upon presentation of specified documents. A letter of credit effectively substitutes the Corporation's credit for that of the Corporation's customer.

**Managed Basis** – Managed basis assumes that securitized loans were not sold and presents earnings on these loans in a manner similar to the way loans that have not been sold (i.e., held loans) are presented. Noninterest income, both on a held and managed basis, also includes the impact of adjustments to the interest-only strip that are recorded in card income.

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**Managed Net Losses** – Represents net charge-offs on held loans combined with realized credit losses associated with the securitized loan portfolio.

**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.

**Operating Basis** – A basis of presentation not defined by GAAP that excludes merger and restructuring charges.

**Option-Adjusted Spread (OAS)** – The spread that is added to the discount rate so that the sum of the discounted cash flows equals the market price, thus, it is a measure of the extra yield over the reference discount factor (i.e., the forward swap curve) that a company is expected to earn by holding the asset.

**Qualified Special Purpose Entity (QSPE)** – A special purpose entity whose activities are strictly limited to holding and servicing financial assets and meet the requirements set forth in SFAS 140. A qualified special purpose entity is generally not required to be consolidated by any party.

**Return on Average Common Shareholders' Equity (ROE)** – Measures the earnings contribution of a unit as a percentage of the shareholders' equity allocated to that unit.

**Return on Average Tangible Shareholders' Equity (ROTE)** – Measures the earnings contribution of a unit as a percentage of the shareholders' equity allocated to that unit reduced by allocated goodwill.

**Securitize / Securitization** – A process by which financial assets are sold to a special purpose entity, which then issues securities collateralized by those underlying assets, and the return on the securities issued is based on the principal and interest cash flow of the underlying assets.

**Structured Investment Vehicle (SIV)** – An entity that issues short duration debt and uses the proceeds from the issuance to purchase longer-term fixed income securities.

**Subprime Loans** – Although a standard 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 (generally less than 620 for secured products and 660 for unsecured products), 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 the CDO vehicles. These financial instruments benefit from the subordination of all other securities, including AAA-rated securities, issued by the CDO vehicles.

**Unrecognized Tax Benefit (UTB)** – The difference between the benefit recognized for a tax position in accordance with FIN 48, which is measured as the largest dollar amount of that position that is more-likely-than-not to be sustained upon settlement, and the tax benefit claimed on a tax return.

**Value-at-Risk (VAR)** – A VAR model estimates a range of hypothetical scenarios to calculate a potential loss which is not expected to be exceeded with a specified confidence level. VAR is a key statistic used to measure and manage market risk.

**Variable Interest Entities (VIE)** – A term defined by FIN 46R for an entity whose equity investors do not have a controlling financial interest. The entity may not have sufficient equity at risk to finance its activities without additional subordinated financial support from third parties. The equity investors may lack the ability to make significant decisions about the entity's activities, or they may not absorb the losses or receive the residual returns generated by the assets and other contractual arrangements of the VIE. The entity that will absorb a majority of expected variability (the sum of the absolute values of the expected losses and expected residual returns) consolidates the VIE and is referred to as the primary beneficiary.



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### ***Accounting Pronouncements***

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<b>SFAS 52</b>	Foreign Currency Translation
<b>SFAS 109</b>	Accounting for Income Taxes
<b>SFAS 133</b>	Accounting for Derivative Instruments and Hedging Activities, as amended
<b>SFAS 140</b>	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125
<b>SFAS 142</b>	Goodwill and Other Intangible Assets
<b>SFAS 157</b>	Fair Value Measurements
<b>SFAS 159</b>	The Fair Value Option for Financial Assets and Financial Liabilities
<b>FIN 46R</b>	Consolidation of Variable Interest Entities (revised December 2003)—an interpretation of ARB No. 51
<b>FIN 48</b>	Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109
<b>SAB 109</b>	Written Loan Commitments Recorded at Fair Value Through Earnings
<b>FSP 13-2</b>	Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction
<b>SOP 03-3</b>	Accounting for Certain Loans or Debt Securities Acquired in a Transfer

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### ***Acronyms***

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<b>ABS</b>	Asset-backed securities
<b>AFS</b>	Available-for-sale
<b>AICPA</b>	American Institute of Certified Public Accountants
<b>ALCO</b>	Asset and Liability Committee
<b>ALM</b>	Asset and liability management
<b>ARS</b>	Auction rate securities
<b>CDO</b>	Collateralized debt obligation
<b>CLO</b>	Collateralized loan obligation
<b>CMBS</b>	Commercial mortgage-backed securities
<b>CRC</b>	Credit Risk Committee
<b>EPS</b>	Earnings per common share
<b>FASB</b>	Financial Accounting Standards Board
<b>FDIC</b>	Federal Deposit and Insurance Corporation
<b>FFIEC</b>	Federal Financial Institutions Examination Council
<b>FIN</b>	Financial Accounting Standards Board Interpretation
<b>FRB</b>	Board of Governors of the Federal Reserve System
<b>FSP</b>	Financial Accounting Standards Board Staff Position
<b>FTE</b>	Fully taxable-equivalent
<b>GAAP</b>	Generally accepted accounting principles in the United States
<b>GRC</b>	Global Markets Risk Committee
<b>IPO</b>	Initial public offering
<b>LHFS</b>	Loans held-for-sale
<b>LIBOR</b>	London InterBank Offered Rate
<b>MD&amp;A</b>	Management’s Discussion and Analysis of Financial Condition and Results of Operations
<b>OCC</b>	Office of the Comptroller of the Currency
<b>OCI</b>	Other comprehensive income
<b>SBLCs</b>	Standby letters of credit
<b>SEC</b>	Securities and Exchange Commission
<b>SFAS</b>	Financial Accounting Standards Board Statement of Financial Accounting Standards
<b>SOP</b>	American Institute of Certified Public Accountants Statement of Position
<b>SPE</b>	Special purpose entity

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**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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See Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Management beginning on page 155 and the sections referenced therein for Quantitative and Qualitative Disclosures about Market Risk.

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**Item 4. CONTROLS AND PROCEDURES**

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*Evaluation of disclosure controls and procedures*

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The Corporation's disclosure controls and procedures are designed to ensure that information required to be disclosed under the Securities Exchange Act of 1934 (the Exchange Act) securities laws is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer.

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Exchange Act, the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation's disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Corporation's disclosure controls and procedures were effective in recording, processing, summarizing and reporting information required to be disclosed by the Corporation, within the time periods specified in the Securities and Exchange Commission's rules and forms.

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*Changes in internal controls*

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As of the end of the period covered by this report, there have been no changes in the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter to which this report relates that have materially affected or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

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**Part II. OTHER INFORMATION**

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**Item 1. Legal Proceedings**

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See *Note 12 – Commitments and Contingencies* to the Consolidated Financial Statements for litigation and regulatory disclosure that supplements the disclosure in the Corporation's 2007 Annual Report on Form 10-K.

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**Item 1A. Risk Factors**

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There are no material changes from the risk factors set forth under Part 1A. "Risk Factors" in the Corporation's 2007 Annual Report on Form 10-K, other than the addition of the following risk factors:

**There can be no assurance that recently enacted legislation authorizing the U.S. government to take direct actions within the financial services industry will help stabilize the U.S. financial system.**

On October 3, 2008, the President signed into law the Emergency Economic Stabilization Act of 2008 (the EESA). The legislation was the result of a proposal by Treasury Secretary Henry Paulson to the U.S. Congress on September 20, 2008 in response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions. Pursuant to the EESA, the U.S. Treasury will have the authority to, among other things, invest in financial institutions and purchase up to \$700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing

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liquidity to the U.S. financial markets. Pursuant to this authority, the U.S. Treasury has announced its Capital Purchase Program, under which it has begun to purchase up to \$250 billion of preferred stock in eligible institutions, including Bank of America, to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. In addition, other recent regulatory measures designed to strengthen financial market stability include actions enabling the FDIC to temporarily guarantee the newly-issued senior debt of FDIC-insured institutions and their holding companies, as well as deposits in noninterest-bearing deposit transaction accounts, and the Federal Reserve's Commercial Paper Funding Facility, providing a backstop for the commercial paper market of high quality issuers. There can be no assurance, however, as to the actual impact that the EESA and these related actions will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA and these related actions to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the trading price of our securities.

### **Difficult market conditions have adversely affected our industry.**

Given the significance of our business in the U.S., we are particularly exposed to downturns in the U.S. economy. Dramatic declines in the housing market over the past year, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry. In particular, we may face the following risks in connection with these events:

- We expect to face increased regulation of our industry, including as a result of the EESA. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.
- Market developments may affect consumer confidence levels and may cause declines in credit card usage and adverse changes in payment patterns, causing increases in delinquencies and default rates, which we expect could impact our charge-offs and provision for credit losses.
- Our ability to assess the creditworthiness of our customers or to estimate the values of our assets may be impaired if the models and approaches we use become less predictive of future behaviors, valuations, assumptions or estimates. The process we use to estimate losses inherent in our credit exposure or estimate the value of certain assets requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans or impact the value of assets, which may no longer be capable of accurate estimation which may, in turn, impact the reliability of the process.
- Our ability to borrow from other financial institutions or to engage in securitization funding transactions on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.
- Competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions.
- We may be required to pay significantly higher FDIC premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

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### **Current levels of market volatility are unprecedented.**

The capital and credit markets have been experiencing volatility and disruption for more than 12 months. In recent weeks, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

### **The soundness of other financial institutions could adversely affect us.**

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

### **Any reduction in the credit ratings of our securities could increase the cost of our funding from the capital markets or impair our ability to engage in securitization funding transactions.**

Although our long-term debt is currently rated investment grade by the major rating agencies, the ratings of that debt have been downgraded during 2008 by all of the major rating agencies. These rating agencies regularly evaluate us and our securities, and their ratings of our long-term debt and other securities, including asset securitizations, are based on a number of factors, including our financial strength as well as factors not entirely within our control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that we will maintain our current ratings. Our failure to maintain those ratings could adversely affect the cost and other terms upon which we are able to obtain funding and increase our cost of capital or our ability to engage in securitization funding transactions at all.

### **We may fail to realize all of the anticipated benefits of a merger with Merrill Lynch.**

Completion of the Merrill Lynch merger is subject to certain customary conditions, including, among others, approval of the stockholders of both Bank of America and Merrill Lynch and receipt of regulatory approvals. If the Merrill Lynch merger is completed, its success will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of Bank of America and Merrill Lynch. However, to realize these anticipated benefits and cost savings, we must successfully combine the businesses of Bank of America and Merrill Lynch. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

Bank of America and Merrill Lynch have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on Merrill Lynch and Bank of America during such pre-merger transition period and for an undetermined period after consummation of the merger.

### **Many of the difficult market conditions that we face have adversely impacted Merrill Lynch as well.**

Merrill Lynch and its business are subject to many of the same difficulties resulting from the market turmoil and tightening of credit as we are. Merrill Lynch has exposure to the mortgage market through securities, derivatives, loans and loan commitments, including CDOs and subprime mortgages or related securities, with respect to which Merrill Lynch has

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entered into credit derivatives with various counterparties, including financial guarantors. Like us, Merrill Lynch also faces counterparty risk. Valuation of these exposures will continue to be impacted by external market factors, including default rates, rating agency actions, and the prices at which observable market transactions occur and the continued availability of these transactions. Merrill Lynch's ability to mitigate its risk by selling or hedging its exposures is also limited by the market environment, and its future results may continue to be materially impacted by the valuation adjustments applied to these positions. Many of the risks discussed above relating to the financial institutions industry, the difficult market conditions that exist in our industry, the volatility of the capital and credit markets and our credit risks apply to Merrill Lynch as well. Certain of these risks may have a differing impact, which in certain cases may be, or may have been, more adverse with respect to Merrill Lynch than with respect to us. In addition, Merrill Lynch may face risks in addition to those that we face.

### Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

The table below presents share repurchase activity for the three and nine months ended September 30, 2008 and 2007, including total common shares repurchased under announced programs, weighted average per share price and the remaining buyback authority under announced programs. For additional information on shareholders' equity and earnings per common share, see *Note 13 – Shareholders' Equity and Earnings Per Common Share* to the Consolidated Financial Statements. Under the Troubled Asset Relief Program Capital Purchase Program repurchases of the Corporation's outstanding preferred and common stock are subject to certain restrictions. For more information on these restrictions, see *Note 19 – Subsequent Events* to the Consolidated Financial Statements.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased (1)	Weighted Average Per Share Price	Remaining Buyback Authority (2)	
			Amounts	Shares
<b>July 1 - 31, 2008</b>	-	-	\$ 3,750	75,000
<b>August 1 - 31, 2008</b>	-	-	3,750	75,000
<b>September 1 - 30, 2008</b>	-	-	3,750	75,000
<b>Three months ended September 30, 2008</b>	-	-		
<b>Nine months ended September 30, 2008</b>	-	-		

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased (3)	Weighted Average Per Share Price	Remaining Buyback Authority (2)	
			Amounts	Shares
July 1 - 31, 2007	1,100	\$ 47.88	\$ 15,628	200,538
August 1 - 31, 2007	3,600	49.27	13,849	196,938
September 1 - 30, 2007	4,880	49.98	13,605	192,058
Three months ended September 30, 2007	9,580	49.47		
Nine months ended September 30, 2007	71,030	51.61		

(1) There were no share repurchases during the nine months ended September 30, 2008.

(2) On July 23, 2008, the Board of Directors (the Board) authorized a stock repurchase program of up to 75 million shares of the Corporation's common stock at an aggregate cost not to exceed \$3.75 billion and for 12 to 18 months. On January 24, 2007, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$14.0 billion. This stock repurchase program expired on July 24, 2008. On April 26, 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation's common stock at an aggregate cost not to exceed \$12.0 billion and to be completed within a period of 12 to 18 months. This stock repurchase plan was completed during the third quarter of 2007.

(3) Reduced shareholders' equity by \$3.7 billion and increased diluted earnings per common share by approximately \$0.02 for the nine months ended September 30, 2007. These repurchases were partially offset by the issuance of approximately 49.7 million shares of common stock under employee plans, which increased shareholders' equity by \$2.3 billion, net of \$113 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by approximately \$0.01 for the nine months ended September 30, 2007.

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**Item 6. Exhibits**

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Exhibit 2(a)	Agreement and Plan of Merger dated as of September 15, 2008 by and between Merrill Lynch & Co., Inc. and Bank of America Corporation, incorporated herein by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed September 18, 2008
Exhibit 3(a)	Amended and Restated Certificate of Incorporation of the Registrant, as in effect on the date hereof
Exhibit 3(b)	Amended and Restated Bylaws of the Registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed January 24, 2007
Exhibit 4(a)	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series N, of the Registrant, included in Exhibit 3(a) hereof
Exhibit 11	Earnings Per Share Computation - included in <i>Note 13 – Shareholders' Equity and Earnings Per Common Share</i> to the Consolidated Financial Statements
Exhibit 12	Ratio of Earnings to Fixed Charges Ratio of Earnings to Fixed Charges and Preferred Dividends
Exhibit 31(a)	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31(b)	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32(a)	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32(b)	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Bank of America Corporation**  
Registrant

Date: November 6, 2008

/s/ Neil A. Cotty  
Neil A. Cotty  
Chief Accounting Officer  
(Duly Authorized Officer)

**Bank of America Corporation**

**Form 10-Q**

**Index to Exhibits**

<u>Exhibit</u>	<u>Description</u>
2(a)	Agreement and Plan of Merger dated as of September 15, 2008 by and between Merrill Lynch & Co., Inc. and Bank of America Corporation, incorporated herein by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed September 18, 2008
3(a)	Amended and Restated Certificate of Incorporation of the Registrant, as in effect on the date hereof
3(b)	Amended and Restated Bylaws of the Registrant, as in effect on the date hereof, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed January 24, 2007
4(a)	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series N, of the Registrant, included in Exhibit 3(a) hereof
11	Earnings Per Share Computation - included in <i>Note 13 – Shareholders' Equity and Earnings Per Common Share</i> to the Consolidated Financial Statements
12	Ratio of Earnings to Fixed Charges Ratio of Earnings to Fixed Charges and Preferred Dividends
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32(a)	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32(b)	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
BANKAMERICA CORPORATION

BankAmerica Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies that (i) the Certificate of Incorporation of the Corporation was originally filed on July 31, 1998, (ii) the Corporation was originally incorporated under the name "NationsBank (DE) Corporation," which name was changed to "NationsBank Corporation" on September 25, 1998 and to "BankAmerica Corporation" on September 30, 1998, (iii) this Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, and (iv) the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended and restated to read in its entirety as follows:

1. The name of the Corporation is Bank of America Corporation.

2. The purposes for which the Corporation is organized are to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware.

3. The number of shares, par value \$.01 per share, the Corporation is authorized to issue is Five Billion One Hundred Million (5,100,000,000), divided into the following classes:

<u>Class</u>	<u>Number of Shares</u>
Common	5,000,000,000
Preferred	100,000,000

The class of common ("Common Stock") has unlimited voting rights and, after satisfaction of claims, if any, of the holders of preferred shares, is entitled to receive the net assets of the Corporation upon distribution.

The Board of Directors of the Corporation shall have full power and authority to establish one or more series within the class of preferred shares (the "Preferred Shares"), to define the designations, preferences, limitations and relative rights (including conversion rights) of shares within such class and to determine all variations between series.

The Board of Directors of the Corporation has

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designated, established and authorized the following series of Preferred Shares:

(a) 7% Cumulative Redeemable Preferred Stock, Series B.

A. Designation.

The designation of this series is "7% Cumulative Redeemable Preferred Stock, Series B" (hereinafter referred to as the "Series B Preferred Stock") and the number of shares constituting such series is Thirty-Five Thousand Forty-Five (35,045). Shares of Series B Preferred Stock shall have a stated value of \$100.00 per share.

B. Dividends.

The holders of record of the shares of the Series B Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors of the Corporation, out of any funds legally available for such purpose, cumulative cash dividends at an annual dividend rate per share of 7% of the stated value thereof, which amount is \$7.00 per annum, per share, and no more. Such dividends shall be payable each calendar quarter at the rate of \$1.75 per share on such dates as shall be fixed by resolution of the Board of Directors of the Corporation. The date from which dividends on such shares shall be cumulative shall be the first day after said shares are issued. Accumulations of dividends shall not bear interest. No cash dividend shall be declared, paid or set apart for any shares of Common Stock unless all dividends on all shares of the Series B Preferred Stock at the time outstanding for all past dividend periods and for the then current dividend shall have been paid, or shall have been declared and a sum sufficient for the payment thereof, shall have been set apart. Subject to the foregoing provisions of this paragraph B, cash dividends or other cash distributions as may be determined by the Board of Directors of the Corporation may be declared and paid upon the shares of the Common Stock of the Corporation from time to time out of funds legally available therefor, and the shares of the Series B Preferred Stock shall not be entitled to participate in any such cash dividend or other such cash distribution so declared and paid or made on such shares of Common Stock.

C. Redemption.

From and after October 31, 1988, any holder may, by written request, call upon the Corporation to redeem all or any part of said holder's shares of said Series B Preferred Stock at a redemption price of \$100.00 per share plus accumulated unpaid dividends to the date said request for redemption is received by the Corporation and no more (the "Redemption Price"). Any such request for redemption shall be accompanied by the certificates for which redemption is requested, duly endorsed or with appropriate stock power attached, in either case with signature guaranteed. Upon receipt by the Corporation of any such request for redemption from any holder of the Series B Preferred Stock, the Corporation shall forthwith redeem said stock at the

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Redemption Price, provided that: (i) full cumulative dividends have been paid or declared and set apart for payment upon all shares of any series of preferred stock ranking superior to the Series B Preferred Stock as to dividends or other distributions (collectively the "Superior Stock"); and (ii) the Corporation is not then in default or in arrears with respect to any sinking or analogous fund or call for tenders obligation or agreement for the purchase, redemption or retirement of any shares of Superior Stock. In the event that, upon receipt of a request for redemption, either or both of the conditions set forth in clauses (i) and (ii) above are not met, the Corporation shall forthwith return said request to the submitting shareholder along with a statement that the Corporation is unable to honor such request and explanation of the reasons therefor. From and after the receipt by the Corporation of a request for redemption from any holder of said Series B Preferred Stock, which request may be honored consistent with the foregoing provisions, all rights of such holder in the Series B Preferred Stock for which redemption is requested shall cease and terminate, except only the right to receive the Redemption Price thereof, but without interest.

D. Liquidation Preference.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series B Preferred Stock shall be entitled to receive, subject to the provisions of paragraph G and before any payment shall be made to the holders of the shares of Common Stock, the amount of \$100.00 per share, plus accumulated dividends. After payment to the holders of the Series B Preferred Stock of the full amount as aforesaid, the holders of the Series B Preferred Stock as such shall have no right or claim to any of the remaining assets which shall be distributed ratably to the holders of the Common Stock. If, upon any such liquidation, dissolution or winding up, the assets available therefor are not sufficient to permit payments to the holders of Series B Preferred Stock of the full amount as aforesaid, then subject to the provisions of paragraph G, the holders of the Series B Preferred Stock then outstanding shall share ratably in the distribution of assets in accordance with the sums which would be payable if such holders were to receive the full amounts as aforesaid.

E. Sinking Fund.

There shall be no sinking fund applicable to the shares of Series B Preferred Stock.

F. Conversion.

The shares of Series B Preferred Stock shall not be convertible into any shares of Common Stock or any other class of shares, nor exchanged for any shares of Common Stock or any other class of shares.

G. Superior Stock.

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The Corporation may issue stock with preferences superior or equal to the shares of the Series B Preferred Stock without the consent of the holders thereof.

H. Voting Rights.

Each share of the Series B Preferred Stock shall be entitled to equal voting rights, share for share, with each share of the Common Stock.

(b) ESOP Convertible Preferred Stock, Series C.

The shares of the ESOP Convertible Preferred Stock, Series C, of the Corporation shall be designated "ESOP Convertible Preferred Stock, Series C," and the number of shares constituting such series shall be 3,000,000. The ESOP Convertible Preferred Stock, Series C, shall hereinafter be referred to as the "ESOP Preferred Stock."

A. Special Purpose Restricted Transfer Issue.

Shares of ESOP Preferred Stock shall be issued only to a trustee acting on behalf of an employee stock ownership plan or other employee benefit plan of the Corporation or any subsidiary of the Corporation. In the event of any transfer of shares of ESOP Preferred Stock to any person other than any such plan trustee or the Corporation, the shares of ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Corporation or the holder, shall be automatically converted into shares of Common Stock on the terms otherwise provided for the conversion of shares of ESOP Preferred Stock into shares of Common Stock pursuant to paragraph E hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of ESOP Preferred Stock shall be so converted. Certificates representing shares of ESOP Preferred Stock shall be legended to reflect such restrictions on transfer. Notwithstanding the foregoing provisions of this paragraph A, shares of ESOP Preferred Stock (i) may be converted into shares of Common Stock as provided by paragraph E hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Corporation upon the terms and conditions provided by paragraphs F, G and H hereof.

B. Dividends and Distributions.

(1) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of ESOP Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount equal to \$3.30 per share per annum, and no more, payable semi-annually, one-half on the first day of January and one-half on the first day of July of each year (each a "Dividend Payment Date") to holders of record at the

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start of business on such Dividend Payment Date. Preferred Dividends shall accrue on a daily basis whether or not the Corporation shall have earnings or surplus at the time, but Preferred Dividends on the shares of ESOP Preferred Stock for any period less than a full semi-annual period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accumulated but unpaid Preferred Dividends shall accumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(2) So long as any ESOP Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the ESOP Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the ESOP Preferred Stock, like dividends for all dividend payment periods of the ESOP Preferred Stock ending on or before the dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend payment period on the ESOP Preferred Stock and accumulated and unpaid or payable on such parity stock through the dividend payment period on such parity stock next preceding such Dividend Payment Date. In the event that full cumulative dividends on the ESOP Preferred Stock have not been declared and paid or set apart for payment when due, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Corporation ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock until full cumulative dividends on the ESOP Preferred Stock shall have been paid or declared and provided for; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends or as to distributions in the event of the liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock, or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the ESOP Preferred Stock either (A) pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted or (B) in exchange solely for shares of any other stock ranking junior to the ESOP Preferred Stock.

C. Voting Rights.

The holders of shares of ESOP Preferred Stock shall have the following voting rights:

(1) The holders of ESOP Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation, voting together with the holders of

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Common Stock as one class. Each share of the ESOP Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of ESOP Preferred Stock could be converted on the record date for determining the shareholders entitled to vote, rounded to the nearest whole vote; it being understood that whenever the "Conversion Ratio" (as defined in paragraph E hereof) is adjusted as provided in paragraph I hereof, the voting rights of the ESOP Preferred Stock shall also be similarly adjusted.

(2) Except as otherwise required by the General Corporation Law of the State of Delaware or set forth in paragraph C(1), holders of ESOP Preferred Stock shall have no special voting rights and their consent shall not be required for the taking of any corporate action.

D. Liquidation, Dissolution or Winding-Up.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of ESOP Preferred Stock shall be entitled to receive out of the assets of the Corporation which remain after satisfaction in full of all valid claims of creditors of the Corporation and which are available for payment to shareholders and subject to the rights of the holders of any stock of the Corporation ranking senior to or on a parity with the ESOP Preferred Stock in respect of distributions upon liquidation, dissolution or winding-up of the Corporation, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the ESOP Preferred Stock in respect of the distributions upon liquidation, dissolution or winding-up of the Corporation, liquidating distributions in the amount of \$42.50 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the ESOP Preferred Stock and any other stock ranking as to any such distribution on a parity with the ESOP Preferred Stock are not paid in full, the holders of the ESOP Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph D(1), the holders of shares of ESOP Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Corporation.

(2) Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, transfer or lease of all or any portion of the assets of the Corporation, shall be deemed to be a dissolution, liquidation or winding-up of the affairs of the Corporation for purposes of this paragraph D, but the holders of ESOP Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by paragraph H hereof.

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(3) Written notice of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of ESOP Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of ESOP Preferred Stock, at the address shown on the books of the Corporation or any transfer agent for the ESOP Preferred Stock.

E. Conversion into Common Stock.

(1) A holder of shares of ESOP Preferred Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to paragraph F, G or H hereof, to cause any or all of such shares to be converted into shares of Common Stock at a conversion rate equal to the ratio of 1.0 share of ESOP Preferred Stock to 1.68 shares of Common Stock (as adjusted as hereinafter provided, the "Conversion Ratio"). The Conversion Ratio set forth above is subject to adjustment pursuant to this Certificate of Incorporation.

(2) Any holder of shares of ESOP Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of ESOP Preferred Stock being converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Corporation or the offices of the transfer agent for the ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the ESOP Preferred Stock by the Corporation or the transfer agent for the ESOP Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of ESOP Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any shares of ESOP Preferred Stock not to be so converted to be issued, and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(3) Upon surrender of a certificate representing a share or shares of ESOP Preferred Stock for conversion, the Corporation shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of ESOP Preferred Stock, only part of which are to be converted, the Corporation shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of ESOP Preferred Stock which shall not have been converted.

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(4) The issuance by the Corporation of shares of Common Stock upon a conversion of shares of ESOP Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificate or certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the shares of ESOP Preferred Stock to be converted, duly assigned or endorsed for transfer to the corporation (or accompanied by duly executed stock powers relating thereto) as provided hereby. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Corporation shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of ESOP Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend shall coincide with or be on or subsequent to the effective date of conversion of such shares.

(5) The Corporation shall not be obligated to deliver to holders of ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(6) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all shares of ESOP Preferred Stock then outstanding. The Corporation shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Corporation lawfully to issue and deliver to each holder of record of ESOP Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of ESOP Preferred Stock then outstanding and convertible into shares of Common Stock.

F. Redemption At the Option of the Corporation.

(1) The ESOP Preferred Stock shall be redeemable, in whole or in part, at the option of the Corporation at any time, at a redemption price per share (except as to redemption pursuant to paragraph F(3)) of \$42.83 prior to July 1, 1999 and \$42.50 thereafter, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Corporation



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in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph F(5). From and after the date fixed for redemption, dividends on shares of ESOP Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Corporation shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of ESOP Preferred Stock are to be redeemed, the Corporation shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Corporation.

(2) Unless otherwise required by law, notice of redemption will be sent to the holders of ESOP Preferred Stock at the address shown on the books of the Corporation or any transfer agent for the ESOP Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Ratio and number of shares of Common Stock issuable upon conversion of a share of ESOP Preferred Stock at the time. These notice provisions may be supplemented if necessary in order to comply with optional redemption provisions for preferred stock which may be required under the Internal Revenue Code of 1986, as amended, or the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the applicable redemption price set forth in this paragraph F.

(3) In the event of a change in the federal tax law of the United States of America which has the effect of precluding the Corporation from claiming any of the tax deductions for dividends paid on the ESOP Preferred Stock when such dividends are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of ESOP Preferred Stock are initially issued, the Corporation may, within 180 days following the effective date of such tax legislation and implementing regulations of the Internal Revenue Service, if any, in its sole discretion and notwithstanding anything to the contrary in paragraph F(1), elect to redeem any or all such shares for the amount payable in respect of the shares upon liquidation of the Corporation pursuant to paragraph D.

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(4) In the event the C&S/Sovran Retirement Savings, ESOP and Profit Sharing Plan (as amended, together with any successor plan, the "Plan") is terminated, the Corporation shall, notwithstanding anything to the contrary in paragraph F(1), redeem all shares of ESOP Preferred Stock for the amount payable in respect of the shares upon redemption of the ESOP Preferred Stock pursuant to paragraph F(1) hereof.

(5) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares to be valued for such purpose at their Fair Market Value (as defined in paragraph I(7) hereof).

G. Other Redemption Rights.

Shares of ESOP Preferred Stock shall be redeemed by the Corporation at a price which is the greater of the Conversion Value (as defined in paragraph I) of the ESOP Preferred Stock on the date fixed for redemption or a redemption price of \$42.50 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, for shares of Common Stock (any such shares of Common Stock to be valued for such purpose as provided by paragraph F(5) hereof), at the option of the holder, at any time and from time to time upon notice to the Corporation given not less than five (5) business days prior to the date fixed by the Corporation in such notice for such redemption, when and to the extent necessary (i) to provide for distributions required to be made under, or to satisfy an investment election provided to participants in accordance with, the Plan to participants in the Plan or (ii) to make payment of principal, interest or premium due and payable (whether as scheduled or upon acceleration) on any indebtedness incurred by the holder or Trustee under the Plan for the benefit of the Plan.

H. Consolidation, Merger, etc.

(1) In the event that the Corporation shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting company (including the Corporation and any company that directly or indirectly owns all of the outstanding capital stock of such successor or resulting company) that constitutes "qualifying employer securities" with respect to a holder of ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of ERISA, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of ESOP Preferred Stock of such holder shall be assumed by and shall become preferred stock of such successor or resulting company, having in respect of such company insofar as possible the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by paragraphs F, G and H hereof), and the qualifications,

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limitations or restrictions thereon, that the ESOP Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by paragraph E hereof, into the qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount of qualifying employer securities receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares). The rights of the ESOP Preferred Stock as preferred stock of such successor or resulting company shall successively be subject to adjustments pursuant to paragraph I hereof after any such transaction as nearly equivalent to the adjustments provided for by such paragraph prior to such transaction. The Corporation shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of the ESOP Preferred Stock shall be assumed and authorized by the successor or resulting company as aforesaid.

(2) In the event that the Corporation shall consummate any consolidation or merger or similar transaction, however named, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph H(1)) and cash payments, if applicable, in lieu of fractional shares, all outstanding shares of ESOP Preferred Stock shall, without any action on the part of the Corporation or any holder thereof (but subject to paragraph H(3)), be deemed converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted at such time, and each share of ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock,

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securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(3) In the event the Corporation shall enter into any agreement providing for any consolidation or merger or similar transaction described in paragraph H(2), then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Corporation, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Corporation or the successor of the Corporation, in redemption and retirement of such ESOP Preferred Stock, a cash payment equal to the amount payable in respect of shares of ESOP Preferred Stock upon redemption pursuant to paragraph F(1) hereof. No such notice of redemption shall be effective unless given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction, unless the Corporation or the successor of the Corporation shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Corporation prior to the close of business on the second business day prior to consummation of such transaction.

I. Anti-dilution Adjustments.

(1) In the event the Corporation shall, at any time or from time to time while any of the shares of the ESOP Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Corporation (including a recapitalization effected by a merger or consolidation to which paragraph H hereof does not apply) or otherwise, the Conversion Ratio in effect immediately prior to such action shall be adjusted by multiplying such Conversion Ratio by the fraction the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph I(1) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of shareholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(2) In the event that the Corporation shall, at any time or from time to time while any of the shares of ESOP Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Corporation, any right or

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warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs I(5) and I(6), the Conversion Ratio shall be adjusted by multiplying such Conversion Ratio by the fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(3) In the event the Corporation shall, at any time and from time to time while any of the shares of ESOP Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any dividend reinvestment plan or employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Fair Market Value of such shares on the date of such issuance, sale or exchange, then, subject to the provisions of paragraphs I(5) and (6), the Conversion Ratio shall be adjusted by multiplying such Conversion Ratio by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (i) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (ii) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time to time while any shares of ESOP Preferred Stock are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation) and other than pursuant to any dividend reinvestment

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plan or employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, for a consideration having a Fair Market Value on the date of such issuance, sale or exchange less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs I(5) and (6), the Conversion Ratio shall be adjusted by multiplying such Conversion Ratio by a fraction the numerator of which shall be the sum of (a) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (b) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange of such right or warrant plus (c) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(4) In the event the Corporation shall, at any time or from time to time while any of the shares of ESOP Preferred Stock are outstanding, make any Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (including a recapitalization or reclassification effected by a merger or consolidation to which paragraph H hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Ratio in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs I(5) and (6), be adjusted by multiplying such Conversion Ratio by a fraction the numerator of which shall be (a) the product of (i) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (ii) the Fair Market Value (as herein defined) of a share of Common Stock on the Valuation Date (as hereinafter defined) with respect to an Extraordinary Distribution, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (b) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (i) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (ii) the Fair Market Value of a share of Common Stock on the record date with respect to an

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Extraordinary Distribution or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Corporation shall send each holder of ESOP Preferred Stock (x) notice of its intent to make any Extraordinary Distribution and (y) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Ratio and the number of shares of Common Stock into which a share of ESOP Preferred Stock may be converted at such time.

(5) Notwithstanding any other provisions of this paragraph I, the Corporation shall not be required to make any adjustment of the Conversion Ratio unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Ratio. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Ratio.

(6) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Ratio pursuant to the foregoing provisions of this paragraph I, the Board of Directors of the Corporation shall consider whether such action is of such a nature that an adjustment to the Conversion Ratio should equitably be made in respect of such transaction. If in such case the Board of Directors of the Corporation determines that the adjustment to the Conversion Ratio should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Corporation. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Conversion Ratio should be made pursuant to the foregoing provisions of this paragraph I(6), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all shareholders of the Corporation. The Corporation shall be entitled to make such additional adjustments in the Conversion Ratio, in addition to those required by the foregoing provisions of this paragraph I, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Corporation, subdivision, reclassification or combination of shares of stock of the Corporation or any recapitalization of the Corporation shall not be taxable to holders of the Common Stock.

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(7) For purposes of this paragraph I, the following definitions shall apply:

“Conversion Value” shall mean the Fair Market Value of the aggregate number of shares of Common Stock into which a share of ESOP Preferred Stock is convertible.

“Extraordinary Distribution” shall mean any dividend or other distribution (effected while any of the shares of ESOP Preferred Stock are outstanding) (a) of cash, where the aggregate amount of such cash dividend and distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds Twelve and One- Half percent (12.5%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the record date for determining the shareholders entitled to receive such Extraordinary Distribution and (b) any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in paragraph I(2)), evidence of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation), or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph I(4) shall be the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends which are not Extraordinary Distributions made during such twelve- month period and not previously included in the calculation of an adjustment pursuant to paragraph I(4).

“Fair Market Value” shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issuer which are publicly traded, the average of the Current Market Prices (as hereinafter defined) of such shares or securities for each day of the Adjustment Period (as hereinafter defined). “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for a day shall mean the last reported sales price, regular way, or, in case



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no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on The Nasdaq National Market or, if such security is not quoted on Nasdaq, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by Nasdaq or, if bid and asked prices for such security on each such day shall not have been reported through Nasdaq, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm selected for such purpose by the Board of Directors of the Corporation or a committee thereof on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days preceding the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Corporation or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Corporation or such committee.

"Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the remainder of (a) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (b) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or

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warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

“Pro Rata Repurchase” shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of ESOP Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph I(7), shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof “in open market transactions” if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act, on the date shares of ESOP Preferred Stock are initially issued by the Corporation or on such other terms and conditions as the Board of Directors of the Corporation or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

“Valuation Date” with respect to an Extraordinary Distribution shall mean the date that is five (5) business days prior to the record date for such Extraordinary Distribution.

(8) Whenever an adjustment to the Conversion Ratio is required pursuant hereto, the Corporation shall forthwith place on file with the transfer agent for the Common Stock and the ESOP Preferred Stock if there be one, and with the Secretary of the Corporation, a statement signed by two officers of the Corporation, stating the adjusted Conversion Ratio determined as provided herein and the voting rights (as appropriately adjusted) of the ESOP Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Ratio and the related voting rights of the ESOP Preferred Stock, the Corporation shall mail a notice thereof to each holder of shares of the ESOP Preferred Stock.

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J. Ranking; Retirement of Shares.

(1) The ESOP Preferred Stock shall rank (a) senior to the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding-up of the Corporation and (b) unless otherwise provided in the Articles of Incorporation of the Corporation or an amendment to such Articles of Incorporation relating to a subsequent series of Preferred Shares, junior to all other series of Preferred Shares as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up.

(2) Any shares of ESOP Preferred Stock acquired by the Corporation by reason of the conversion or redemption of such shares as provided hereby, or otherwise so acquired, shall be retired as shares of ESOP Preferred Stock and restored to the status of authorized but unissued shares of Preferred Shares, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Shares as permitted by law.

K. Miscellaneous.

(1) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms hereof) with postage prepaid, addressed: (a) if to the Corporation, to its office at Bank of America Corporate Center, Charlotte, North Carolina 28255 (Attention: Treasurer) or to the transfer agent for the ESOP Preferred Stock, or other agent of the Corporation designated as permitted hereby or (b) if to any holder of the ESOP Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Corporation (which may include the records of any transfer agent for the ESOP Preferred Stock or Common Stock, as the case may be) or (c) to such other address as the Corporation or any such holder, as the case may be, shall have designated by notice similarly given.

(2) The term "Common Stock" as used herein means the Corporation's Common Stock, as the same existed at the date of filing of the Amendment to the Corporation's Articles of Incorporation relating to the ESOP Preferred Stock or any other class of stock resulting from successive changes or reclassification of such Common Stock consisting solely of changes in par value, or from par value to no par value. In the event that, at any time as a result of an adjustment made pursuant to paragraph I hereof, the holder of any share of the ESOP Preferred Stock upon thereafter surrendering such shares for conversion shall become entitled to receive any shares or other securities of the Corporation other than shares of Common Stock, the Conversion Ratio in respect of such other shares or securities so receivable upon conversion of shares of ESOP Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions

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with respect to Common Stock contained in paragraph I hereof, and the provisions of paragraphs A through H, J, and K hereof with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(3) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of ESOP Preferred Stock or shares of Common Stock or other securities issued on account of ESOP Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of ESOP Preferred Stock or Common Stock or other securities in a name other than that in which the shares of ESOP Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(4) In the event that a holder of shares of ESOP Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of ESOP Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the holder of such ESOP Preferred Stock as shown on the records of the Corporation and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Corporation.

(5) The Corporation may appoint, and from time to time discharge and change, a transfer agent for the ESOP Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Corporation shall send notice thereof by first-class mail, postage prepaid, to each holder of record of ESOP Preferred Stock.

(c) \$2.50 Cumulative Convertible Preferred Stock, Series BB.

A. Designation.

The designation of this series is "\$2.50 Cumulative Convertible Preferred Stock, Series BB" (hereinafter referred to as the "Series BB Preferred Stock"), and the initial number of shares constituting such series shall be 20,000,000, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by the Board of Directors. The Series BB Preferred Stock shall rank prior to each of the Common Stock, the Series B Preferred Stock and the ESOP Preferred

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Stock with respect to the payment of dividends and the distribution of assets.

B. Dividend Rights.

(1) The holders of shares of Series BB Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available therefor, cumulative preferential cash dividends, accruing from January 1, 1998, at the annual rate of \$2.50 per share, and no more, payable quarterly on the first day of January, April, July and October of each year (each of the quarterly periods ending on the last day of March, June, September and December being hereinafter referred to as a "dividend period"). Dividends on the Series BB Preferred Stock shall first become payable on the first day of January, April, July or October, as the case may be, next following the date of issuance; provided, however, that if the first dividend period ends within 20 days of the date of issuance, such initial dividend shall be payable at the completion of the first full dividend period.

(2) Dividends on shares of Series BB Preferred Stock shall be cumulative from January 1, 1998, whether or not there shall be funds legally available for the payment thereof. Accumulations of dividends on the Series BB Preferred Stock shall not bear interest. The Corporation shall not (i) declare or pay or set apart for payment any dividends or distributions on any stock ranking as to dividends junior to the Series BB Preferred Stock (other than dividends paid in shares of such junior stock) or (ii) make any purchase or redemption of, or any sinking fund payment for the purchase or redemption of, any stock ranking as to dividends junior to the Series BB Preferred Stock (other than a purchase or redemption made by issue or delivery of such junior stock) unless all dividends payable on all outstanding shares of Series BB Preferred Stock for all past dividend periods shall have been paid in full or declared and a sufficient sum set apart for payment thereof; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any preferred stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund regardless of whether at the time of such application all dividends payable on all outstanding shares of Series BB Preferred Stock for all past dividend periods shall have been paid in full or declared and a sufficient sum set apart for payment thereof.

(3) All dividends declared on shares of Series BB Preferred Stock and any other class of preferred stock or series thereof ranking on a parity as to dividends with the Series BB Preferred Stock shall be declared pro rata, so that the amounts of dividends declared on the Series BB Preferred Stock and such other preferred stock for the same dividend period, or for the dividend period of the Series BB Preferred Stock ending within the dividend period of such other stock, shall, in all cases, bear to each other the same ratio that accrued dividends on the shares of Series BB Preferred Stock and such other stock bear to

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each other.

C. Liquidation Preference.

(1) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of Series BB Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders an amount equal to \$25 per share plus an amount equal to accrued and unpaid dividends thereon to and including the date of such distribution, and no more, before any distribution shall be made to the holders of any class of stock of the Corporation ranking junior to the Series BB Preferred Stock as to the distribution of assets.

(2) In the event the assets of the Corporation available for distribution to shareholders upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full the amounts payable with respect to the Series BB Preferred Stock and any other shares of preferred stock of the Corporation ranking on a parity with the Series BB Preferred Stock as to the distribution of assets, the holders of Series BB Preferred Stock and the holders of such other preferred stock shall share ratably in any distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled.

(3) The merger or consolidation of the Corporation into or with any other corporation, the merger or consolidation of any other corporation into or with the Corporation or the sale of the assets of the Corporation substantially as an entirety shall not be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph C.

D. Redemption.

(1) The Corporation, at its option, may redeem all or any shares of the Series BB Preferred Stock at any time at a redemption price (the "Redemption Price") consisting of the sum of (i) \$25 per share and (ii) an amount equal to accrued and unpaid dividends thereon to and including the date of redemption.

(2) If less than all the outstanding shares of Series BB Preferred Stock are to be redeemed, the shares to be redeemed shall be selected pro rata as nearly as practicable or by lot, as the Board of Directors may determine.

(3) Notice of any redemption shall be given by first class mail, postage prepaid, mailed not less than 60 nor more than 90 days prior to the date fixed for redemption to the holders of record of the shares of Series BB Preferred Stock to be redeemed, at their respective addresses appearing on the books of the Corporation. Notice so mailed shall be conclusively presumed to have been duly given whether or not actually received. Such notice shall state: (1) the date fixed for redemption; (2) the Redemption Price; (3) the right of the holders of Series BB Preferred Stock to convert such stock into Common Stock until the

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close of business on the 15th day prior to the redemption date (or the next succeeding business day, if the 15th day is not a business day); (4) if less than all the shares held by such holder are to be redeemed, the number of shares to be redeemed from such holder; and (5) the place(s) where certificates for such shares are to be surrendered for payment of the Redemption Price. If such notice is mailed as aforesaid, and if on or before the date fixed for redemption funds sufficient to redeem the shares called for redemption are set aside by the Corporation in trust for the account of the holders of the shares to be redeemed, notwithstanding the fact that any certificate for shares called for redemption shall not have been surrendered for cancellation, on and after the redemption date the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, dividends thereon shall cease to accrue, and all rights of the holders of such shares as shareholders of the corporation shall cease, except the right to receive the Redemption Price, without interest, upon surrender of the certificate(s) representing such shares. Upon surrender in accordance with the aforesaid notice of the certificate(s) for any shares so redeemed (duly endorsed or accompanied by appropriate instruments of transfer, if so required by the Corporation in such notice), the holders of record of such shares shall be entitled to receive the Redemption Price, without interest.

(4) At the option of the Corporation, if notice of redemption is mailed as aforesaid, and if prior to the date fixed for redemption funds sufficient to pay in full the Redemption Price are deposited in trust, for the account of the holders of the shares to be redeemed, with a bank or trust company named in such notice doing business in the Borough of Manhattan, the City of New York, State of New York or the City of Charlotte, State of North Carolina and having capital, surplus and undivided profits of at least \$3 million, which bank or trust company also may be the Transfer Agent and/or Paying Agent for the Series BB Preferred Stock, notwithstanding the fact that any certificate for shares called for redemption shall not have been surrendered for cancellation, on and after such date of deposit the shares represented thereby so called for redemption shall be deemed to be no longer outstanding, and all rights of the holders of such shares as shareholders of the Corporation shall cease, except the right of the holders thereof to convert such shares in accordance with the provisions of paragraph F at any time prior to the close of business on the 15th day prior to the redemption date (or the next succeeding business day, if the 15th day is not a business day), and the right of the holders thereof to receive out of the funds so deposited in trust the Redemption Price, without interest, upon surrender of the certificate(s) representing such shares. Any funds so deposited with such bank or trust company in respect of shares of Series BB Preferred Stock converted before the close of business on the 15th day prior to the redemption date (or the next succeeding business day, if the 15th day is not a business day) shall be returned to the Corporation upon such conversion. Any funds so deposited with such a bank or trust company which shall remain unclaimed by the holders of shares called for redemption at the end of six years after the

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redemption date shall be repaid to the Corporation, on demand, and thereafter the holder of any such shares shall look only to the Corporation for the payment, without interest, of the Redemption Price.

(5) Any provisions of paragraph D or E to the contrary notwithstanding, in the event that any quarterly dividend payable on the Series BB Preferred Stock shall be in arrears and until all such dividends in arrears shall have been paid or declared and set apart for payment, the Corporation shall not redeem any shares of Series BB Preferred Stock unless all outstanding shares of Series BB Preferred Stock are simultaneously redeemed and shall not purchase or otherwise acquire any shares of Series BB Preferred Stock except in accordance with a purchase offer made by the Corporation on the same terms to all holders of record of Series BB Preferred Stock for the purchase of all outstanding shares thereof.

E. Purchase by the Corporation.

(1) Except as provided in paragraph D(5), the Corporation shall be obligated to purchase shares of Series BB Preferred Stock tendered by the holder thereof for purchase hereunder, at a purchase price consisting of the sum of (i) \$25 per share and (ii) an amount equal to accrued and unpaid dividends thereon to and including the date of purchase. In order to exercise his right to require the Corporation to purchase his shares of Series BB Preferred Stock, the holder thereof shall surrender the Certificate(s) therefor duly endorsed if the Corporation shall so require or accompanied by appropriate instruments of transfer satisfactory to the Corporation, at the office of the Transfer Agent(s) for the Series BB Preferred Stock, or at such other office as may be designated by the Corporation, together with written notice that such holder irrevocably elects to sell such shares to the Corporation. Shares of Series BB Preferred Stock shall be deemed to have been purchased by the Corporation immediately prior to the close of business on the date such shares are tendered for sale to the Corporation and notice of election to sell the same is received by the Corporation in accordance with the foregoing provisions. As of such date the shares so tendered for sale shall be deemed to be no longer outstanding, dividends thereon shall cease to accrue and all rights of the holder of such shares as a shareholder of the Corporation shall cease, except the right to receive the purchase price.

F. Conversion Rights.

The holders of shares of Series BB Preferred Stock shall have the right, at their option, to convert such shares into shares of Common Stock on the following terms and conditions:

(1) Shares of Series BB Preferred Stock shall be convertible at any time into fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/1,000 of a share) at the initial rate of 6.17215 shares of Common Stock for



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each share of Series BB Preferred Stock surrendered for conversion (the "Conversion Rate"). The Conversion Rate shall be subject to adjustment from time to time as hereinafter provided. No payment or adjustment shall be made on account of any accrued and unpaid dividends on shares of Series BB Preferred Stock surrendered for conversion prior to the record date for the determination of shareholders entitled to such dividends or on account of any dividends on the Common Stock issued upon such conversion subsequent to the record date for the determination of shareholders entitled to such dividends. If any shares of Series BB Preferred Stock shall be called for redemption, the right to convert the shares designated for redemption shall terminate at the close of business on the 15th day prior to the redemption date (or the next succeeding business day, if the 15th day is not a business day) unless default be made in the payment of the Redemption Price. In the event of default in the payment of the Redemption Price, the right to convert the shares designated for redemption shall terminate at the close of business on the business day immediately preceding the date that such default is cured.

(2) In order to convert shares of Series BB Preferred Stock into Common Stock, the holder thereof shall surrender the certificate(s) therefor, duly endorsed if the Corporation shall so require, or accompanied by appropriate instruments of transfer satisfactory to the Corporation, at the office of the Transfer Agent(s) for the Series BB Preferred Stock, or at such other office as may be designated by the Corporation, together with written notice that such holder irrevocably elects to convert such shares. Such notice shall also state the name(s) and address(es) in which such holder wishes the certificate(s) for the shares of Common Stock issuable upon conversion to be issued. As soon as practicable after receipt of the certificate(s) representing the shares of Series BB Preferred Stock to be converted and the notice of election to convert the same, the Corporation shall issue and deliver at said office a certificate or certificates for the number of whole shares of Common Stock issuable upon conversion of the shares of Series BB Preferred Stock surrendered for conversion, together with a cash payment in lieu of any fraction of a share, as hereinafter provided, to the person(s) entitled to receive the same. Shares of Series BB Preferred Stock shall be deemed to have been converted immediately prior to the close of business on the date such shares are surrendered for conversion and notice of election to convert the same is received by the Corporation in accordance with the foregoing provisions, and the person(s) entitled to receive the Common Stock issuable upon such conversion shall be deemed for all purposes as record holder(s) of such Common Stock as of such date.

(3) No fractional shares of Common Stock shall be issued upon conversion of any shares of Series BB Preferred Stock. If more than one share of Series BB Preferred Stock is surrendered at one time by the same holder, the number of full shares issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares so surrendered. If the conversion of any shares of Series BB Preferred Stock results in a fractional

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share of Common Stock, the Corporation shall pay cash in lieu thereof in an amount equal to such fraction multiplied times the closing price of the Common Stock on the date on which the shares of Series BB Preferred Stock were duly surrendered for conversion, or if such date is not a trading date, on the next succeeding trading date. The closing price of the Common Stock for any day shall mean the last reported sales price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, on the New York Stock Exchange, or, if the Common Stock is not then listed on such Exchange, on the principal national securities exchange on which the Common Stock is listed for trading, or, if not then listed for trading on any national securities exchange, the average of the closing bid and asked prices of the Common Stock as furnished by the National Quotation Bureau, Inc., or if the National Quotation Bureau, Inc. ceases to furnish such information, by a comparable independent securities quotation service.

(4) In the event the Corporation shall at any time (i) pay a dividend or make a distribution to holders of Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a larger number of shares, or (iii) combine its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that the holder of any shares of Series BB Preferred Stock surrendered for conversion after such record date or effective date shall be entitled to receive the number of shares of Common Stock which he would have owned or have been entitled to receive immediately following such record date or effective date had such shares of Series BB Preferred Stock been converted immediately prior thereto.

(5) Whenever the Conversion Rate shall be adjusted as herein provided (i) the Corporation shall forthwith keep available at the office of the Transfer Agent(s) for the Series BB Preferred Stock a statement describing in reasonable detail the adjustment, the facts requiring such adjustment and the method of calculation used; and (ii) the Corporation shall cause to be mailed by first class mail, postage prepaid, as soon as practicable to each holder of record of shares of Series BB Preferred Stock a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate.

(6) In the event of any consolidation of the Corporation with or merger of the Corporation into any other corporation (other than a merger in which the Corporation is the surviving corporation) or a sale of the assets of the Corporation substantially as an entirety, the holder of each share of Series BB Preferred Stock shall have the right, after such consolidation, merger or sale to convert such share into the number and kind of shares of stock or other securities and the amount and kind of property receivable upon such consolidation, merger or sale by a holder of the number of shares of Common Stock issuable upon conversion of such share of Series BB Preferred Stock immediately prior to such

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consolidation, merger or sale. Provision shall be made for adjustments in the Conversion Rate which shall be as nearly equivalent as may be practicable to the adjustments provided for in paragraph F(4). The provisions of this paragraph F(6) shall similarly apply to successive consolidations, mergers and sales.

(7) The Corporation shall pay any taxes that may be payable in respect of the issuance of shares of Common Stock upon conversion of shares of Series BB Preferred Stock, but the Corporation shall not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance of shares of Common Stock in a name other than that in which the shares of Series BB Preferred Stock so converted are registered, and the Corporation shall not be required to issue or deliver any such shares unless and until the person(s) requesting such issuance shall have paid to the Corporation the amount of any such taxes, or shall have established to the satisfaction of the Corporation that such taxes have been paid.

(8) The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock the full number of shares of Common Stock issuable upon the conversion of all shares of Series BB Preferred Stock then outstanding.

(9) In the event that:

(i) The Corporation shall declare a dividend or any other distribution on its Common Stock, payable otherwise than in cash out of retained earnings; or

(ii) The Corporation shall authorize the granting to the holders of its Common Stock of rights to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(iii) The Corporation shall propose to effect any consolidation of the Corporation with or merger of the Corporation with or into any other corporation or a sale of the assets of the company substantially as an entirety which would result in an adjustment under paragraph F(6),

the Corporation shall cause to be mailed to the holders of record of Series BB Preferred Stock at least 20 days prior to the applicable date hereinafter specified a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined or (y) the date on which such consolidation, merger or sale is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such consolidation, merger or sale. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, consolidation, merger or sale.

G. Voting Rights.

Holders of Series BB Preferred Stock shall have no voting rights except as required by law and as follows: in the event that any quarterly dividend payable on the Series BB Preferred Stock is in arrears, the holders of Series BB Preferred Stock shall be entitled to vote together with the holders of Common Stock at the Corporation's next meeting of shareholders and at each subsequent meeting of shareholders unless all dividends in arrears have been paid or declared and set apart for payment prior to the date of such meeting. For the purpose of this paragraph G, each holder of Series BB Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which his Series BB Preferred Stock is then convertible.

H. Reacquired Shares.

Shares of Series BB Preferred Stock converted, redeemed, or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

I. No Sinking Fund.

Shares of Series BB Preferred Stock are not subject to the operation of a sinking fund.

4. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

5. No holder of any stock of the Corporation of any class now or hereafter authorized shall have any preemptive right to purchase, subscribe for, or otherwise acquire any shares of stock of the Corporation of any class now or hereafter authorized, or any securities exchangeable for or convertible into any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares whether such shares, securities, warrants or other instruments be unissued, or issued and thereafter acquired by the Corporation.

6. To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation, its shareholders or otherwise for monetary damage for breach of his duty as a director. Any repeal or modification of this Article shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

7. In furtherance and not in limitation of the powers conferred

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by law, the Board of Directors of the Corporation is expressly authorized and empowered to make, alter and repeal the Bylaws of the Corporation by a majority vote at any regular or special meeting of the Board of Directors or by written consent, subject to the power of the stockholders of the Corporation to alter or repeal any Bylaws made by the Board of Directors.

8. The Corporation reserves the right at any time from time to time to amend or repeal any provision contained in this Certificate of Incorporation, and to add any other provisions authorized by the laws of the State of Delaware at the time in force; and all rights, preferences and privileges conferred upon stockholders, directors or any other persons by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article.

9. Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

10. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation or may be effected by consent in writing in lieu of a meeting of such stockholders only if consents are signed by all stockholders of the Corporation entitled to vote on such action.

IN WITNESS WHEREOF, BankAmerica Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by Hugh L. McColl, Jr., its Chairman of the Board and Chief Executive Officer, and attested to by James W. Kiser, its Secretary, this 28th day of April, 1999.

BANKAMERICA CORPORATION

By: /s/ Hugh L. McColl, Jr.  
Hugh L. McColl, Jr.  
Chairman of the Board and Chief Executive Officer

ATTEST:

By: /s/ James W. Kiser  
James W. Kiser  
Secretary

CERTIFICATE OF AMENDMENT  
OF  
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
BANK OF AMERICA CORPORATION

Bank of America Corporation, a Delaware corporation (the "Corporation"), does hereby certify as follows:

FIRST: That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment of the Amended and Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that Article 3 of the Amended and Restated Certificate of Incorporation of the Corporation be amended by changing the number of shares of stock the Corporation is authorized to issue, so that, as amended, the first sentence of said Article 3 shall be and read as follows:

"3. The number of shares, par value \$.01 per share, the Corporation is authorized to issue is Seven Billion Six Hundred Million (7,600,000,000), divided into the following classes:

<u>Class</u>	<u>Number of Shares</u>
Common	7,500,000,000
Preferred	100,000,000."

The balance of said Article 3 shall remain unchanged.

SECOND: That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by a duly authorized officer on this 26th day of March, 2004.

By: /s/ James H. Hance, Jr.  
Name: James H. Hance, Jr.  
Title: Vice Chairman and Chief Financial Officer

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**CERTIFICATE OF DESIGNATION**  
**OF**  
**FIXED/ADJUSTABLE RATE CUMULATIVE**  
**PREFERRED STOCK**  
**OF**  
**Bank of America Corporation**

(Pursuant to Section 151 of the Delaware Corporation Law)

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation (the "Board of Directors") pursuant to the authority of the Board of Directors as required by Section 151 of the General Corporation Law of the State of Delaware, at a meeting duly convened and held on January 28, 2004:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors in accordance with the provisions of the Amended and Restated Certificate of Incorporation of the Corporation, the Board of Directors hereby creates a series of the Corporation's previously authorized preferred stock, without par value (the "Preferred Stock") and hereby states the designation and number thereof and fixes the voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, as follows:

(a) Designation. The designation of the series of Preferred Stock shall be "Fixed/Adjustable Rate Cumulative Preferred Stock" (hereinafter called this "Series") and the number of shares constituting this Series is Eight Hundred Five Thousand (805,000).

(b) Dividend Rate.

(1) The holders of shares of this Series shall be entitled to receive dividends thereon at a rate of 6.60% per annum computed on the basis of an issue price thereof of \$250 per share, and no more, payable quarterly out of the funds of the Corporation legally available for the payment of dividends. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable, when, as and if declared by the Board, on January 1, April 1, July 1 and October 1 of each year, commencing July 1, 2004 (a "Dividend Payment Date") through April 1, 2006. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the payment date thereof, as shall be fixed by the Board. Dividends on account of arrears for any past quarters may be declared and paid at any time, without reference to any regular dividend

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payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board.

After April 1, 2006, dividends on this Series will be payable quarterly, as, if and when declared by the Board of Directors or a duly authorized committee thereof on each Dividend Payment Date at the Applicable Rate from time to time in effect. The Applicable Rate per annum for any dividend period beginning on or after April 1, 2006 will be equal to .50% plus the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate (each as defined below under "Adjustable Rate Dividends"), as determined in advance of such dividend period. The Applicable Rate per annum for any dividend period beginning on or after April 1, 2006 will not be less than 7.0% nor greater than 13.0% (without taking into account any adjustments as described below in subsection (3) of this Section (b)).

(2) Except as provided below in this paragraph, the "Applicable Rate" per annum for any dividend period beginning on or after April 1, 2006 will be equal to .50% plus the Effective Rate (as defined below), but not less than 7.0% nor greater than 13.0% (without taking into account any adjustments as described below in subsection (3) of this Section (b)). The "Effective Rate" for any dividend period beginning on or after April 1, 2006 will be equal to the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate (each as defined below) for such dividend period. In the event that the Corporation determines in good faith that for any reason:

(i) any one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate cannot be determined for any dividend period, then the Effective Rate for such dividend period will be equal to the higher of whichever two of such rates can be so determined;

(ii) only one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any dividend period, then the Effective Rate for such dividend period will be equal to whichever such rate can be so determined; or

(iii) none of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any dividend period, then the Effective Rate for the preceding dividend period will be continued for such dividend period.

Except as described below in this paragraph, the "Treasury Bill Rate" for each dividend period will be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period (as defined below)) for three-month U.S. Treasury bills, as published weekly by the Federal Reserve Board (as defined below) during the Calendar Period immediately preceding the last ten calendar days preceding the dividend period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum market discount rate during any such Calendar Period, then the Treasury Bill Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum market discount rate for three-month U.S. Treasury bills is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during



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such Calendar Period, then the Treasury Bill Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period) for all of the U.S. Treasury bills then having remaining maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such rates, by any Federal Reserve Bank or by any U.S. Government Department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason no such U.S. Treasury Bill Rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such dividend period will be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable non-interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Treasury Bill Rate for any dividend period as provided above in this paragraph, the Treasury Bill Rate for such dividend period will be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 nor more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

Except as described below in this paragraph, the "Ten Year Constant Maturity Rate" for each dividend period will be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (as defined below) (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last ten calendar days preceding the dividend period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Ten Year Average Yield is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as defined below)) then having remaining maturities of not less than eight nor more than twelve years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the

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Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Ten Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such dividend period will be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

Except as described below in this paragraph, the "Thirty Year Constant Maturity Rate" for each dividend period will be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (as defined below) (or the one weekly per annum Thirty Year Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last ten calendar days preceding the dividend period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Thirty Year Average Yield is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having remaining maturities of not less than twenty-eight nor more than thirty years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Thirty Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such dividend period will be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty years from the date of such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate will each be rounded to the nearest five hundredths of a percent.

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The Applicable Rate with respect to each dividend period beginning on or after April 1, 2006 will be calculated as promptly as practicable by the Corporation according to the appropriate method described above. The Corporation will cause notice of each Applicable Rate to be enclosed with the dividend payment checks next mailed to the holders of this Series.

As used above, the term "Calendar Period" means a period of fourteen calendar days; the term "Federal Reserve Board" means the Board of Governors of the Federal Reserve System; the term "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount; the term "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and the term "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years.)

(3) If one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that change the percentage of the dividends received deduction (currently 70%) as specified in Section 243(a)(1) of the Code or any successor provision (the "Dividends Received Percentage"), the amount of each dividend payable per share of this Series for dividend payments made on or after the date of enactment of such change shall be adjusted by multiplying the amount of the dividend payable determined as described above (before adjustment) by a factor which shall be the number determined in accordance with the following formula (the "DRD Formula"), and rounding the result to the nearest cent:

$$1 - .35(1 - .70)/1 - .35(1 - \text{DRP})$$

For the purposes of the DRD Formula, "DRP" means the Dividends Received Percentage applicable to the dividend in question. No amendment to the Code, other than a change in the percentage of the dividends received deduction set forth in Section 243(a)(1) of the Code or any successor provision, will give rise to an adjustment. Notwithstanding the foregoing provisions, in the event that, with respect to any such amendment, the Corporation shall receive either an unqualified opinion of independent recognized tax counsel or a private letter ruling or similar form of authorization from the Internal Revenue Service to the effect that such an amendment would not apply to dividends payable on shares of this Series, then any such amendment shall not result in the adjustment provided for pursuant to the DRD Formula. The Corporation's calculation of the dividends payable as so adjusted and as certified accurate as to calculation and reasonable as to method by the independent certified public accountants then regularly engaged by the Corporation shall be final and not subject to review.

If any amendment to the Code which reduces the Dividends Received Percentage is enacted after a dividend payable on a Dividend Payment Date has been declared, the amount of dividend payable on such Dividend Payment Date will not be increased; but instead, an amount, equal to the excess of (x) the product of the dividends paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the reduced Dividends Received Percentage) and (y) the dividends paid by the Corporation on such Dividend

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Payment Date, will be payable to holders of record on the next succeeding Dividend Payment Date in addition to any other amounts payable on such date.

(4) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other preferred stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other class or series of preferred stock of the Corporation ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and such other preferred stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

(5) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in subsection (4) of this Section (b)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock nor any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid for all past dividend payment periods.

(6) Dividends payable on this Series for any period shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(c) Redemption.

(1) (A) The shares of this Series shall not be redeemable prior to April 1, 2006. On and after April 1, 2006, the Corporation, at its option, may redeem shares of this Series, in whole or in part, at any time or from time to time, at a redemption price of \$250 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption.

(B) In the event that fewer than all the outstanding shares of this Series are to be redeemed pursuant to subsection (1)(A), the number of shares to be redeemed shall be determined by the Board and the shares to be redeemed shall be determined by lot or pro rata as may be determined

by the Board or by any other method as may be determined by the Board in its sole discretion to be equitable.

(2) (A) Notwithstanding subsection (1) above, if the Dividends Received Percentage is equal to or less than 40% and, as a result, the amount of dividends on the shares of this Series payable on any Dividend Payment Date will be or is adjusted upwards as described in Section (b)(2) above, the Corporation, at its Option, may redeem all, but not less than all, of the outstanding shares of this Series; provided, that within sixty days of the date on which an amendment to the Code is enacted which reduces the Dividends Received Percentage to 40% or less, the Corporation sends notice to holders of shares of this Series of such redemption in accordance with subsection (3) below.

(B) Any redemption of this Series in accordance with this subsection (2) shall be at the applicable redemption price set forth in the following table, in each case plus accrued and unpaid dividends (whether or not declared) thereon to the date fixed for redemption, including any changes in dividends payable due to changes in the Dividends Received Percentage.

<b>Redemption Period</b>	<b>Redemption Price Per Share</b>	<b>Redemption Price Per Depository Share</b>
April 2, 2004 to March 31, 2005	252.50	50.50
April 1, 2005 to March 31, 2006	251.25	50.25
On or after April 1, 2006	250.00	50.00

(3) In the event the Corporation shall redeem shares of this Series pursuant to subsections (1) or (2) above, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(4) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption under either subsection (1) or (2) above shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price. In case fewer than all the shares represented by

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any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(5) Notwithstanding the foregoing provisions of this Section (c), if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

(d) Liquidation Rights.

(1) Upon the dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to the shares of this Series upon liquidation, the amount of \$250 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(2) Neither the sale of all or substantially all the property or business of the Corporation nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section (d).

(3) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (d), the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

(4) In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (d), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

(e) Conversion or Exchange. The holders of shares of this Series shall not have any rights herein to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

(f) Voting. The shares of this Series shall not have any voting powers, either general or special, except that:

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(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Corporation's Amended and Restated Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights, and the Qualifications, Limitations or Restrictions thereof, or any similar document relating to any series of Preferred Stock) which would adversely affect the preferences, rights, powers or privileges of this Series;

(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series and all other series of Preferred Stock ranking on a parity with shares of this Series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting, increasing or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible into or evidencing the right to purchase any such prior shares.

(3) If, at the time of any annual meeting of stockholders for the election of directors, a default in preference dividends on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation (other than any other class or series of the Corporation's preferred stock expressly entitled to elect additional directors to the Board by a vote separate and distinct from the vote provided for in this paragraph (3) ("Voting Preferred")) shall exist, the number of directors constituting the Board shall be increased by two (without duplication of any increase made pursuant to the terms of any other class or series of the Corporation's preferred stock other than any Voting Preferred) and the holders of the Corporation's preferred stock of all classes and series (other than any such Voting Preferred) shall have the right at such meeting, voting together as a single class without regard to class or series, to the exclusion of the holders of Common Stock and the Voting Preferred, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon shares of any class or series of the Corporation's preferred stock ranking prior to or on a parity with shares of this Series as to dividends (other than any Voting Preferred). Each director elected by the holders of shares of any series of the Preferred Stock or any other class or series of the Corporation's preferred stock in an election provided for by this paragraph (3) (herein called a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of the Corporation's preferred stock entitled to have originally voted for such director's election, voting together as a single class without regard to class or series, at a meeting of the stockholders, or of the holders of

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shares of the Corporation's preferred stock, called for that purpose. So long as a default in any preference dividends on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation shall exist (other than any Voting Preferred) (A) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of the Corporation's preferred stock entitled to have originally voted for the removed director's election, voting together as a single class without regard to class or series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid shall be deemed for all purposes hereto to be a Preferred Director.

Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board shall be reduced by two. For purposes hereof, a "default in preference dividends" on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation shall be deemed to have occurred whenever the amount of accrued dividends upon such class or series of the Corporation's preferred stock shall be equivalent to six full quarterly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all such shares of the Corporation's preferred stock of each and every series then Outstanding (other than any Voting Preferred or shares of any class or series ranking junior to shares of this Series as to dividends) shall have been paid to the end of the last preceding quarterly dividend period.

(4) Without limiting the foregoing, under any circumstances in which the Series would have additional rights under Rhode Island law if the Corporation were incorporated under the Rhode Island Business Corporation Act (rather than the Delaware General Corporation Law), holders of shares of the Series shall be entitled to such rights, including, without limitation, voting rights under Chapter 7-1.1-55, voting and notice rights under Chapter 7-1.1-67 and dissenters' rights under Chapters 7-1.1-73 and 7-1.1-74 of the Rhode Island Business Corporation Act (as such Chapters may be amended from time to time).

(g) Reacquired Shares. Shares of this Series which have been issued and reacquired through redemption or purchase shall, upon compliance with an applicable provision of the Delaware General Corporation Law, have the status of authorized and unissued shares of Preferred Stock and may be reissued but only as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board.

(h) Relation to Existing Preferred Classes of Stock. Shares of this Series are equal in rank and preference with all other series of the Preferred Stock (other than the ESOP Convertible Preferred Stock, Series C) outstanding on the date of original issue of the shares of this Series and are senior in rank and preference to the Common Stock and the ESOP Convertible Preferred Stock, Series C of the Corporation.

(i) Relation to Other Preferred Classes of Stock. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(1) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts



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distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

(2) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

(3) junior to the shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed by James H. Hance, Jr., its Vice Chairman and Chief Financial Officer, and attested to by Rachel R. Cummings, its Corporate Secretary, and has caused the corporate seal to be affixed hereto, this 26th day of March, 2004.

BANK OF AMERICA CORPORATION

By: /s/ James H. Hance, Jr.  
Vice Chairman and Chief Financial Officer

ATTEST:

/s/ Rachel R. Cummings  
Corporate Secretary

(Corporate Seal)

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**CERTIFICATE OF DESIGNATION**  
**OF**  
**6.75% PERPETUAL PREFERRED STOCK**  
**OF**  
**BANK OF AMERICA CORPORATION**

(Pursuant to Section 151 of the Delaware Corporation Law)

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation (the "Board of Directors") pursuant to the authority of the Board of Directors as required by Section 151 of the General Corporation Law of the State of Delaware, at a meeting duly convened and held on January 28, 2004:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors in accordance with the provisions of the Amended and Restated Certificate of Incorporation of the Corporation, the Board of Directors hereby creates a series of the Corporation's previously authorized preferred stock, without par value (the "Preferred Stock") and hereby states the designation and number thereof and fixes the voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof, as follows:

(a) Designation. The designation of the series of Preferred Stock shall be "6.75% Perpetual Preferred Stock" (hereinafter called this "Series") and the number of shares constituting this Series is Six Hundred Ninety Thousand (690,000).

(b) Dividend Rate.

(1) The holders of shares of this Series shall be entitled to receive dividends thereon at a rate of 6.75% per annum computed on the basis of an issue price thereof of \$250 per share, and no more, payable quarterly out of the funds of the Corporation legally available for the payment of dividends. Such dividends shall be cumulative from the date of original issue of such shares and shall be payable, when, as and if declared by the Board, on January 15, April 15, July 15 and October 15 of each year, commencing April 15, 2004 (a "Dividend Payment Date"). Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the payment date

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thereof, as shall be fixed by the Board. Dividends on account of arrears for any past quarters may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board.

(2) If one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that change the percentage of the dividends received deduction (currently 70%) as specified in Section 243(a)(1) of the Code or any successor provision (the "Dividends Received Percentage"), the amount of each dividend payable per share of this Series for dividend payments made on or after the date of enactment of such change shall be adjusted by multiplying the amount of the dividend payable determined as described above (before adjustment) by a factor which shall be the number determined in accordance with the following formula (the "DRD Formula"), and rounding the result to the nearest cent:

$$1 - .35(1 - .70)/1 - .35(1 - \text{DRP})$$

For the purposes of the DRD Formula, "DRP" means the Dividends Received Percentage applicable to the dividend in question. No amendment to the Code, other than a change in the percentage of the dividends received deduction set forth in Section 243(a)(1) of the Code or any successor provision, will give rise to an adjustment. Notwithstanding the foregoing provisions, in the event that, with respect to any such amendment, the Corporation shall receive either an unqualified opinion of independent recognized tax counsel or a private letter ruling or similar form of authorization from the Internal Revenue Service to the effect that such an amendment would not apply to dividends payable on shares of this Series, then any such amendment shall not result in the adjustment provided for pursuant to the DRD Formula. The Corporation's calculation of the dividends payable as so adjusted and as certified accurate as to calculation and reasonable as to method by the independent certified public accountants then regularly engaged by the Corporation shall be final and not subject to review.

If any amendment to the Code which reduces the Dividends Received Percentage is enacted after a dividend payable on a Dividend Payment Date has been declared, the amount of dividend payable on such Dividend Payment Date will not be increased; but instead, an amount, equal to the excess of (x) the product of the dividends paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the reduced Dividends Received Percentage) and (y) the dividends paid by the Corporation on such Dividend Payment Date, will be payable to holders of record on the next succeeding Dividend Payment Date in addition to any other amounts payable on such date.

(3) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the

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payment thereof set apart for such payment on this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other preferred stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other class or series of preferred stock of the Corporation ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and such other preferred stock bear to each other. Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stocks, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on this Series which may be in arrears.

(4) So long as any shares of this Series are outstanding, no dividend (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation and other than as provided in subsection (3) of this Section (b)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock nor any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on all outstanding shares of this Series shall have been paid for all past dividend payment periods.

(5) Dividends payable on this Series for any period shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(c) Redemption.

(1) (A) The shares of this Series shall not be redeemable prior to April 15, 2006. On and after April 15, 2006, the Corporation, at its option, may redeem shares of this Series, in whole or in part, at any time or from time to time, at a redemption price of \$250 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption.

(B) In the event that fewer than all the outstanding shares of this Series are to be redeemed pursuant to subsection (1)(A), the number of shares to be redeemed shall be determined by the Board and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board or by any other method as may be determined by the Board in its sole discretion to be equitable.

(2) (A) Notwithstanding subsection (1) above, if the Dividends Received Percentage is equal to or less than 40% and, as a result, the amount of dividends on the shares of this Series payable on any Dividend Payment Date will be or is adjusted upwards as described in Section (b)(2) above, the Corporation, at its option, may redeem all, but not less than all, of the outstanding shares of this Series; provided, that within sixty days of the date on which an amendment to the Code is enacted which reduces the Dividends Received Percentage to 40% or less, the Corporation sends notice to holders of shares of this Series of such redemption in accordance with subsection (3) below.

(B) Any redemption of the Perpetual Preferred Stock in accordance with this subsection (2) shall be at the applicable redemption price set forth in the following table, in each case plus accrued and unpaid dividends (whether or not declared) thereon to the date fixed for redemption, including any changes in dividends payable due to changes in the Dividends Received Percentage.

<u>Redemption Period</u>	<u>Redemption Price Per Share</u>	<u>Redemption Price Per Depositary Share</u>
April 2, 2004 to April 14, 2004	253.75	50.75
April 15, 2004 to April 14, 2005	252.50	50.50
April 15, 2005 to April 14, 2006	251.25	50.25
On or after April 15, 2006	250.00	50.00

(3) In the event the Corporation shall redeem shares of this Series pursuant to subsections (1) or (2) above, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

(4) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of this Series so called for redemption under either subsection (1) or (2) above shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price. In case fewer than all the shares represented by

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any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(5) Notwithstanding the foregoing provisions of this Section (c), if any dividends on this Series are in arrears, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of this Series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of this Series pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of this Series.

(d) Liquidation Rights.

(1) Upon the dissolution, liquidation or winding up of the Corporation, the holders of the shares of this Series shall be entitled to receive and be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or on any other class of stock ranking junior to the shares of this Series upon liquidation, the amount of \$250 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(2) Neither the sale of all or substantially all the property or business of the Corporation nor the merger or consolidation of the Corporation into or with any other corporation or the merger or consolidation of any other corporation into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this Section (d).

(3) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (d), the holders of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

(4) In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (d), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

(e) Conversion or Exchange. The holders of shares of this Series shall not have any rights herein to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

(f) Voting. The shares of this Series shall not have any voting powers, either general or special, except that:

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(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series shall vote together as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Corporation's Amended and Restated Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or Other Special Rights, and the Qualifications, Limitations or Restrictions thereof, or any similar document relating to any series of Preferred Stock) which would adversely affect the preferences, rights, powers or privileges of this Series;

(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66 2/3% of all of the shares of this Series and all other series of Preferred Stock ranking on a parity with shares of this Series, either as to dividends or upon liquidation, at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of this Series and such other series of Preferred Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting, increasing or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the shares of this Series as to dividends or upon liquidation, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issue of any obligation or security convertible, into or evidencing the right to purchase any such prior shares.

(3) If, at the time of any annual meeting of stockholders for the election of directors, a default in preference dividends on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation (other than any other class or series of the Corporation's preferred stock expressly entitled to elect additional directors to the Board by a vote separate and distinct from the vote provided for in this paragraph (3) ("Voting Preferred")) shall exist, the number of directors constituting the Board shall be increased by two (without duplication of any increase made pursuant to the terms of any other class or series of the Corporation's preferred stock other than any Voting Preferred) and the holders of the Corporation's preferred stock of all classes and series (other than any such Voting Preferred) shall have the right at such meeting, voting together as a single class without regard to class or series, to the exclusion of the holders of Common Stock and the Voting Preferred, to elect two directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon shares of any class or series of the Corporation's preferred stock ranking prior to or on a parity with shares of this Series as to dividends (other than any Voting Preferred). Each director elected by the holders of shares of any series of the Preferred Stock or any other class or series of the Corporation's preferred stock in an election provided for by this paragraph (3) (herein called a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of the Corporation's preferred stock entitled to have originally voted for such director's election, voting together as a single class without regard to class or series, at a meeting of the stockholders, or of the holders of

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shares of the Corporation's preferred stock, called for that purpose. So long as a default in any preference dividends on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation shall exist (other than any Voting Preferred) (A) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (B)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (B) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of the Corporation's preferred stock entitled to have originally voted for the removed director's election, voting together as a single class without regard to class or series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid shall be deemed for all purposes hereto to be a Preferred Director.

Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board shall be reduced by two. For purposes hereof, a "default in preference dividends" on any series of the Preferred Stock or any other class or series of preferred stock of the Corporation shall be deemed to have occurred whenever the amount of accrued dividends upon such class or series of the Corporation's preferred stock shall be equivalent to six full quarterly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all such shares of the Corporation's preferred stock of each and every series then outstanding (other than any Voting Preferred or shares of any class or series ranking junior to shares of this Series as to dividends) shall have been paid to the end of the last preceding quarterly dividend period.

(4) Without limiting the foregoing, under any circumstances in which the Series would have additional rights under Rhode Island law if the Corporation were incorporated under the Rhode Island Business Corporation Act (rather than the Delaware General Corporation Law), holders of shares of the Series shall be entitled to such rights, including, without limitation, voting rights under Chapter 7-1.1-55, voting and notice rights under Chapter 7-1.1-67 and dissenters' rights under Chapters 7-1.1-73 and 7-1.1-74 of the Rhode Island Business Corporation Act (as such Chapters may be amended from time to time).

(g) Reacquired Shares. Shares of this Series which have been issued and reacquired through redemption or purchase shall, upon compliance with an applicable provision of the Delaware General Corporation Law, have the status of authorized and unissued shares of Preferred Stock and may be reissued but only as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board.

(h) Relation to Existing Preferred Classes of Stock. Shares of this Series are equal in rank and preference with all other series of the Preferred Stock (other than the ESOP Convertible Preferred Stock, Series C) outstanding on the date of original issue of the shares of this Series and are senior in rank and preference to the Common Stock and the ESOP Convertible Preferred Stock, Series C of the Corporation.

(i) Relation to Other Preferred Classes of Stock. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:



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(1) prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

(2) on a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

(3) junior to the shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed by James H. Hance, Jr., its Vice Chairman and Chief Financial Officer, and attested to by Rachel R. Cummings, its Corporate Secretary, and has caused the corporate seal to be affixed hereto, this 26th day of March, 2004.

BANK OF AMERICA CORPORATION

By: /s/ James H. Hance, Jr.  
Vice Chairman and Chief Financial Officer

ATTEST:

/s/ Rachel R. Cummings  
Corporate Secretary

(Corporate Seal)

CERTIFICATE OF MERGER  
OF  
FLEETBOSTON FINANCIAL CORPORATION  
INTO  
BANK OF AMERICA CORPORATION

In accordance with Section 252 of the General Corporation Law of the State of Delaware, Bank of America Corporation, a Delaware corporation ("Bank of America"), does hereby certify as follows:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger herein certified are as follows:

<u>Name</u>	<u>State of Incorporation</u>
FleetBoston Financial Corporation	Rhode Island
Bank of America Corporation	Delaware

SECOND: That an Agreement and Plan of Merger, dated as of October 27, 2003, by and between FleetBoston Financial Corporation ("FleetBoston"), a Rhode Island Corporation, and Bank of America, was approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 252 of the General Corporation Law of the State of Delaware.

THIRD: That Bank of America will continue as the surviving corporation.

FOURTH: That the Amended and Restated Certificate of Incorporation of Bank of America at the effective time of the merger shall be the certificate of incorporation of the surviving corporation.

FIFTH: That a copy of the executed Agreement and Plan of Merger is on file at the offices of the surviving corporation at Bank of America Corporate Center, Charlotte, North Carolina 28255.

SIXTH: That a copy of the Agreement and Plan of Merger will be furnished by Bank of America, on request and without cost, to any stockholder of any constituent corporation.

SEVENTH: The authorized capital stock of FleetBoston consisted of 2,000,000,000 shares of Common Stock, \$0.01 par value per share, and 16,000,000 shares of Preferred Stock, \$1.00 par value per share, of which 690,000 shares were designated as Series VI 6.75% Perpetual Preferred Stock and 805,000 shares were designated as Series VII Fixed/Adjustable Rate Cumulative Preferred Stock.

EIGHTH: This Certificate of Merger shall become effective on April 1, 2004 at 12:01 a.m., Eastern Time.

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IN WITNESS WHEREOF, Bank of America has caused this Certificate of Merger to be executed by a duly authorized officer on this 31<sup>st</sup> day of March, 2004.

BANK OF AMERICA CORPORATION

By: /s/ JAMES H. HANCE, JR.  
Name: James H. Hance, Jr.  
Title: Chief Financial Officer

CERTIFICATE OF MERGER

OF

MBNA CORPORATION  
(a Maryland corporation)

with and into

BANK OF AMERICA CORPORATION  
(a Delaware corporation)

Pursuant to Section 252 of the General Corporation Law of the State of Delaware (the "DGCL"), Bank of America Corporation, a Delaware corporation ("Bank of America"), hereby certifies the following information relating to the merger of MBNA Corporation, a Maryland corporation ("MBNA"), with and into Bank of America (the "Merger"):

**FIRST:** The name and state of incorporation of each of the constituent corporations (the "Constituent Corporations") in the Merger are:

<u>Name:</u>	<u>State of Incorporation</u>
Bank of America Corporation	Delaware
MBNA Corporation	Maryland

**SECOND:** The Agreement and Plan of Merger, dated as of June 30, 2005, by and between MBNA and Bank of America (the "Plan of Merger"), setting forth the terms and conditions of the Merger has been approved, adopted, certified, executed and acknowledged by each of the Constituent Corporations in accordance with the requirements of Section 252 of the DGCL.

**THIRD:** The name of the surviving corporation of the Merger (the "Surviving Corporation") is Bank of America Corporation.

**FOURTH:** The Amended and Restated Certificate of Incorporation of Bank of America in effect immediately prior to the effective time of the Merger shall be the certificate of incorporation of the Surviving Corporation.

**FIFTH:** The executed Plan of Merger is on file at the principal place of business of the Surviving Corporation at Bank of America Corporate Center, 100 N. Tryon Street, Charlotte, North Carolina 28255.

**SIXTH:** A copy of the Plan of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of either Constituent Corporation.

**SEVENTH:** The authorized capital stock of MBNA consisted of 1,500,000,000 shares of

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common stock, par value \$0.01 per share, and 20,000,000 shares of preferred stock, par value \$0.01 per share.

**EIGHTH:** The Merger shall become effective as of 12:01 a.m., Eastern time, on January 1, 2006.

IN WITNESS WHEREOF, Bank of America has caused this Certificate of Merger to be executed by its duly authorized officer on this 29<sup>th</sup> day of December, 2005.

BANK OF AMERICA CORPORATION

By: /s/ WILLIAM J. MOSTYN  
Name: William J. Mostyn  
Title: Secretary

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**CERTIFICATE OF ELIMINATION  
OF  
FIXED/ADJUSTABLE RATE CUMULATIVE PREFERRED STOCK  
AND  
6.75% PERPETUAL PREFERRED STOCK  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151(g)  
of the General Corporation Law  
of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Company"), in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows:

1. That, pursuant to Section 151 of the DGCL and the authority granted in the Amended and Restated Certificate of Incorporation of the Company (the "Certificate of Incorporation"), the Board of Directors of the Company (the "Board"), by resolution duly adopted, authorized the issuance of a series of 805,000 shares of Fixed/Adjustable Rate Cumulative Preferred Stock, without par value (the "Fixed/Adjustable Preferred Stock"), and established the powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions thereof, and, on March 29, 2004, filed a Certificate of Designation with respect to such Fixed/Adjustable Preferred Stock in the office of the Secretary of State of the State of Delaware (the "Secretary of State").

2. That, pursuant to Section 151 of the DGCL and the authority granted in the Certificate of Incorporation, the Board, by resolution duly adopted, authorized the issuance of a series of 690,000 shares of 6.75% Perpetual Preferred Stock, without par value (the "Perpetual Preferred Stock"), and established the powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions thereof, and, on March 29, 2004, filed a Certificate of Designation with respect to such Perpetual Preferred Stock in the office of the Secretary of State.

3. That on May 26, 2006 the Special Preferred Stock Committee of the Board (the "Committee") authorized and approved the redemption of the issued and outstanding shares of Fixed/Adjustable Preferred Stock on July 3, 2006 and the redemption of the Fixed/Adjustable Preferred Stock on July 14, 2006.

4. That all of the issued and outstanding shares of Fixed/Adjustable Preferred Stock were redeemed on July 3, 2006 and all of the issued and outstanding shares of Perpetual Preferred Stock were redeemed on July 14, 2006, and, therefore, no shares of

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Fixed/Adjustable Preferred Stock or Perpetual Preferred Stock are outstanding and no shares thereof will be issued subject to such Certificates of Designation.

5. That the Board has adopted the following resolutions:

WHEREAS, by resolution of the Board of Directors of the Company (the "Board") and by a Certificate of Designation filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on March 29, 2004, this Company authorized the issuance of a series of 805,000 shares of Fixed/Adjustable Rate Cumulative Preferred Stock, without par value, of the Company (the "Fixed/Adjustable Preferred Stock") and established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions thereof; and

WHEREAS, by resolution of the Board and by a Certificate of Designation filed in the office of the Secretary of State on March 29, 2004, this Company authorized the issuance of a series of 690,000 shares of 6.75% Perpetual Preferred Stock, without par value, of the Company (the "Perpetual Preferred Stock") and established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations and restrictions thereof;

WHEREAS, on May 26, 2006, the Special Preferred Stock Committee of the Board (the "Committee") authorized and approved the redemption of all the issued and outstanding shares of the Fixed/Adjustable Preferred Stock on July 3, 2006 and the Perpetual Preferred Stock on July 14, 2006;

WHEREAS, all of the issued and outstanding shares of Fixed/Adjustable Preferred Stock were redeemed on July 3, 2006 and all issued and outstanding shares of Perpetual Preferred Stock were redeemed on July 14, 2006, and, therefore, no shares of Fixed/Adjustable Preferred Stock or Perpetual Preferred Stock are outstanding and no shares thereof will be issued subject to such Certificates of Designation;

WHEREAS, it is desirable that all matters set forth in the Certificates of Designation with respect to such Fixed/Adjustable Preferred Stock and Perpetual Preferred Stock be eliminated from the Amended and Restated Certificate of Incorporation, as heretofore amended, of the Company (the "Certificate of Incorporation").

NOW, THEREFORE, BE IT AND IT HEREBY IS:

RESOLVED, that all matters set forth in the Certificates of Designation with respect to such Fixed/Adjustable Preferred Stock and Perpetual Preferred Stock be eliminated from the Certificate of Incorporation; and it is further

RESOLVED, that the officers of the Company be, and hereby are,

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authorized and directed to file a Certificate with the office of the Secretary of State setting forth a copy of these resolutions whereupon all matters set forth in the Certificates of Designation with respect to such Fixed/Adjustable Preferred Stock and Perpetual Preferred Stock shall be eliminated from the Certificate of Incorporation; and it is further

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized and directed, for and on behalf of the Corporation, to take any and all actions, to perform all such acts and things, to execute, file, deliver or record in the name and on behalf of the Corporation, all such certificates, instruments, agreements or other documents, and to make all such payments as they, in their judgment, or in the judgment of any one or more of them, may deem necessary, advisable or appropriate in order to carry out the purpose and intent of the foregoing resolutions and the transactions contemplated therein or thereby, the authorization therefor to be conclusively evidenced by the taking of such action or the execution and delivery of such certificates, instruments, agreements or documents.

6. That, accordingly, all matters set forth in the Certificates of Designation with respect to such Fixed/Adjustable Preferred Stock and Perpetual Preferred Stock be, and hereby are, eliminated from the Certificate of Incorporation, as heretofore amended.

IN WITNESS WHEREOF, the Company has caused this Certificate to be signed by its duly authorized officer as of this 31st day of July, 2006.

**BANK OF AMERICA CORPORATION**

By: /s/ Teresa M. Brenner  
Name: Teresa M. Brenner  
Title: Associate General Counsel



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**CERTIFICATE OF DESIGNATIONS  
OF  
6.204% NON-CUMULATIVE PREFERRED STOCK, SERIES D  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At a meeting duly convened and held on July 26, 2006, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on September 6, 2006, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 6.204% Non-Cumulative Preferred Stock, Series D, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 13th day of September, 2006.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**TO**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**6.204% NON-CUMULATIVE PREFERRED STOCK, SERIES D**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “6.204% Non-Cumulative Preferred Stock, Series D” (the “*Series D Preferred Stock*”). Each share of Series D Preferred Stock shall be identical in all respects to every other share of Series D Preferred Stock. Series D Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series D Preferred Stock shall be 34,500. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series D Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series D Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series D Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

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“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series D Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B and (b) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series D Preferred Stock in the payment of dividends and in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series D Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series D Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series D Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series D Preferred Stock, and no more, payable quarterly in arrears on each March 14, June 14, September 14 and December 14; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series D Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series D Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to 6.204%. The record date for payment of dividends on the Series D Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series D Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series D Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series D Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such

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dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series D Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series D Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series D Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series D Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted.

Subject to the succeeding sentence, for so long as any shares of Series D Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series D Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series D Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a pro rate basis among the holders of the shares of Series D Preferred Stock and the holders of any Parity Stock. For purposes of calculating the pro rate allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series D Preferred Stock and the aggregate of the current and accrued dividends due on the Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series D Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series D Preferred Stock shall not be entitled to participate in any such dividend.

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## Section 5. Liquidation Rights.

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series D Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series D Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series D Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series D Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series D Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series D Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series D Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series D Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on September 14, 2011, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series D Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

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**(b) Notice of Redemption.** Notice of every redemption of shares of Series D Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series D Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series D Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series D Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series D Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series D Preferred Stock at the time outstanding, the shares of Series D Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series D Preferred Stock in proportion to the number of Series D Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series D Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to

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the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

**Section 7. Voting Rights.**

**(a) General.** The holders of Series D Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

**(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series D Preferred Stock or any other class or series of preferred stock that ranks on parity with Series D Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b) have been conferred and are exercisable, have not been paid in an aggregate amount equal, as to any class or series, to at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series D Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series D Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series D Preferred Stock as to payment of dividends is a "*Preferred Director*".

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series D Preferred Stock and any other class or series of our stock that ranks on parity with Series D Preferred Stock as to payment of dividends and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series D Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series D Preferred Stock and any other class or series of preferred stock that ranks on parity with Series D Preferred Stock as to payment of dividends and for which dividends have not been paid for the election of the two directors to be

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elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series D Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series D Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series D Preferred Stock and any other class or series of preferred stock that ranks on parity with Series D Preferred Stock as to payment of dividends, if any, for at least four quarterly Dividend Periods, then the right of the holders of Series D Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the board of directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series D Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series D Preferred Stock shall not have any rights of preemption or rights to convert such Series D Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series D Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series D Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.



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**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series D Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series D Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series D Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES E  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At a meeting duly convened and held on July 26, 2006, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on October 30, 2006, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series E, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 3rd day of November, 2006.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**TO**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES E**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “Floating Rate Non-Cumulative Preferred Stock, Series E” (the “*Series E Preferred Stock*”). Each share of Series E Preferred Stock shall be identical in all respects to every other share of Series E Preferred Stock. Series E Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series E Preferred Stock shall be 85,100. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series E Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series E Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series E Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Calculation Agent*” shall mean The Bank of New York Trust Company, N.A., or such other bank or entity as may be appointed by the Corporation to act as calculation agent for the Series E Preferred Stock.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Determination Date*” shall have the meaning set forth below in the definition of “Three-Month LIBOR.”

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

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“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series E Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D and (c) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series E Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series E Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series E Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Telerate Page 3750*” means the display page so designated on the Moneyline/Telerate Service (or any other page as may replace that page on that service, or any other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Three-Month LIBOR*” means, with respect to any Dividend Period, the offered rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period (the “*Dividend Determination Date*”). If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 A.M., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most

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recent rate that could have been determined in accordance with the first sentence of this paragraph had Series E Preferred Stock been outstanding. The calculation agent's establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series E Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series E Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series E Preferred Stock, and no more, payable quarterly in arrears on each February 15, May 15, August 15 and November 15; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a "*Dividend Payment Date*"). The period from and including the date of issuance of the Series E Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a "*Dividend Period*." Dividends on each share of Series E Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to the greater of (i) Three-Month LIBOR plus a spread of 0.35% and (ii) 4.00%. The record date for payment of dividends on the Series E Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed in a Dividend Period.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series E Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series E Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series E Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series E Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series E Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of

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any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series E Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series E Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series E Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series E Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series E Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a pro rate basis among the holders of the shares of Series E Preferred Stock and the holders of any Parity Stock. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series E Preferred Stock and the aggregate of the current and accrued dividends due on the Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series E Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series E Preferred Stock shall not be entitled to participate in any such dividend.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series E Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series E Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series E Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series E Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series E Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with

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the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series E Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series E Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

#### **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series E Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on November 15, 2011, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series E Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series E Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series E Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series E Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series E Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series E Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series E Preferred Stock at the time outstanding, the shares of Series E Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series E Preferred Stock in proportion to the number of Series E Preferred Stock held by such holders or by lot or in such other manner as

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the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series E Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

#### **Section 7. Voting Rights.**

**(a) General.** The holders of Series E Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

#### **(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series E Preferred Stock or any other class or series of preferred stock that ranks on parity with Series E Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b) have been conferred and are exercisable, have not been paid in an aggregate amount equal, as to any class or series, to at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series E Preferred Stock (together with holders of any class of the Corporation’s authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of



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such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series E Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series E Preferred Stock as to payment of dividends is a "Preferred Director."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series E Preferred Stock and any other class or series of our stock that ranks on parity with Series E Preferred Stock as to payment of dividends and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series E Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series E Preferred Stock and any other class or series of preferred stock that ranks on parity with Series E Preferred Stock as to payment of dividends and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series E Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series E Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series E Preferred Stock and any other class or series of preferred stock that ranks on parity with Series E Preferred Stock as to payment of dividends, if any, for at least four quarterly Dividend Periods, then the right of the holders of Series E Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. Any Preferred Director may be removed at any

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time without cause by the holders of record of a majority of the outstanding shares of the Series E Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series E Preferred Stock shall not have any rights of preemption or rights to convert such Series E Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series E Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series E Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series E Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series E Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series E Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES F  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "*Corporation*"), does hereby certify that:

1. At a meeting duly convened and held on April 26, 2006, the Board of Directors of the Corporation (the "*Board*") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Committee (the "*Committee*") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on February 12, 2007, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Floating Rate Non-Cumulative Preferred Stock, Series F, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 15th day of February, 2007.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**TO**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FLOATING RATE NON-CUMULATIVE PREFERRED STOCK, SERIES F**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “Floating Rate Non-Cumulative Preferred Stock, Series F” (the “*Series F Preferred Stock*”). Each share of Series F Preferred Stock shall be identical in all respects to every other share of Series F Preferred Stock. Series F Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series F Preferred Stock shall be 7,001. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series F Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series F Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series F Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Calculation Agent*” shall mean The Bank of New York Trust Company, N.A., or such other bank or entity as may be appointed by the Corporation to act as calculation agent for the Series F Preferred Stock.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Determination Date*” shall have the meaning set forth below in the definition of “Three-Month LIBOR.”

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“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series F Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G and (e) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series F Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series F Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series F Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Telerate Page 3750*” means the display page so designated on the Moneyline/Telerate Service (or any other page as may replace that page on that service, or any other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Three-Month LIBOR*” means, with respect to any Dividend Period, the offered rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period (the “*Dividend Determination Date*”). If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such

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quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had Series F Preferred Stock been outstanding. The Calculation Agent's establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series F Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series F Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$100,000 per share of Series F Preferred Stock, and no more, payable quarterly in arrears on each March 15, June 15, September 15 and December 15; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a "Dividend Payment Date"). The period from and including the date of issuance of the Series F Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a "Dividend Period." Dividends on each share of Series F Preferred Stock will accrue on the liquidation preference of \$100,000 per share for each Dividend Period (1) from the date of issuance to, but excluding, the Dividend Payment Date in March 2012 (if issued prior to that date) at a rate per annum equal to Three-Month LIBOR plus a spread of 0.40% and (2) thereafter at a rate per annum equal to the greater of (i) Three-Month LIBOR plus a spread of 0.40% and (ii) 4.00%. The record date for payment of dividends on the Series F Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed in a Dividend Period.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series F Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series F Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series F Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such

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dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series F Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series F Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series F Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series F Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series F Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series F Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series F Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series F Preferred Stock and the holders of any Parity Stock. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series F Preferred Stock and the aggregate of the current and accrued dividends due on the Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series F Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series F Preferred Stock shall not be entitled to participate in any such dividend.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series F Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and

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subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series F Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$100,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series F Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series F Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series F Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series F Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series F Preferred Stock and all holders of any Parity Stock, then the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

#### **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series F Preferred Stock at the time outstanding, at any time on or after the later of March 15, 2012 and the date of original issuance of the Series F Preferred Stock, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series F Preferred Stock shall be \$100,000 per share plus dividends that have been declared but not paid plus accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series F Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 15 days and not more than 60 days



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before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series F Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series F Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series F Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series F Preferred Stock at the time outstanding, the shares of Series F Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series F Preferred Stock in proportion to the number of Series F Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series F Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depositary Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depositary Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

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**Section 7. Voting Rights.** The holders of the Series F Preferred Stock will have no voting rights and will not be entitled to elect any directors, except as expressly provided by law.

**Section 8. Preemption and Conversion.** The holders of Series F Preferred Stock shall not have any rights of preemption or rights to convert such Series F Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series F Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series F Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series F Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Recquired Shares.** Shares of Series F Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series F Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
ADJUSTABLE RATE NON-CUMULATIVE PREFERRED STOCK, SERIES G  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "*Corporation*"), does hereby certify that:

1. At a meeting duly convened and held on April 26, 2006, the Board of Directors of the Corporation (the "*Board*") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Committee (the "*Committee*") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on February 12, 2007, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Adjustable Rate Non-Cumulative Preferred Stock, Series G, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 15th day of February, 2007.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**TO**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**ADJUSTABLE RATE NON-CUMULATIVE PREFERRED STOCK, SERIES G**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “Adjustable Rate Non-Cumulative Preferred Stock, Series G” (the “*Series G Preferred Stock*”). Each share of Series G Preferred Stock shall be identical in all respects to every other share of Series G Preferred Stock. Series G Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series G Preferred Stock shall be 8,501. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series G Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series G Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series G Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Calculation Agent*” shall mean The Bank of New York Trust Company, N.A., or such other bank or entity as may be appointed by the Corporation to act as calculation agent for the Series G Preferred Stock.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Determination Date*” shall have the meaning set forth below in the definition of “Three-Month LIBOR.”

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“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series G Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F and (e) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series G Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series G Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series G Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Telerate Page 3750*” means the display page so designated on the Moneyline/Telerate Service (or any other page as may replace that page on that service, or any other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Three-Month LIBOR*” means, with respect to any Dividend Period, the offered rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period (the “*Dividend Determination Date*”). If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such

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quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had Series G Preferred Stock been outstanding. The Calculation Agent's establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series G Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series G Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$100,000 per share of Series G Preferred Stock, and no more, payable as follows: (i) if the Series G Preferred Stock is issued prior to March 15, 2012, semi-annually in arrears on each March 15 and September 15 through March 15, 2012; and (ii) from and including the later of March 15, 2012 and the date of issuance, quarterly in arrears on each March 15, June 15, September 15 and December 15; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a "*Dividend Payment Date*"). The period from and including the date of issuance of the Series G Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a "*Dividend Period*." Dividends on each share of Series G Preferred Stock will accrue on the liquidation preference of \$100,000 per share for each Dividend Period (1) from the date of issuance to, but excluding, the Dividend Payment Date in March 2012 (if issued prior to that date) at a rate per annum equal to 5.63% and (2) thereafter at a rate per annum equal to the greater of (x) Three-Month LIBOR plus a spread of 0.40% and (y) 4.00%. The record date for payment of dividends on the Series G Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed in a Dividend Period.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series G Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series G Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of

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Series G Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series G Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series G Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series G Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series G Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series G Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series G Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series G Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series G Preferred Stock and the holders of any Parity Stock. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series G Preferred Stock and the aggregate of the current and accrued dividends due on the Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series G Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series G Preferred Stock shall not be entitled to participate in any such dividend.

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## Section 5. Liquidation Rights.

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series G Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series G Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$100,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series G Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series G Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series G Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series G Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series G Preferred Stock and all holders of any Parity Stock, then the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series G Preferred Stock at the time outstanding, at any time on or after the later of March 15, 2012 and the date of original issuance of the Series G Preferred Stock, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series G Preferred Stock shall be \$100,000 per share plus



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dividends that have been declared but not paid plus accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series G Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 15 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series G Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series G Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series G Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series G Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series G Preferred Stock at the time outstanding, the shares of Series G Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series G Preferred Stock in proportion to the number of Series G Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series G Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any

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interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

**Section 7. Voting Rights.** The holders of the Series G Preferred Stock will have no voting rights and will not be entitled to elect any directors, except as expressly provided by law.

**Section 8. Preemption and Conversion.** The holders of Series G Preferred Stock shall not have any rights of preemption or rights to convert such Series G Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series G Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series G Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series G Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series G Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series G Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
6.625% NON-CUMULATIVE PREFERRED STOCK, SERIES I  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At a meeting duly convened and held on January 24, 2007, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on September 20, 2007, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 6.625% Non-Cumulative Preferred Stock, Series I, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 25th day of September, 2007.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**6.625% NON-CUMULATIVE PREFERRED STOCK, SERIES I**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “6.625% Non-Cumulative Preferred Stock, Series I” (the “*Series I Preferred Stock*”). Each share of Series I Preferred Stock shall be identical in all respects to every other share of Series I Preferred Stock. Series I Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series I Preferred Stock shall be 25,300. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series I Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series I Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series I Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series I Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

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“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding) and (f) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series I Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series I Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series I Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series I Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series I Preferred Stock, and no more, payable quarterly in arrears on each January 1, April 1, July 1, and October 1; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series I Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series I Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to 6.625%. The record date for payment of dividends on the Series I Preferred Stock shall be the fifteenth day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series I Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series I Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series I Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such

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dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series I Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series I Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series I Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series I Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series I Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series I Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series I Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series I Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series I Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series I Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series I Preferred Stock shall not be entitled to participate in any such dividend.

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### Section 5. Liquidation Rights.

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series I Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series I Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series I Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series I Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series I Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series I Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series I Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

### Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series I Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on October 1, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series I Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

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**(b) Notice of Redemption.** Notice of every redemption of shares of Series I Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series I Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series I Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series I Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series I Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series I Preferred Stock at the time outstanding, the shares of Series I Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series I Preferred Stock in proportion to the number of Series I Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series I Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the



Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

#### **Section 7. Voting Rights.**

**(a) General.** The holders of Series I Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

#### **(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series I Preferred Stock or any other class or series of preferred stock that ranks on parity with Series I Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b)(i) have been conferred and are exercisable, have not been paid in an aggregate amount equal, as to any class or series, to at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series I Preferred Stock (together with holders of any class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series I Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series I Preferred Stock as to payment of dividends and having equivalent voting rights is a "*Preferred Director*."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series I Preferred Stock and any other class or series of our stock that ranks on parity with Series I Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series I Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series I Preferred Stock and any other class or series of preferred stock that ranks on parity with Series I Preferred Stock as to payment of dividends and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series I Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series I Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series I Preferred Stock and any other class or series of preferred stock that ranks on parity with Series I Preferred Stock as to payment of dividends, if any, for at least four quarterly Dividend Periods, then the right of the holders of Series I Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the board of directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series I Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series I Preferred Stock shall not have any rights of preemption or rights to convert such Series I Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series I Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series I Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series I Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized

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committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series I Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series I Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
7.25% NON-CUMULATIVE PREFERRED STOCK, SERIES J  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At a meeting duly convened and held on January 24, 2007, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on November 14, 2007, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 7.25% Non-Cumulative Preferred Stock, Series J, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 19th day of November, 2007.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**7.25% NON-CUMULATIVE PREFERRED STOCK, SERIES J**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “7.25% Non-Cumulative Preferred Stock, Series J” (the “*Series J Preferred Stock*”). Each share of Series J Preferred Stock shall be identical in all respects to every other share of Series J Preferred Stock. Series J Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series J Preferred Stock shall be 41,400. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series J Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series J Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series J Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series J Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

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“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding), (f) the Corporation’s 6.625% Non-Cumulative Preferred Stock, Series I and (g) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series J Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series J Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series J Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series J Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series J Preferred Stock, and no more, payable quarterly in arrears on each February 1, May 1, August 1 and November 1; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series J Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series J Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to 7.25%. The record date for payment of dividends on the Series J Preferred Stock shall be the fifteenth day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series J Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series J Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series J Preferred Stock shall have no right to receive, dividends accrued for such Dividend

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Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series J Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series J Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series J Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series J Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series J Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series J Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series J Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series J Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series J Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series J Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series J Preferred Stock shall not be entitled to participate in any such dividend.

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## Section 5. Liquidation Rights.

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series J Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series J Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series J Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series J Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series J Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences, plus any dividends which have been declared but not yet paid, of Series J Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series J Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series J Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on November 1, 2012, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series J Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.



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**(b) Notice of Redemption.** Notice of every redemption of shares of Series J Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series J Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series J Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series J Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series J Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series J Preferred Stock at the time outstanding, the shares of Series J Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series J Preferred Stock in proportion to the number of Series J Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series J Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the

Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

#### **Section 7. Voting Rights.**

**(a) General.** The holders of Series J Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

#### **(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series J Preferred Stock or any other class or series of preferred stock that ranks on parity with Series J Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b)(i) have been conferred and are exercisable, have not been paid in an aggregate amount equal, as to any class or series, to at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series J Preferred Stock (together with holders of any class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series J Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series J Preferred Stock as to payment of dividends and having equivalent voting rights is a "*Preferred Director*."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series J Preferred Stock and any other class or series of our stock that ranks on parity with Series J Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series J Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series J Preferred Stock and any other class or series of preferred stock that ranks on parity with Series J Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

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**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series J Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series J Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series J Preferred Stock and any other class or series of preferred stock that ranks on parity with Series J Preferred Stock as to payment of dividends, if any, for at least four quarterly Dividend Periods, then the right of the holders of Series J Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the Board of Directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series J Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series J Preferred Stock shall not have any rights of preemption or rights to convert such Series J Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series J Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series J Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

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**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series J Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series J Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series J Preferred Stock are not subject to the operation of a sinking fund.

**CERTIFICATE OF DESIGNATIONS  
OF  
FIXED-TO-FLOATING RATE  
NON-CUMULATIVE PREFERRED STOCK, SERIES K  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At meetings duly convened and held on December 11, 2007 and January 23, 2008, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on January 25, 2008, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 28th day of January, 2008.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FIXED-TO-FLOATING RATE**  
**NON-CUMULATIVE PREFERRED STOCK, SERIES K**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K” (the “*Series K Preferred Stock*”). Each share of Series K Preferred Stock shall be identical in all respects to every other share of Series K Preferred Stock. Series K Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series K Preferred Stock shall be 240,000. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series K Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series K Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series K Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Calculation Agent*” shall mean The Bank of New York Trust Company, N.A., or such other bank or entity as may be appointed by the Corporation to act as calculation agent for the Series K Preferred Stock during the Floating Rate Period (as defined below).

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Determination Date*” shall have the meaning set forth below in the definition of “Three-Month LIBOR.”

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“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Fixed Rate Period*” shall have the meaning set forth in Section 4(a) hereof.

“*Floating Rate Period*” shall have the meaning set forth in Section 4(a) hereof.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series K Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding), (f) the Corporation’s 6.625% Non-Cumulative Preferred Stock, Series I, (g) the Corporation’s 7.25% Non-Cumulative Preferred Stock, Series J, (h) the Corporation’s 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L (if and when issued and outstanding), and (i) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series K Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Reuters Screen Page “LIBOR01”*” means the display page so designated on Reuters (or any other page as may replace that page on that service, or any other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series K Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series K Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Three-Month LIBOR*” means, with respect to any Dividend Period in the Floating Rate Period, the offered rate (expressed as a percentage *per annum*) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Reuters Screen Page “LIBOR01” as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period (the “*Dividend Determination Date*”). If such rate does not appear on Reuters Screen Page “LIBOR01”, Three-Month LIBOR

will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period in the Floating Rate Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the Fixed Rate Period (as defined below). The Calculation Agent's establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period in the Floating Rate Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series K Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series K Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series K Preferred Stock, and no more, payable (x) for the Fixed Rate Period, semi-annually in arrears on each January 30 and July 30 and (y) for the Floating Rate Period, quarterly in arrears on each January 30, April 30, July 30 and October 30; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a "Dividend Payment Date"). The period from and including the date of issuance of the Series K Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a "Dividend Period." Dividends on each share of Series K Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate *per annum* equal to (1) 8.00%, for each Dividend Period from the issue date to, but excluding, January 30, 2018 (the "Fixed Rate Period"), and (2) Three-Month LIBOR plus a spread of 3.63%, for each Dividend Period from January 30, 2018 to the date of redemption of the Series K Preferred Stock (the "Floating Rate Period"). The record date for payment of dividends on the Series K Preferred Stock shall be the fifteenth day of the calendar month in which the Dividend



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Payment Date falls. For the Fixed Rate Period, the amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. For the Floating Rate Period, the amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed in a Dividend Period.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series K Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series K Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series K Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series K Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series K Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series K Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series K Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series K Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series K Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series K Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series K Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series K Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. No interest will be payable in respect of any dividend payment on

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shares of Series K Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series K Preferred Stock shall not be entitled to participate in any such dividend.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series K Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series K Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series K Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series K Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series K Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences, plus any dividends which have been declared but not yet paid, of Series K Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series K Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

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## Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series K Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on January 30, 2018, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series K Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series K Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series K Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series K Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series K Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series K Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series K Preferred Stock at the time outstanding, the shares of Series K Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series K Preferred Stock in proportion to the number of Series K Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series K Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depositary Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares

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shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depositary Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

**Section 7. Voting Rights.**

**(a) General.** The holders of Series K Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

**(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series K Preferred Stock or any other class or series of preferred stock that ranks on parity with Series K Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b)(i) have been conferred and are exercisable, have not been paid in an aggregate amount equal to, as to any class or series, the equivalent of at least three or more semi-annual or six or more quarterly Dividend Periods (whether consecutive or not), as applicable, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series K Preferred Stock (together with holders of any class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series K Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series K Preferred Stock as to payment of dividends and having equivalent voting rights is a "*Preferred Director*."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series K Preferred Stock and any other class or series of our stock that ranks on parity with Series K Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to

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Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series K Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series K Preferred Stock and any other class or series of preferred stock that ranks on parity with Series K Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series K Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series K Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series K Preferred Stock and any other class or series of preferred stock that ranks on parity with Series K Preferred Stock as to payment of dividends, if any, for the equivalent of at least two semi-annual or four quarterly Dividend Periods, as applicable, then the right of the holders of Series K Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the Board of Directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series K Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series K Preferred Stock shall not have any rights of preemption or rights to convert such Series K Preferred Stock into shares of any other class of capital stock of the Corporation.

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**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series K Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series K Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series K Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series K Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series K Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
7.25% NON-CUMULATIVE PERPETUAL  
CONVERTIBLE PREFERRED STOCK, SERIES L  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At meetings duly convened and held on December 11, 2007 and January 23, 2008, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on January 28, 2008, the Committee duly adopted the following resolution by written consent:

**"RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 28th day of January, 2008.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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**EXHIBIT A**  
**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**7.25% NON-CUMULATIVE PERPETUAL**  
**CONVERTIBLE PREFERRED STOCK, SERIES L**  
**OF**  
**BANK OF AMERICA CORPORATION**

**Section 1. Designation.** The designation of the series of preferred stock shall be “7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L”, \$0.01 par value, with a liquidation preference of \$1,000 per share (the “*Series L Preferred Stock*”). Each share of Series L Preferred Stock shall be identical in all respects to every other share of Series L Preferred Stock. Series L Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series L Preferred Stock shall be 6,900,000. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series L Preferred Stock then outstanding) by further resolution duly adopted by the Board, the Committee or any other duly authorized committee of the Board and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series L Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series L Preferred Stock:

“*Applicable Conversion Price*” at any given time means, for each share of Series L Preferred Stock, the price equal to \$1,000 divided by the Applicable Conversion Rate in effect at such time.

“*Applicable Conversion Rate*” means the Conversion Rate in effect at any given time.

“*Base Price*” has the meaning set forth in Section 6(d)(i).

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or required by law or regulation to close in New York, New York or in Charlotte, North Carolina.

“*Closing Price*” of the Common Stock on any determination date means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock on the New York Stock Exchange on such date. If the Common Stock is not



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traded on the New York Stock Exchange on any determination date, the Closing Price of the Common Stock on such determination date means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or, if that bid price is not available, the market price of the Common Stock on that date as determined by a nationally recognized independent investment banking firm retained by the Corporation for this purpose.

For purposes of this Certificate of Designations, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (<http://www.nyse.com>) and as reported by Bloomberg Professional Service; *provided* that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of the New York Stock Exchange will govern.

“*Common Stock*” means the common stock, \$0.01 par value, of the Corporation.

“*Conversion Agent*” shall mean Computershare Trust Company, N.A. and Computershare Inc. collectively acting in their capacity as conversion agent for the Series L Preferred Stock, and their respective successors and assigns.

“*Conversion Date*” has the meaning set forth in Section 6(a)(v)(B).

“*Conversion Rate*” means for each share of Series L Preferred Stock, 20 shares of Common Stock, plus cash in lieu of fractional shares, subject to adjustment as set forth herein.

“*Current Market Price*” of the Common Stock on any day, means the average of the VWAP of the Common Stock over each of the ten consecutive Trading Days ending on the earlier of the day in question and the day before the Ex-Date or other specified date with respect to the issuance or distribution requiring such computation, appropriately adjusted to take into account the occurrence during such period of any event described in Section 7(a)(i) through (vi).

“*Depository*” means DTC or its nominee or any successor depository appointed by the Corporation.

“*Dividend Payment Date*” has the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” has the meaning set forth in Section 4(a) hereof.

“*Dividend Threshold Amount*” has the meaning set forth in Section 7(a)(v).

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

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“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Exchange Property*” has the meaning set forth in Section 8(a).

“*Ex-Date*,” when used with respect to any issuance or distribution, means the first date on which the Common Stock or other securities trade without the right to receive the issuance or distribution.

“*Fundamental Change*” has the meaning set forth in Section 6(d)(i).

“*Holder*” means the Person in whose name the shares of Series L Preferred Stock are registered, which may be treated by the Corporation, Transfer Agent, Registrar, paying agent and Conversion Agent as the absolute owner of the shares of Series L Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

“*Junior Stock*” means the Common Stock and any other class or series of capital stock of the Corporation over which Series L Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Make-Whole Acquisition*” means the occurrence, prior to any Conversion Date, of one of the following:

(a) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form, or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock; or

(b) consummation of the Corporation’s consolidation or merger or similar transaction or any sale, lease, or other transfer in one transaction or a series of related transactions of all or substantially all of the Corporation’s and the Corporation’s subsidiaries’ consolidated assets, taken as a whole, to any Person other than one of the Corporation’s subsidiaries, in each case pursuant to which the Common Stock will be converted into cash, securities, or other property, other than pursuant to a transaction in which the persons that “beneficially owned” (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, voting shares immediately prior to such transaction beneficially own, directly or indirectly, voting shares representing a majority of the total voting power of all outstanding classes of voting shares of the continuing or surviving person immediately after the transaction;

*provided, however* that a Make-Whole Acquisition will not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions consists of shares of common stock or American Depositary Receipts in respect of common stock that are traded on a U.S. national securities exchange or securities exchange in the European Economic Area or that will be so traded when issued or exchanged in connection with a Make-Whole Acquisition.

“*Make-Whole Acquisition Conversion*” has the meaning set forth in Section 6(c)(i).

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“*Make-Whole Acquisition Conversion Period*” has the meaning set forth in Section 6(c)(i).

“*Make-Whole Acquisition Effective Date*” has the meaning set forth in Section 6(c)(i).

“*Make-Whole Acquisition Stock Price*” means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition, the Make-Whole Acquisition Stock Price will be the cash amount paid per share of Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the ten Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

“*Make-Whole Shares*” has the meaning set forth in Section 6(c)(i).

“*Nonpayment*” has the meaning set forth in Section 11(b)(i).

“*Notice of Optional Conversion*” has the meaning set forth in Section 6(b)(iii).

“*Optional Conversion Date*” has the meaning set forth in Section 6(b)(iii).

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding), (f) the Corporation’s 6.625% Non-Cumulative Preferred Stock, Series I, (g) the Corporation’s 7.25% Non-Cumulative Preferred Stock, Series J, (h) the Corporation’s Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K (if and when issued and outstanding) and (i) any other class or series of capital stock of the Corporation hereafter authorized that ranks on par with the Series L Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Person*” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

“*Preferred Director*” has the meaning set forth in Section 11(b)(i).

“*Purchased Shares*” has the meaning set forth in Section 7(a)(vi).

“*Reference Price*” means the price paid per share of Common Stock in the event of a Fundamental Change. If the holders of shares of Common Stock receive only cash in the Fundamental Change, the Reference Price shall be the cash amount paid per share. Otherwise, the Reference Price will be the average of the Closing Price per share of Common Stock on the ten Trading Days up to, but not including, the effective date of the Fundamental Change.

“*Reorganization Event*” has the meaning set forth in Section 8.

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“*Registrar*” means Computershare Trust Company, N.A. or its nominee or any successor or registrar appointed by the Corporation.

“*Senior Stock*” means any class or series of capital stock of the Corporation authorized which has preference or priority over the Series L Preferred Stock as to the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Series L Preferred Stock*” has the meaning set forth in Section 1.

“*spin-off*” has the meaning set forth in Section 7(a)(iv).

“*Trading Day*” for purposes of determining the VWAP or Closing Price means a day on which the shares of Common Stock:

(a) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and

(b) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

“*Transfer Agent*” means Computershare Trust Company, N.A. acting as Transfer Agent, Registrar, and Conversion Agent for the Series L Preferred Stock, and its successors and assigns.

“*Voting Parity Securities*” has the meaning set forth in Section 11(b)(i).

“*VWAP*” means, per share of the Common Stock on any Trading Day, the per share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “BAC UN <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on the relevant Trading Day (or if such volume-weighted average price is unavailable, the market price of one share of the Common Stock on such trading days determined, using a volume-weighted average method, by a nationally recognized investment banking firm (unaffiliated with the Corporation) retained for this purpose by the Corporation).

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series L Preferred Stock shall be entitled to receive, when, as and if declared by the Board or any duly authorized committee of the Board, but only out of assets legally available under Delaware law for payment, non-cumulative cash dividends on the liquidation preference of \$1,000 per share of Series L Preferred Stock, and no more, payable quarterly in arrears on each January 30, April 30, July 30 and October 30 of each year, beginning on April 30, 2008; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the

Series L Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*”. Dividends on each share of Series L Preferred Stock will accrue on the liquidation preference of \$1,000 per share at a rate per annum equal to 7.25%. The record date for payment of dividends on the Series L Preferred Stock shall be the first day of the calendar month in which the relevant Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series L Preferred Stock will cease to accrue after conversion, as described below. If the Corporation issues additional shares of the Series L Preferred Stock, dividends on those additional shares will accrue from the preceding scheduled Dividend Payment Date at the dividend rate.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series L Preferred Stock shall be non-cumulative. Accordingly, if for any reason the Board or a duly authorized committee of the Board does not declare a dividend on the Series L Preferred Stock for a Dividend Period prior to the related Dividend Payment Date, that dividend will not accrue, and the Corporation will have no obligation to pay a dividend for that Dividend Period on the Dividend Payment Date or at any time in the future, whether or not the Board or a duly authorized committee of the Board declares a dividend on the Series L Preferred Stock or any other series of the Corporation’s preferred stock or Common Stock for any future Dividend Period.

**(c) Dividend Stopper.** So long as any share of Series L Preferred Stock remains outstanding, (i) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock (other than a dividend payable solely in shares of Junior Stock), (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock will be repurchased, redeemed, or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series L Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, during a Dividend Period, unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of Series L Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation’s Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreements) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series L Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series L Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series L Preferred Stock and on any Parity Stock but does

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not make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series L Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series L Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. The Corporation is not obligated to and will not pay Holders of the Series L Preferred Stock any interest or sum of money in lieu of interest on any dividend not paid on a Dividend Payment Date. The Corporation is not obligated to and will not pay Holders of the Series L Preferred Stock any dividend in excess of the dividends on the Series L Preferred Stock that are payable as described herein. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board or any duly authorized committee of the Board may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series L Preferred Stock shall not be entitled to participate in any such dividend.

**Section 5. Right to Convert.** Each Holder shall have the right, at such Holder's option, at any time, to convert all or any portion of such Holder's Series L Preferred Stock into shares of Common Stock at the Applicable Conversion Rate (subject to the conversion procedures set forth in Section 6 herein) plus cash in lieu of fractional shares.

**Section 6. Conversion.**

**(a) Conversion Procedures.**

(i) Effective immediately prior to the close of business on the Optional Conversion Date or any applicable Conversion Date, dividends shall no longer be declared on any converted shares of Series L Preferred Stock and such shares of Series L Preferred Stock shall cease to be outstanding, in each case, subject to the right of Holders to receive any declared and unpaid dividends on such shares and any other payments to which they are otherwise entitled pursuant to Section 5, Section 6(b), Section 6(c), Section 6(d), Section 8 or Section 12 hereof, as applicable.

(ii) Prior to the close of business on the Optional Conversion Date or any applicable Conversion Date, shares of Common Stock issuable upon conversion of, or other securities issuable upon conversion of, any shares of Series L Preferred Stock shall not be deemed outstanding for any purpose, and Holders shall have no rights with respect to the Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock or other securities issuable upon conversion) by virtue of holding shares of Series L Preferred Stock.

(iii) Shares of Series L Preferred Stock duly converted in accordance with the terms hereof, or otherwise reacquired by the Corporation, will resume the status of authorized and unissued preferred stock, undesignated as to series and available for future issuance. The Corporation may from time-to-time take such appropriate action as may be necessary to reduce the authorized number of shares of Series L Preferred Stock.

(iv) The Person or Persons entitled to receive the Common Stock and/or securities issuable upon conversion of Series L Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock and/or securities as of the close of business on the Optional Conversion Date or any applicable Conversion Date. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock and/or cash, securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series L Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation or, in the case of global certificates, through book-entry transfer through the Depository.

(v) Conversion into shares of Common Stock will occur on the Optional Conversion Date or any applicable Conversion Date as follows:

(A) On the Optional Conversion Date, certificates representing shares of Common Stock shall be issued and delivered to Holders or their designee upon presentation and surrender of the certificate evidencing the Series L Preferred Stock to the Conversion Agent if shares of the Series L Preferred Stock are held in certificated form, and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes. If a Holder's interest is a beneficial interest in a global certificate representing Series L Preferred Stock, a book-entry transfer through the Depository will be made by the Conversion Agent upon compliance with the Depository's procedures for converting a beneficial interest in a global security.

(B) On the date of any conversion at the option of Holders pursuant to Section 5, Section 6(b), Section 6(c) or Section 6(d), if a Holder's interest is in certificated form, a Holder must do each of the following in order to convert:

(1) complete and manually sign the conversion notice provided by the Conversion Agent, or a facsimile of the conversion notice, and deliver this irrevocable notice to the Conversion Agent;

(2) surrender the shares of Series L Preferred Stock to the Conversion Agent;

(3) if required, furnish appropriate endorsements and transfer documents;

(4) if required, pay all transfer or similar taxes; and

(5) if required, pay funds equal to any declared and unpaid dividend payable on the next Dividend Payment Date to which such

Holder is entitled.

If a Holder's interest is a beneficial interest in a global certificate representing Series L Preferred Stock, in order to convert a Holder must comply with paragraphs (3) through (5) listed above and comply with the Depository's procedures for converting a beneficial interest in a global security.

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The date on which a Holder complies with the procedures in this clause (v) is the “*Conversion Date*.”

(C) The Conversion Agent shall, on a Holder’s behalf, convert the Series L Preferred Stock into shares of Common Stock, in accordance with the terms of the notice delivered by such Holder described in clause (B) above. If the Conversion Date is prior to the record date relating to any declared dividend for the Dividend Period in which a Holder elects to convert, the Holder will not receive any declared dividends for that Dividend Period. If the Conversion Date is after the record date relating to any declared dividend and prior to the Dividend Payment Date, the Holder will receive that dividend on the relevant Dividend Payment Date if the Holder was the holder of record on the record date for that dividend. However, if the Conversion Date is after the record date and prior to the Dividend Payment Date, whether or not the Holder was the holder of record on the record date, the Holder must pay to the Conversion Agent when it converts its shares of Series L Preferred Stock an amount in cash equal to the full dividend actually paid on the Dividend Payment Date for the then-current Dividend Period on the shares of Series L Preferred Stock being converted, unless the Holder’s shares of Series L Preferred Stock are being converted as a result of a conversion pursuant to Section 6(b), Section 6(c) or Section 6(d).

**(b) Conversion at the Corporation’s Option.**

(i) On or after January 30, 2013, the Corporation may, at its option, at any time or from time to time, cause some or all of the Series L Preferred Stock 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 the Common Stock exceeds 130% of the then-Applicable Conversion Price of the Series L Preferred Stock. If the Corporation exercises its optional conversion right on January 30, 2013, it will still pay any dividend payable (in accordance with Section 4) on January 30, 2013 to the applicable Holders of record. The Corporation will provide notice of its optional conversion within five Trading Days of the end of the 30 consecutive Trading Day period.

(ii) If the Corporation elects to cause less than all of the Series L Preferred Stock to be converted under clause (i) above, the Conversion Agent will select the Series L Preferred Stock to be converted by lot, or on a *pro rata* basis or by another method the Conversion Agent considers fair and appropriate, including any method required by DTC or any successor depository (so long as such method is not prohibited by the rules of any stock exchange or quotation association on which the Series L Preferred Stock is then traded or quoted). If the Conversion Agent selects a portion of a Holder’s Series L Preferred Stock for partial conversion at the Corporation’s option and such Holder converts a portion of its shares of Series L Preferred Stock, the converted portion will be deemed to be from the portion selected for conversion at the Corporation’s option under this Section 6(b).

(iii) If the Corporation exercises the optional conversion right described in this Section 6(b), the Corporation shall provide notice of such conversion by first class mail to each Holder of record for the shares of Series L Preferred Stock to be converted (such notice a “*Notice of Optional Conversion*”) or issue a press release for publication and make this information available on its website. The Conversion Date shall be a date selected by the Corporation (the



“Optional Conversion Date”), and the Notice of Optional Conversion must be mailed, or the Corporation must issue the press release, not more than 20 days prior to the Optional Conversion Date. In addition to any information required by applicable law or regulation, the Notice of Optional Conversion or press release shall state, as appropriate:

(A) the Optional Conversion Date;

(B) the aggregate number of shares of Series L Preferred Stock to be converted and, if less than all of the shares of Series L Preferred Stock are to be converted, the percentage of shares of Series L Preferred Stock to be converted; and

(C) the number of shares of Common Stock to be issued upon conversion of each share of Series L Preferred Stock.

**(c) Conversion Upon Make-Whole Acquisition.**

(i) In the event of a Make-Whole Acquisition, each Holder shall have the option to convert its shares of Series L Preferred Stock (a “Make-Whole Acquisition Conversion”) during the period (the “Make-Whole Acquisition Conversion Period”) beginning on the effective date of the Make-Whole Acquisition (the “Make-Whole Acquisition Effective Date”) and ending on the date that is 30 days after the Make-Whole Acquisition Effective Date and receive an additional number of shares of Common Stock (the “Make-Whole Shares”) as set forth in clause (ii) below.

(ii) The number of Make-Whole Shares per share of Series L Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

<u>Effective Date</u>	<u>\$40.00</u>	<u>\$41.00</u>	<u>\$42.00</u>	<u>\$44.00</u>	<u>\$47.00</u>	<u>\$50.00</u>	<u>\$60.00</u>	<u>\$80.00</u>	<u>\$110.00</u>	<u>\$150.00</u>	<u>\$200.00</u>
1/24/2008	5.0000	4.7993	4.6190	4.2023	3.6851	3.2540	2.1450	1.0450	0.5164	0.2765	0.1468
1/30/2009	5.0000	4.7512	4.4643	4.1386	3.5702	3.1760	2.0317	0.9563	0.4682	0.2480	0.1285
1/30/2010	5.0000	4.6439	4.2929	3.9886	3.3830	2.9300	1.7617	0.6462	0.2287	0.1033	0.0390
1/30/2011	5.0000	4.6049	4.2429	3.9250	3.3170	2.8040	1.5650	0.5300	0.1964	0.1067	0.0500
1/30/2012	5.0000	4.5780	4.2405	3.8386	3.2596	2.5840	1.2667	0.2313	0.0755	0.0429	0.0206
1/30/2013	5.0000	4.5366	4.2214	3.7932	3.1660	2.5260	1.0217	0.0000	0.0000	0.0000	0.0000
Thereafter	5.0000	4.5366	4.2214	3.7932	3.1660	2.5260	1.0217	0.0000	0.0000	0.0000	0.0000

(A) The exact Make-Whole Acquisition Stock Prices and Make-Whole Acquisition Effective Dates may not be set forth in the table, in which case:

(1) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two dates in the table, the number of Make-Whole Shares will be determined by straight-line interpolation between the number of Make-Whole Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;

(2) if the Make-Whole Acquisition Stock Price is in excess of \$200.00 per share (subject to adjustment pursuant to Section 7 hereof), no Make-Whole Shares will be issued upon conversion of the Series L Preferred Stock; and

(3) if the Make-Whole Acquisition Stock Price is less than \$40.00 per share (subject to adjustment pursuant to Section 7 hereof), no Make-Whole Shares will be issued upon conversion of the Series L Preferred Stock.

(B) The Make-Whole Acquisition Stock Prices set forth in the table above are subject to adjustment pursuant to Section 7 hereof and shall be adjusted as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Make-Whole Acquisition Stock Prices adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Make-Whole Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Section 7.

(iii) On or before the twentieth day prior to the date the Corporation anticipates being the effective date for the Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the anticipated effective date of the Make-Whole Acquisition; and

(B) the date, which shall be 30 days after the anticipated Make-Whole Acquisition Effective Date, by which a Make-Whole Acquisition Conversion must be exercised.

(iv) On the Make-Whole Acquisition Effective Date, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 days after the Make-Whole Acquisition Effective Date;

(B) the number of Make-Whole Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder of Series L Preferred Stock upon conversion; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Make-Whole Acquisition.

(v) To exercise a Make-Whole Acquisition Conversion option, a Holder must, no later than 5:00 p.m., New York City time on or before the date by which the Make-Whole Acquisition Conversion option must be exercised as specified in the notice delivered under clause (iv) above, comply with the procedures set forth in Section 6(a)(v)(B).

(vi) If a Holder does not elect to exercise the Make-Whole Acquisition Conversion option pursuant to this Section 6(c), the shares of Series L Preferred Stock or successor security held by it will remain outstanding, and the Holder will not be eligible to receive Make-Whole Shares.

(vii) Upon a Make-Whole Acquisition Conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 6(a)(iv) above, deliver to the Holder such cash, securities or other property as are issuable with respect to Make-Whole Shares in the Make-Whole Acquisition.

(viii) In the event that a Make-Whole Acquisition Conversion is effected with respect to shares of Series L Preferred Stock or a successor security representing less than all the shares of Series L Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition Conversion the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series L Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition Conversion was not effected.

**(d) Conversion Upon Fundamental Change.**

(i) In lieu of receiving the Make-Whole Shares, if the Reference Price in connection with a Make-Whole Acquisition is less than the Applicable Conversion Price (a "*Fundamental Change*"), a Holder may elect to convert each share of Series L Preferred Stock during the period beginning on the effective date of the Fundamental Change and ending on the date that is 30 days after the effective date of such Fundamental Change at an adjusted conversion price equal to the greater of (1) the Reference Price and (2) \$19.95, subject to adjustment as described in clause (ii) below (the "*Base Price*"). If the Reference Price is less than the Base Price, Holders will receive a maximum of 50.1253 shares of Common Stock per share of Series L Preferred Stock converted, subject to adjustment as described in clause (ii) below.

(ii) The Base Price shall be adjusted as of any date the Conversion Rate of the Series L Preferred Stock is adjusted pursuant to Section 7. The adjusted Base Price shall equal the Base Price applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Conversion Rate adjustment and the denominator of which is the Conversion Rate as so adjusted.

(iii) In lieu of issuing Common Stock upon conversion in the event of a Fundamental Change, the Corporation may at its option, and if it obtains Federal Reserve Board approval, pay an amount in cash (computed to the nearest cent) equal to the Reference Price for each share of Common Stock otherwise issuable upon conversion.

(iv) On or before the twentieth day prior to the date the Corporation anticipates being the effective date for the Fundamental Change, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the anticipated effective date of the Fundamental Change; and

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(B) the date, which shall be 30 days after the anticipated effective date of a Fundamental Change, by which a Fundamental Change conversion must be exercised.

(v) On the effective date of a Fundamental Change, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 days after the effective date of the Fundamental Change;

(B) the adjusted conversion price following the Fundamental Change;

(C) the amount of cash, securities and other consideration received by a Holder of Series L Preferred Stock upon conversion; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Fundamental Change.

(vi) To exercise its conversion option upon a Fundamental Change, a Holder must, no later than 5:00 p.m., New York City time on or before the date by which the conversion option upon the Fundamental Change must be exercised as specified in the notice delivered under clause (v) above, comply with the procedures set forth in Section 6(a)(v)(B) and indicate that it is exercising the Fundamental Change conversion option.

(vii) If a Holder does not elect to exercise its conversion option upon a Fundamental Change pursuant to this Section 6(d), the Holder will not be eligible to convert such Holder's shares at the Base Price and such Holder's shares of Series L Preferred Stock or successor security held by it will remain outstanding.

(viii) Upon a conversion upon a Fundamental Change, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 6(a)(iv) above, deliver to the Holder such cash, securities or other property as are issuable with respect to the adjusted conversion price following the Fundamental Change.

(ix) In the event that a conversion upon a Fundamental Change is effected with respect to shares of Series L Preferred Stock or a successor security representing less than all the shares of Series L Preferred Stock or a successor security held by a Holder, upon such conversion the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Series L Preferred Stock or such successor security held by the Holder as to which a conversion upon a Fundamental Change was not effected.

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**Section 7. Anti-Dilution Adjustments.**

(a) The Conversion Rate shall be subject to the following adjustments.

(i) **Stock Dividend Distributions.** If the Corporation pays dividends or other distributions on the Common Stock in shares of Common Stock, then the Conversion Rate in effect immediately following the record date for such dividend or distribution will be multiplied by the following fraction:

$$\frac{OS_1}{OS_0}$$

Where,

$OS_0$  = the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution.

$OS_1$  = the sum of the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution plus the total number of shares of Common Stock constituting such dividend.

Notwithstanding the foregoing, no adjustment will be made for the issuance of the Common Stock as a dividend or distribution to all holders of Common Stock that is made in lieu of quarterly dividends or distributions to such holders, to the extent such dividend or distribution does not exceed the dividend threshold amount defined in clause (v) below. For purposes of this paragraph, the amount of any dividend or distribution will equal the number of shares being issued multiplied by the average VWAP of the Common Stock over each of the five consecutive Trading Days prior to the record date for such distribution.

(ii) **Subdivisions, Splits, and Combination of the Common Stock.** If the Corporation subdivides, splits, or combines the shares of Common Stock, then the Conversion Rate in effect immediately following the effective date of such share subdivision, split, or combination will be multiplied by the following fraction:

$$\frac{OS_1}{OS_0}$$

Where,

$OS_0$  = the number of shares of Common Stock outstanding immediately prior to the effective date of such share subdivision, split, or combination.

$OS_1$  = the number of shares of Common Stock outstanding immediately after the opening of business on the effective date of such share subdivision, split, or combination.

(iii) **Issuance of Stock Purchase Rights.** If the Corporation issues to all holders of the shares of Common Stock rights or warrants (other than rights or warrants issued

pursuant to a dividend reinvestment plan or share purchase plan or other similar plans) entitling them, for a period of up to 60 days from the date of issuance of such rights or warrants, to subscribe for or purchase the shares of Common Stock (or securities convertible into shares of Common Stock) at less than (or having a conversion price per share less than) the Current Market Price on the date fixed for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Rate in effect immediately following the close of business on the record date for such distribution will be multiplied by the following fraction:

$$\frac{OS_0 + X}{OS_0 + Y}$$

Where,

$OS_0$  = the number of shares of Common Stock outstanding at the close of business on the record date for such distribution.

X = the total number of shares of Common Stock issuable pursuant to such rights or warrants (or upon conversion of such securities).

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such rights or warrants (or the conversion price for such securities) divided by the Current Market Price.

To the extent that such rights or warrants are not exercised prior to their expiration or shares of Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to such Conversion Rate that would then be in effect had the adjustment made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In determining the aggregate offering price payable for such shares of Common Stock, the Conversion Agent will take into account any consideration received for such rights or warrants and the value of such consideration (if other than cash, to be determined by the Board).

(iv) **Debt or Asset Distributions.** If the Corporation distributes to all holders of shares of Common Stock evidences of indebtedness, shares of capital stock (other than Common Stock), securities, or other assets (excluding any dividend or distribution referred to in clauses (i) or (ii) above, any rights or warrants referred to in clause (iii) above, any dividend or distribution paid exclusively in cash, any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, and any dividend of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit in the case of certain spin-off transactions as described below), then the Conversion Rate in effect immediately following the close of business on the record date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0}{SP_0 - FMV}$$

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Where,

SP<sub>0</sub> = the Current Market Price per share of Common Stock on the Ex-Date.

FMV = the fair market value of the portion of the distribution applicable to one share of Common Stock on the date immediately preceding the Ex-Date as determined by the Board.

In a spin-off, where the Corporation makes a distribution to all holders of shares of Common Stock consisting of capital stock of any class or series, or similar equity interests of, or relating to, a subsidiary or other business unit, the Conversion Rate will be adjusted on the fifteenth Trading Day after the effective date of the distribution by multiplying such Conversion Rate in effect immediately prior to such fifteenth Trading Day by the following fraction:

$$\frac{MP_0 + MP_s}{MP_0}$$

Where,

MP<sub>0</sub> = the average of the VWAP of the Common Stock over each of the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution.

MP<sub>s</sub> = the average of the VWAP of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock over each of the first ten Trading Days commencing on and including the fifth Trading Day following the effective date of such distribution, or, if not traded on a national or regional securities exchange or over-the-counter market, the fair market value of the capital stock or equity interests representing the portion of the distribution applicable to one share of Common Stock on such date as determined by the Board.

(v) **Cash Distributions.** If the Corporation makes a distribution consisting exclusively of cash to all holders of the Common Stock, excluding (a) any cash dividend on the Common Stock to the extent that the aggregate cash dividend per share of the Common Stock does not exceed \$0.64 in any fiscal quarter (the "*Dividend Threshold Amount*"), (b) any cash that is distributed in a Reorganization Event or as part of a spin-off referred to in clause (iv) above, (c) any dividend or distribution, in connection with the Corporation's liquidation, dissolution, or winding up, and (d) any consideration payable in connection with a tender or exchange offer made by the Corporation or any of its subsidiaries, then in each event, the Conversion Rate in effect immediately following the record date for such distribution will be multiplied by the following fraction:

$$\frac{SP_0}{SP_0 - DIV}$$

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Where,

$SP_0$  = the VWAP per share of Common Stock on the Trading Day immediately preceding the Ex-Date.

DIV = the cash amount per share of Common Stock of the dividend or distribution, as determined pursuant to the following paragraph.

If an adjustment is required to be made as set forth in this clause as a result of a distribution (1) that is a regularly scheduled quarterly dividend, such adjustment would be based on the amount by which such dividend exceeds the Dividend Threshold Amount or (2) that is not a regularly scheduled quarterly dividend, such adjustment would be based on the full amount of such distribution.

The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; *provided* that no adjustment will be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate pursuant to this clause (v).

(vi) **Self-Tender Offers and Exchange Offers.** If the Corporation or any of its subsidiaries successfully completes a tender or exchange offer for the Common Stock where the cash and the value of any other consideration included in the payment per share of the Common Stock exceeds the VWAP per share of the Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer, then the Conversion Rate in effect at the close of business on such immediately succeeding Trading Day will be multiplied by the following fraction:

$$\frac{AC + (SP_0 \times OS_1)}{OS_0 \times SP_0}$$

Where,

$SP_0$  = the VWAP per share of Common Stock on the Trading Day immediately succeeding the expiration of the tender or exchange offer.

$OS_0$  = the number of shares of Common Stock outstanding immediately prior to the expiration of the tender or exchange offer, including any shares validly tendered and not withdrawn (the "*Purchased Shares*").

$OS_1$  = the number of shares of Common Stock outstanding immediately after the expiration of the tender or exchange offer, less any Purchased Shares.

AC = the aggregate cash and fair market value of the other consideration payable in the tender or exchange offer, as determined by the Board.

In the event that the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Corporation, or such subsidiary, is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be such Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.



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(vii) **Rights Plans.** To the extent that the Corporation has a rights plan in effect with respect to the Common Stock on any Conversion Date, upon conversion of any shares of the Series L Preferred Stock, Holders will receive, in addition to the shares of Common Stock, the rights under the rights plan, unless, prior to such Conversion Date, the rights have separated from the shares of Common Stock, in which case the Conversion Rate will be adjusted at the time of separation as if the Corporation had made a distribution to all holders of the Common Stock as described in clause (iv) above, subject to readjustment in the event of the expiration, termination, or redemption of such rights.

(b) The Corporation may make such increases in the Conversion Rate, in addition to any other increases required by this Section 7, if the Corporation deems it advisable in order to avoid or diminish any income tax to holders of the Common Stock resulting from any dividend or distribution of shares of Common Stock (or issuance of rights or warrants to acquire shares of Common Stock) or from any event treated as such for income tax purposes or for any other reason.

(c)(i) All adjustments to the Conversion Rate shall be calculated to the nearest 1/10,000th of a share of Common Stock. No adjustment in the Conversion Rate will be made unless such adjustment would require an increase or decrease of at least one percent therein; *provided*, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment; *provided further* that on the Optional Conversion Date, the Make-Whole Acquisition Effective Date or the effective date of a Fundamental Change, adjustments to the Conversion Rate will be made with respect to any such adjustment carried forward and which has not been taken into account before such date.

(ii) No adjustment to the Conversion Rate shall be made if Holders may participate in the transaction that would otherwise give rise to an adjustment, as a result of holding the Series L Preferred Stock, without having to convert the Series L Preferred Stock, as if they held the full number of shares of Common Stock into which their shares of the Series L Preferred Stock may then be converted.

(iii) The Applicable Conversion Rate will not be adjusted:

(A) upon the issuance of any shares of the Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Common Stock under any plan;

(B) upon the issuance of any shares of the Common Stock or rights or warrants to purchase those shares pursuant to any present or future employee, director, or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries;

(C) upon the issuance of any shares of the Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the shares of the Series L Preferred Stock were first issued;

(D) for a change in the par value or no par value of the Common Stock; or

(E) for accrued and unpaid dividends on the Series L Preferred Stock.

(d) Whenever the Conversion Rate is to be adjusted in accordance with Section 7(a) or Section 7(b), the Corporation shall: (i) compute the Conversion Rate in accordance with Section 7(a) or Section 7(b), taking into account the one percent threshold set forth in Section 7(c) hereof, and prepare and transmit to the Transfer Agent an officer's certificate setting forth the Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; (ii) as soon as practicable following the occurrence of an event that requires an adjustment to the Conversion Rate pursuant to Section 7(a) or Section 7(b), taking into account the one percent threshold set forth in Section 7(c) hereof (or if the Corporation is not aware of such occurrence, as soon as practicable after becoming so aware), provide, or cause to be provided, a written notice to the Holders of the occurrence of such event; and (iii) as soon as practicable following the determination of the revised Conversion Rate in accordance with Section 7(a) or Section 7(b) hereof, provide, or cause to be provided, a written notice to the Holders setting forth in reasonable detail the method by which the adjustment to the Conversion Rate was determined and setting forth the revised Conversion Rate.

#### **Section 8. Reorganization Events.**

(a) In the event of:

(i) the Corporation's consolidation or merger with or into another Person, in each case pursuant to which the Common Stock will be converted into cash, securities, or other property of the Corporation or another Person;

(ii) any sale, transfer, lease, or conveyance to another Person of all or substantially all of the Corporation's property and assets, in each case pursuant to which the Common Stock will be converted into cash, securities, or other property; or

(iii) any statutory exchange of the Corporation's securities with another Person (other than in connection with a merger or acquisition);

(any such event specified in this Section 8(a), a "*Reorganization Event*"); each share of Series L Preferred Stock outstanding immediately prior to such Reorganization Event will, without the consent of Holders, become convertible into the kind of securities, cash, and other property receivable in such Reorganization Event by a holder of the shares of Common Stock that was not the counterparty to the Reorganization Event or an affiliate of such other party (such securities, cash, and other property, the "*Exchange Property*").

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(b) In the event that holders of the shares of the Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holders are entitled to receive will be deemed to be the types and amounts of consideration received by the majority of the holders of the shares of the Common Stock that affirmatively make an election (or of all such holders if none make an election). On each Conversion Date following a Reorganization Event, the Conversion Rate then in effect will be applied to the value on such Conversion Date of the securities, cash, or other property received per share of Common Stock, determined as set forth above. The amount of Exchange Property receivable upon conversion of any Series L Preferred Stock in accordance with Section 5, Section 6(b), Section 6(c) or Section 6(d) hereof shall be determined based upon the then Applicable Conversion Rate.

(c) The above provisions of this Section 8 shall similarly apply to successive Reorganization Events and the provisions of Section 7 shall apply to any shares of capital stock of the Corporation (or any successor) received by the holders of the Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within 20 days of the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 8.

#### **Section 9. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series L Preferred Stock shall be entitled, out of assets legally available for distribution to stockholders before any distribution of the assets of the Corporation may be made to the Holders of any Junior Stock to receive in full a liquidating distribution in the amount of the liquidation preference of \$1,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. After payment of this liquidating distribution, the holders of Series L Preferred Stock will not be entitled to any further participation in any distribution of the Corporation's assets in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation. Distributions will be made only to the extent of the Corporation's assets remaining available after satisfaction of all liabilities to creditors and subject to the rights of holders of any securities ranking senior to the Series L Preferred Stock and *pro rata* as to the Series L Preferred Stock and any other shares of the Corporation's stock ranking equally as to such distribution.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series L Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series L Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences, plus any dividends which have been declared but not yet paid, of Series L Preferred Stock and all such Parity Stock.

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**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series L Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 9, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or business of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

**Section 10. Redemption.**

The Series L Preferred Stock shall not be redeemable either at the Corporation's option or at the option of the Holders at any time.

**Section 11. Voting Rights.**

**(a) General.** The holders of Series L Preferred Stock shall not be entitled to vote on any matter except as set forth in Section 11(b) below or as required by Delaware law.

**(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series L Preferred Stock or any other class or series of preferred stock ranking equally with Series L Preferred Stock as to payment of dividends and upon which voting rights equivalent to those granted by this Section 11 have been conferred ("*Voting Parity Securities*") and are exercisable, have not been declared and paid for the equivalent of at least six or more quarterly Dividend Periods (whether consecutive or not (a "*Nonpayment*")), the number of directors constituting the Board shall be increased by two, and the Holders of the outstanding shares of Series L Preferred Stock voting as a class with holders of any series of the Corporation's preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist, shall have the right, voting separately as a single class without regard to series, with voting rights allocated *pro rata* based on liquidation preference, to the exclusion of the holders of Common Stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and provided further that the Board shall at no time include more than two such directors. Each such director elected by the holders of shares of Series L Preferred Stock and any Voting Parity Securities is a "*Preferred Director*." Any Preferred Director elected by the holders of the Series L Preferred Stock and any Parity Stock

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may only be removed by the vote of the holders of record of the outstanding Series L Preferred Stock and any such Parity Stock, voting together as a single and separate class, at a meeting of the Corporation's stockholders called for that purpose. Any vacancy created by the removal of any Preferred Director may be filled only by the vote of the holders of the outstanding Series L Preferred Stock and any such Parity Stock, voting together as a single and separate class.

Notwithstanding the foregoing, without the consent of the Holders, so long as such action does not adversely affect the interests of the Holders, the Corporation may amend, alter, supplement, or repeal any terms of the Series L Preferred Stock for the following purposes:

(1) to cure any ambiguity, or to cure, correct, or supplement any provision contained in this Certificate of Designations that may be ambiguous, defective, or inconsistent; or

(2) to make any provision with respect to matters or questions relating to the Series L Preferred Stock that is not inconsistent with the provisions of this Certificate of Designations.

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the Holders Series L Preferred Stock and any Voting Parity Securities with exercisable voting rights, called as provided herein. At any time after the special voting right has vested pursuant to Section 11(b)(i) above, the secretary of the Corporation may, and upon the written request of any Holder of Series L Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series L Preferred Stock and any Voting Parity Securities with exercisable voting rights, for the election of the two directors to be elected by them as provided in Section 11(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any Holder of Series L Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 11(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 11(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the Holders of the Series L Preferred Stock (voting together on a single and separate class with holders of any Voting Parity Securities, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** The voting rights described above will terminate, except as provided by law, upon the earlier of (A) the conversion of all of the Series L Preferred Stock or (B) the payment of full dividends on the Series L Preferred Stock and any other series of the Corporation's preferred stock, if any, for the equivalent of at least four quarterly Dividend Periods (but subject to revesting in the case of any similar non-payment of dividends in respect of future Dividend Periods) following a Nonpayment on the Series L Preferred Stock and any other series of the Corporation's preferred stock. Upon termination of the special voting right described above, the terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the Board will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series L Preferred Stock (voting together as a single and separate class with holders of any Voting Parity Securities, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist).

**Section 12. Fractional Shares.**

(a) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series L Preferred Stock.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion at the Corporation's option pursuant to Section 5 hereof or any conversion at the option of the Holder pursuant to Section 6(b), Section 6(c) or Section 6(d) hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion.

(c) If more than one share of the Series L Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series L Preferred Stock so surrendered.

**Section 13. Reservation of Common Stock.**

(a) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares held in the treasury by the Corporation, solely for issuance upon the conversion of shares of Series L Preferred Stock as provided in this Certificate of Designations, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series L Preferred Stock then outstanding, at the Applicable Conversion Price subject to adjustment as described under Section 7. For purposes of this Section 13(a), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series L Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon conversion of shares of Series L Preferred Stock, as herein provided, shares of Common

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Stock acquired by the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such acquired shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(c) All shares of Common Stock delivered upon conversion of the Series L Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(d) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series L Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(e) The Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all the Common Stock issuable upon conversion of the Series L Preferred Stock; *provided, however*, that if the rules of such exchange or automated quotation system permit the Corporation to defer the listing of such Common Stock until the first conversion of Series L Preferred Stock into Common Stock in accordance with the provisions hereof, the Corporation covenants to list such Common Stock issuable upon conversion of the Series L Preferred Stock in accordance with the requirements of such exchange or automated quotation system at such time.

**Section 14. Preemption.** The Holders of Series L Preferred Stock shall not have any rights of preemption.

**Section 15. Rank.** Notwithstanding anything set forth in the Corporation's Amended and Restated Certificate of Incorporation or this Certificate of Designations to the contrary, the Board, the Committee or any authorized committee of the Board, without the vote of the Holders of the Series L Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series L Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 16. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell shares of Series L Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board or any duly authorized committee of the Board may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

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**Section 17. Unissued or Reacquired Shares.** Shares of Series L Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series and shall be available for subsequent issuance.

**Section 18. No Sinking Fund.** Shares of Series L Preferred Stock are not subject to the operation of a sinking fund.



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**CERTIFICATE OF DESIGNATIONS  
OF  
FIXED-TO-FLOATING RATE  
NON-CUMULATIVE PREFERRED STOCK, SERIES M  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At meetings duly convened and held on December 11, 2007, January 23, 2008 and April 23, 2008, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on April 25, 2008, the Committee duly adopted the following resolution by written consent:

**"RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 29th day of April, 2008.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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EXHIBIT A

CERTIFICATE OF DESIGNATIONS  
OF  
FIXED-TO-FLOATING RATE  
NON-CUMULATIVE PREFERRED STOCK, SERIES M  
OF  
BANK OF AMERICA CORPORATION

**Section 1. Designation.** The designation of the series of preferred stock shall be “Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M” (the “*Series M Preferred Stock*”). Each share of Series M Preferred Stock shall be identical in all respects to every other share of Series M Preferred Stock. Series M Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series M Preferred Stock shall be 160,000. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series M Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series M Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series M Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Calculation Agent*” shall mean The Bank of New York Trust Company, N.A., or such other bank or entity as may be appointed by the Corporation to act as calculation agent for the Series M Preferred Stock during the Floating Rate Period (as defined below).

“*Depositary Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Determination Date*” shall have the meaning set forth below in the definition of “Three-Month LIBOR.”

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“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Fixed Rate Period*” shall have the meaning set forth in Section 4(a) hereof.

“*Floating Rate Period*” shall have the meaning set forth in Section 4(a) hereof.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series M Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding), (f) the Corporation’s 6.625% Non-Cumulative Preferred Stock, Series I, (g) the Corporation’s 7.25% Non-Cumulative Preferred Stock, Series J, (h) the Corporation’s Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, (i) the Corporation’s 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L, and (j) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series M Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Reuters Screen Page “LIBOR01”*” means the display page so designated on Reuters (or any other page as may replace that page on that service, or any other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series M Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series M Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Three-Month LIBOR*” means, with respect to any Dividend Period in the Floating Rate Period, the offered rate (expressed as a percentage *per annum*) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Reuters Screen Page “LIBOR01” as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period (the “*Dividend Determination*”).

*Date*”). If such rate does not appear on Reuters Screen Page “LIBOR01”, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. The Calculation Agent will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period in the Floating Rate Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the Fixed Rate Period (as defined below). The Calculation Agent’s establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period in the Floating Rate Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series M Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### **Section 4. Dividends.**

(a) **Rate.** Holders of Series M Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series M Preferred Stock, and no more, payable (x) for the Fixed Rate Period, semi-annually in arrears on each May 15 and November 15, beginning on November 15, 2008, and (y) for the Floating Rate Period, quarterly in arrears on each February 15, May 15, August 15, and November 15, beginning on August 15, 2018; ~~provided, however,~~ if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from, and including, the date of issuance of the Series M Preferred Stock or any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series M Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate *per annum* equal to (1) 8.125%, for each Dividend Period from the issue date to, but excluding, May 15, 2018 (the “*Fixed Rate Period*”), and (2) Three-Month LIBOR plus a spread of 3.64%, for each Dividend Period from, and including, May 15, 2018 to the date of redemption of the Series M Preferred

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Stock (the “*Floating Rate Period*”). The record date for payment of dividends on the Series M Preferred Stock shall be the last day of the calendar month immediately preceding the month in which the Dividend Payment Date falls. For the Fixed Rate Period, the amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. For the Floating Rate Period, the amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed in a Dividend Period.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series M Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series M Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series M Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series M Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series M Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series M Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series M Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation’s Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series M Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series M Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series M Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series M Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the

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shares of Series M Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series M Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series M Preferred Stock shall not be entitled to participate in any such dividend.

**Section 5. Liquidation Rights.**

(a) **Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series M Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series M Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series M Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

(b) **Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series M Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series M Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences, plus any dividends which have been declared but not yet paid, of Series M Preferred Stock and all such Parity Stock.

(c) **Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series M Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

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## Section 6. Redemption.

(a) **Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series M Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on May 15, 2018, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series M Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

(b) **Notice of Redemption.** Notice of every redemption of shares of Series M Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series M Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series M Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series M Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series M Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

(c) **Partial Redemption.** In case of any redemption of only part of the shares of Series M Preferred Stock at the time outstanding, the shares of Series M Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series M Preferred Stock in proportion to the number of Series M Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series M Preferred Stock shall be redeemed from time to time.

(d) **Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for

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redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depositary Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

**Section 7. Voting Rights.**

**(a) General.** The holders of Series M Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

**(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series M Preferred Stock or any other class or series of preferred stock that ranks on parity with Series M Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b)(i) have been conferred and are exercisable, have not been paid in an aggregate amount equal to, as to any class or series, the equivalent of at least three or more semi-annual or six or more quarterly Dividend Periods (whether consecutive or not), as applicable, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series M Preferred Stock (together with holders of any class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series M Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series M Preferred Stock as to payment of dividends and having equivalent voting rights is a "*Preferred Director*."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series M Preferred Stock and any other class or series of our stock that ranks on parity with Series M Preferred Stock as to



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payment of dividends and having equivalent voting rights and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series M Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series M Preferred Stock and any other class or series of preferred stock that ranks on parity with Series M Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series M Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series M Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series M Preferred Stock and any other class or series of preferred stock that ranks on parity with Series M Preferred Stock as to payment of dividends, if any, for the equivalent of at least two semi-annual or four quarterly Dividend Periods, as applicable, then the right of the holders of Series M Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate, and the number of directors constituting the Board of Directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series M Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemption and Conversion.** The holders of Series M Preferred Stock shall not have any rights of preemption or rights to convert such Series M Preferred Stock into shares of any other class of capital stock of the Corporation.

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**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series M Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series M Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series M Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series M Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series M Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS  
OF  
8.20% NON-CUMULATIVE PREFERRED STOCK, SERIES H  
OF  
BANK OF AMERICA CORPORATION**

Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

Bank of America Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. At meetings duly convened and held on December 11, 2007, January 23, 2008 and April 23, 2008, the Board of Directors of the Corporation (the "Board") duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's preferred stock, and (b) appointing a Special Committee (the "Committee") of the Board to act on behalf of the Board in establishing the number of authorized shares, the dividend rate and other powers, designations, preferences and rights of the preferred stock.

2. Thereafter, on May 21, 2008, the Committee duly adopted the following resolution by written consent:

"**RESOLVED**, that the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's 8.20% Non-Cumulative Preferred Stock, Series H, including those established by the Board and the number of authorized shares and dividend rate established hereby, are authorized and approved as set forth in the Certificate of Designations attached hereto as Exhibit A, which is incorporated herein and made a part of these resolutions by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its duly authorized officer this 22nd day of May, 2008.

BANK OF AMERICA CORPORATION

/s/ TERESA M. BRENNER

Name: Teresa M. Brenner  
Title: Associate General Counsel

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EXHIBIT A

CERTIFICATE OF DESIGNATIONS

OF

8.20% NON-CUMULATIVE PREFERRED STOCK, SERIES H

OF

BANK OF AMERICA CORPORATION

**Section 1. Designation.** The designation of the series of preferred stock shall be “8.20% Non-Cumulative Preferred Stock, Series H” (the “*Series H Preferred Stock*”). Each share of Series H Preferred Stock shall be identical in all respects to every other share of Series H Preferred Stock. Series H Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series H Preferred Stock shall be 124,200. That number from time to time may be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series H Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any other duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series H Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series H Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York or in Charlotte, North Carolina.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which Series H Preferred

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Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Parity Stock*” means (a) the Corporation’s 7% Cumulative Redeemable Preferred Stock, Series B, (b) the Corporation’s 6.204% Non-Cumulative Preferred Stock, Series D, (c) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series E, (d) the Corporation’s Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding), (e) the Corporation’s Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding), (f) the Corporation’s 6.625% Non-Cumulative Preferred Stock, Series I, (g) the Corporation’s 7.25% Non-Cumulative Preferred Stock, Series J, (h) the Corporation’s Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, (i) the Corporation’s 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L, (j) the Corporation’s Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M, and (k) any other class or series of stock of the Corporation hereafter authorized that ranks on a par with the Series H Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Senior Stock*” means any class or series of stock of the Corporation now existing or hereafter authorized which has preference or priority over the Series H Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“*Series H Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

#### **Section 4. Dividends.**

**(a) Rate.** Holders of Series H Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends at a rate per annum equal to 8.20% on the liquidation preference of \$25,000 per share of Series H Preferred Stock, and no more, payable quarterly in arrears on each February 1, May 1, August 1 and November 1; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise declared and payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from, and including, the date of issuance of the Series H Preferred Stock or any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series H Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to 8.20%. The record date for payment of dividends on the Series H Preferred Stock shall be the fifteenth day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series H Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series H

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Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series H Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series H Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

**(c) Priority of Dividends.** So long as any share of Series H Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in shares of Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series H Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series H Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. The foregoing limitations do not apply to purchases or acquisitions of the Corporation's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted. Subject to the succeeding sentence, for so long as any shares of Series H Preferred Stock remain outstanding, no dividends shall be declared or paid or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series H Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series H Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, the Corporation will allocate the dividend payments on a *pro rata* basis among the holders of the shares of Series H Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the *pro rata* allocation of partial dividend payments, the Corporation will allocate dividend payments based on the ratio between the then-current dividend payments due on the shares of Series H Preferred Stock and the aggregate of the current and accrued dividends due on the outstanding Parity Stock. No interest will be payable in respect of any dividend payment on shares of Series H Preferred Stock that may be in arrears. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series H Preferred Stock shall not be entitled to participate in any such dividend.

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## Section 5. Liquidation Rights.

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series H Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series H Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation. The holders of Series H Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all holders of Series H Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series H Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any dividends which have been declared but not yet paid of Series H Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the liquidation preference plus any dividends which have been declared but not yet paid has been paid in full to all holders of Series H Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## Section 6. Redemption.

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem out of funds legally available therefor, in whole or in part, the shares of Series H Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after the Dividend Payment Date on May 1, 2013, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series H Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

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**(b) Notice of Redemption.** Notice of every redemption of shares of Series H Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series H Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series H Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series H Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series H Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series H Preferred Stock at the time outstanding, the shares of Series H Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series H Preferred Stock in proportion to the number of Series H Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series H Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the



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Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

**Section 7. Voting Rights.**

**(a) General.** The holders of Series H Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by Delaware law.

**(b) Special Voting Right.**

**(i) Voting Right.** If and whenever dividends on the Series H Preferred Stock or any other class or series of preferred stock that ranks on parity with Series H Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(b)(i) have been conferred and are exercisable, have not been paid, as to any class or series, for the equivalent of at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series H Preferred Stock (together with holders of any class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of the such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series H Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series H Preferred Stock as to payment of dividends and having equivalent voting rights is a "*Preferred Director*."

**(ii) Election.** The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series H Preferred Stock and any other class or series of our stock that ranks on parity with Series H Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(b)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series H Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series H Preferred Stock and any other class or series of preferred stock that ranks on parity with Series H Preferred Stock as to payment of dividends and having equivalent voting rights and for which dividends have not been paid for the election of the two directors to be elected by them as

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provided in Section 7(b)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

**(iii) Notice of Special Meeting.** Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series H Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(b)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(b)(iv). In case any vacancy in the office of a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series H Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

**(iv) Termination; Removal.** Whenever full dividends have been paid regularly on the Series H Preferred Stock and any other class or series of preferred stock that ranks on parity with Series H Preferred Stock as to payment of dividends, if any, for at least four quarterly Dividend Periods, then the right of the holders of Series H Preferred Stock to elect the Preferred Directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate and the number of directors constituting the Board of Directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series H Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(b).

**Section 8. Preemptive Rights and Conversion.** The holders of Series H Preferred Stock shall not have any preemptive rights or rights to convert such Series H Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Rank.** Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designations to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series H Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series H Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

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**Section 10. Repurchase.** Subject to the limitations imposed herein, the Corporation may purchase and sell Series H Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

**Section 11. Unissued or Reacquired Shares.** Shares of Series H Preferred Stock not issued or which have been redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 12. No Sinking Fund.** Shares of Series H Preferred Stock are not subject to the operation of a sinking fund.

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**CERTIFICATE OF DESIGNATIONS**  
**OF**  
**FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES N**  
**OF**  
**BANK OF AMERICA CORPORATION**

Bank of America Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), in accordance with the provisions of Sections 141 and 151 of the General Corporation Law of the State of Delaware, does hereby certify:

At meetings duly convened and held by the board of directors of the Corporation (the "Board of Directors") on July 23, 2008 and October 15, 2008, the Board of Directors duly adopted resolutions (a) authorizing the issuance and sale by the Corporation of one or more series of the Corporation's Preferred Stock, and (b) appointing a Special Committee (the "Committee") of the Board of Directors to act on behalf of the Board of Directors in establishing the number of authorized shares, the dividend rate, the voting and other powers, designations, preferences and rights, and the qualifications, limitations and restrictions thereof, of such series of Preferred Stock.

Thereafter, on October 26, 2008, the Committee duly adopted the following resolution creating a series of 600,000 shares of Preferred Stock of the Corporation designated as "Fixed Rate Cumulative Perpetual Preferred Stock, Series N" by written consent

**RESOLVED**, that pursuant to the provisions of the certificate of incorporation and the bylaws of the Corporation and applicable law, and the resolutions adopted by the Board of Directors, a series of Preferred Stock, par value \$0.01 per share, of the Corporation be, and hereby is, created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Corporation a series of preferred stock designated as the "Fixed Rate Cumulative Perpetual Preferred Stock, Series N" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock shall be 600,000.

Part 2. Standard Provisions. The Standard Provisions contained in Annex A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this Certificate of Designations to the same extent as if such provisions had been set forth in full herein.

Part 3. Definitions. The following terms are used in this Certificate of Designations (including the Standard Provisions in Annex A hereto) as defined below:

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- (a) “Common Stock” means the common stock, par value \$0.01 per share, of the Corporation.
- (b) “Dividend Payment Date” means February 15, May 15, August 15 and November 15 of each year.
- (c) “Junior Stock” means the Common Stock, and any other class or series of stock of the Corporation the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation.
- (d) “Liquidation Amount” means \$25,000 per share of Designated Preferred Stock.
- (e) “Minimum Amount” means \$3,750,000,000.
- (f) “Parity Stock” means any class or series of stock of the Corporation (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Corporation (in each case without regard to whether dividends accrue cumulatively or non-cumulatively). Without limiting the foregoing, Parity Stock shall include the Corporation’s (i) 7% Cumulative Redeemable Preferred Stock, Series B; (ii) 6.204% Non-Cumulative Preferred Stock, Series D; (iii) Floating Rate Non-Cumulative Preferred Stock, Series E; (iv) Floating Rate Non-Cumulative Preferred Stock, Series F (if and when issued and outstanding); (v) Adjustable Rate Non-Cumulative Preferred Stock, Series G (if and when issued and outstanding); (vi) 8.20% Non-Cumulative Preferred Stock, Series H; (vii) 6.625% Non-Cumulative Preferred Stock, Series I; (viii) 7.25% Non-Cumulative Preferred Stock, Series J; (ix) Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K; (x) 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L; and (xi) Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series M.
- (g) “Signing Date” means October 26, 2008.

Part. 4. Certain Voting Matters. Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.

*[Remainder of Page Intentionally Left Blank]*

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IN WITNESS WHEREOF, Bank of America Corporation has caused this Certificate of Designations to be signed by Teresa M. Brenner, its Associate General Counsel, this 27th day of October, 2008.

BANK OF AMERICA CORPORATION

By: /s/ TERESA M. BRENNER  
Name: Teresa M. Brenner  
Title: Associate General Counsel

**STANDARD PROVISIONS**

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Corporation.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

- (a) “Applicable Dividend Rate” means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.
- (b) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.
- (c) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Corporation’s stockholders.
- (d) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.
- (e) “Bylaws” means the bylaws of the Corporation, as they may be amended from time to time.
- (f) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.
- (g) “Charter” means the Corporation’s certificate or articles of incorporation, articles of association, or similar organizational document.
- (h) “Dividend Period” has the meaning set forth in Section 3(a).
- (i) “Dividend Record Date” has the meaning set forth in Section 3(a).
- (j) “Liquidation Preference” has the meaning set forth in Section 4(a).

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(k) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(l) “Preferred Director” has the meaning set forth in Section 7(b).

(m) “Preferred Stock” means any and all series of preferred stock of the Corporation, including the Designated Preferred Stock.

(n) “Qualified Equity Offering” means the sale and issuance for cash by the Corporation to persons other than the Corporation or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Corporation at the time of issuance under the applicable risk-based capital guidelines of the Corporation’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to October 13, 2008).

(o) “Share Dilution Amount” has the meaning set forth in Section 3(b).

(p) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(q) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(r) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

### Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (*i.e.*, no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but



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excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date.

Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b)Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice, *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (ii) purchases or other acquisitions by a broker-dealer subsidiary of the Corporation solely for the purpose of market-making, stabilization or customer facilitation transactions in Junior Stock or Parity Stock in the ordinary course of its business; (iii) purchases by a broker-dealer subsidiary of the Corporation of capital stock of the Corporation for resale pursuant to an offering by the Corporation of such capital stock underwritten by such broker-dealer subsidiary; (iv) any dividends or distributions of rights or Junior Stock in connection with a stockholders’

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rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan; (v) the acquisition by the Corporation or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Corporation or any of its subsidiaries), including as trustees or custodians; and (vi) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. "Share Dilution Amount" means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Corporation's consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Original Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared *pro rata* so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

#### Section 4. Liquidation Rights.

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(a)Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, subject to the rights of any creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the "Liquidation Preference").

(b)Partial Payment. If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c)Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d)Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

#### Section 5. Redemption.

(a)Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable

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as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption.

Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; *provided* that (x) the Corporation (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Corporation (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor).

The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b)No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c)Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any other similar facility, notice of

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redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d)Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either *pro rata* or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e)Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the *pro rata* benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least \$500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(f)Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Corporation shall revert to authorized but unissued shares of Preferred Stock (*provided* that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6.Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7.Voting Rights.

(a)General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b)Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Corporation shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the "Preferred Directors" and each a "Preferred Director") to fill such newly created directorships at the Corporation's next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; *provided* that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Corporation to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Corporation may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c)Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i)Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Corporation ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

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(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole;

*provided, however*, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Corporation to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to

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time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.



**Bank of America Corporation and Subsidiaries**  
**Ratio of Earnings to Fixed Charges**  
**Ratio of Earnings to Fixed Charges and Preferred Dividends**

(Dollars in millions)	Nine Months Ended September 30, 2008	Year Ended December 31				
		2007	2006	2005	2004	2003
<b>Excluding Interest on Deposits</b>						
Income before income taxes	\$ 8,230	\$ 20,924	\$ 31,973	\$ 24,480	\$ 20,908	\$ 15,781
Equity in undistributed earnings of unconsolidated subsidiaries	(256)	(95)	(315)	(151)	(135)	(125)
Fixed charges:						
Interest expense <sup>(1)</sup>	19,874	34,778	29,514	18,397	9,072	6,105
1/3 of net rent expense	571	669	609	585	512	398
Total fixed charges	20,445	35,447	30,123	18,982	9,584	6,503
Preferred dividend requirements	1,205	254	33	27	23	6
Fixed charges and preferred dividends	21,650	35,701	30,156	19,009	9,607	6,509
<b>Earnings</b>	<b>\$ 28,419</b>	<b>\$ 56,276</b>	<b>\$ 61,781</b>	<b>\$ 43,311</b>	<b>\$ 30,357</b>	<b>\$ 22,159</b>
<b>Ratio of earnings to fixed charges</b>	<b>1.39</b>	<b>1.59</b>	<b>2.05</b>	<b>2.28</b>	<b>3.17</b>	<b>3.41</b>
<b>Ratio of earnings to fixed charges and preferred dividends</b>	<b>1.31</b>	<b>1.58</b>	<b>2.05</b>	<b>2.28</b>	<b>3.16</b>	<b>3.40</b>

(Dollars in millions)	Nine Months Ended September 30, 2008	Year Ended December 31				
		2007	2006	2005	2004	2003
<b>Including Interest on Deposits</b>						
Income before income taxes	\$ 8,230	\$ 20,924	\$ 31,973	\$ 24,480	\$ 20,908	\$ 15,781
Equity in undistributed earnings of unconsolidated subsidiaries	(256)	(95)	(315)	(151)	(135)	(125)
Fixed charges:						
Interest expense <sup>(1)</sup>	31,828	52,871	43,994	27,889	14,993	10,667
1/3 of net rent expense	571	669	609	585	512	398
Total fixed charges	32,399	53,540	44,603	28,474	15,505	11,065
Preferred dividend requirements	1,205	254	33	27	23	6
Fixed charges and preferred dividends	33,604	53,794	44,636	28,501	15,528	11,071
<b>Earnings</b>	<b>\$ 40,373</b>	<b>\$ 74,369</b>	<b>\$ 76,261</b>	<b>\$ 52,803</b>	<b>\$ 36,278</b>	<b>\$ 26,721</b>
<b>Ratio of earnings to fixed charges</b>	<b>1.25</b>	<b>1.39</b>	<b>1.71</b>	<b>1.85</b>	<b>2.34</b>	<b>2.41</b>
<b>Ratio of earnings to fixed charges and preferred dividends</b>	<b>1.20</b>	<b>1.38</b>	<b>1.71</b>	<b>1.85</b>	<b>2.34</b>	<b>2.41</b>

<sup>(1)</sup>Represents an appropriate interest factor.

**Certification Pursuant to Section 302  
of the Sarbanes-Oxley Act of 2002  
for the Chief Executive Officer**

I, Kenneth D. Lewis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bank of America Corporation (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ Kenneth D. Lewis  
Kenneth D. Lewis  
Chairman, Chief Executive  
Officer and President

**Certification Pursuant to Section 302  
of the Sarbanes-Oxley Act of 2002  
for the Chief Financial Officer**

I, Joe L. Price, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bank of America Corporation (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ Joe L. Price  
Joe L. Price  
Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002**

I, Kenneth D. Lewis, state and attest that:

1. I am the Chief Executive Officer of Bank of America Corporation (the registrant).
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:
  - the Quarterly Report on Form 10-Q of the registrant for the quarter ended September 30, 2008 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
  - the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the registrant as of, and for, the periods presented.

Date: November 6, 2008

/s/ Kenneth D. Lewis  
Kenneth D. Lewis  
Chairman, Chief Executive  
Officer and President

**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906  
of the Sarbanes-Oxley Act of 2002**

I, Joe L. Price, state and attest that:

1. I am the Chief Financial Officer of Bank of America Corporation (the registrant).
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:
  - the Quarterly Report on Form 10-Q of the registrant for the quarter ended September 30, 2008 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
  - the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the registrant as of, and for, the periods presented.

Date: November 6, 2008

/s/ Joe L. Price  
Joe L. Price  
Chief Financial Officer

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