BANK OF AMERICA CORP /DE/
Form 10-Q
November 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
[ü] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2011
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number:
1-6523
Exact Name of Registrant as Specified in its Charter:
Bank of America Corporation
State or Other Jurisdiction of Incorporation or Organization:
Delaware
IRS Employer Identification Number:
56-0906609
Address of Principal Executive Offices:
Bank of America Corporate Center
100 N. Tryon Street
Charlotte, North Carolina 28255
Registrant's telephone number, including area code:
(704) 386-5681
Former name, former address and former fiscal year, if changed since last report:
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ü No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ü 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 (check one).

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

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

On October 31, 2011, there were 10,135,871,814 shares of Bank of America Corporation Common Stock outstanding.

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

This report on Form 10-Q, the documents that it incorporates by reference and the documents into which it may be incorporated by reference may contain, and from time to time Bank of America Corporation (collectively with its subsidiaries, the Corporation) and its management may make, certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as “expects,” “anticipates,” “believes,” “estimates,” “targets,” “intends,” “plans,” “goal” and other similar expressi future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.” The forward-looking statements ma represent the current expectations, plans or forecasts of the Corporation regarding the Corporation's future results and revenues, and future business and economic conditions more generally, including statements concerning: the Federal Reserve's plans to purchase U.S. treasury bonds and agency mortgage-backed securities (MBS) and sell short-dated securities between October 2011 and June 2012; the expected closing of the Canada consumer card business in the fourth quarter of 2011; the Corporation's intention to exit its consumer card businesses in Europe; the planned schedule and details for implementation and completion of, and the expected impact from, Phase 1 and Phase 2 of Project New BAC, including expected personnel reductions and estimated expense reductions; the potential impact of the European Union (EU) financial relief plan, including on European banks, as well as any other European sovereign bailout proposals; the future favorable effects of the United Kingdom (U.K.) corporate income tax rate reductions and the effect on income tax expense of the possible additional U.K. corporate income tax rate reduction announced by the U.K. Treasury; the transformation of the Corporation's mortgage business, including the Corporation's intention to wind down its correspondent channel; the Corporation's expectation that it will maintain limited commercial paper exposure; the expected normalized levels of credits losses and noninterest expense; recent developments with regard to the agreement to resolve nearly all of the legacy Countrywide-issued first-lien non government-sponsored enterprise (GSE) residential mortgage-backed securitization repurchase exposures (the BNY Mellon Settlement); the impact of and costs associated with each of the agreements with The Bank of New York Mellon (as trustee for certain legacy Countrywide private-label securitization trusts), Assured Guaranty Ltd. and subsidiaries (Assured Guaranty), and each of the government-sponsored enterprises Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the GSEs) to resolve bulk representations and warranties claims; the continually evolving behavior of the GSEs, and the Corporation's intention to monitor and update its processes related to these changing GSE behaviors; the adequacy of the liability for the remaining representations and warranties exposure to the GSEs and the future impact to earnings, including the impact on such estimated liability arising from the recent announcement by FNMA regarding mortgage rescissions, cancellations and claim denials; our expectation that mortgage-related assessment and waiver costs will remain elevated as additional loans are delayed in the foreclosure process and as the GSEs assert more aggressive criteria; the expected repurchase claims on the 2004-2008 loan vintages; the Corporation's belief that with the provision recorded in connection with the BNY Mellon Settlement, and the additional representations and warranties provisions recorded in the nine months ended September 30, 2011, the Corporation has provided for a substantial portion of its non-GSE representations and warranties exposure; the potential assertion and impact of additional claims not addressed by the BNY Mellon Settlement or any of the prior agreements entered into between the Corporation and the GSEs, monoline insurers and other investors; representations and warranties liabilities (also commonly referred to as reserves), and the estimated range of possible loss, expenses and repurchase claims and resolution of those claims, and any related servicing, securities, fraud, indemnity or other claims; the Corporation's intention to vigorously contest any requests for repurchase for which it concludes that a valid basis does not exist; future impact of complying with the terms of the consent orders with federal bank regulators regarding the foreclosure process and potential civil monetary penalties that may be levied in connection therewith; the impact of delays in connection with the Corporation's temporary halt of foreclosure proceedings in late 2010; the potential impact of changes in the Corporation's procedures and controls, as well as governmental, regulatory and judicial actions, on the timing of resuming foreclosure proceedings and foreclosure sales and on the collection of certain fees and expenses; negotiations to settle or any other resolution of various state and federal investigations into alleged irregularities in the

practices of residential mortgage originators and servicers, including the Corporation; the net recovery projections for credit default swaps with monoline financial guarantors; the impact on economic conditions and on the Corporation arising from any further changes to the credit rating or perceived creditworthiness of instruments issued, insured or guaranteed by the U.S. government, or of institutions, agencies or instrumentalities directly linked to the U.S. government; future payment protection insurance (PPI) claims in the U.K.; future risk-weighted assets and any mitigation efforts to reduce risk-weighted assets; credit trends and conditions, including credit losses, credit reserves, the allowance for loan and lease losses, charge-offs, delinquency, collection and bankruptcy trends, and nonperforming asset levels, including expected reductions in the allowance for loan and lease losses; sales and trading revenue; consumer and commercial service charges, including the impact of changes in the Corporation's overdraft policy and the Corporation's ability to mitigate a decline in revenues; liquidity; the Corporation's anticipation that it will continue to reduce its long-term debt as appropriate through 2013; capital levels determined by or established in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the requirements of various regulatory agencies, including our ability to comply with any Basel capital requirements endorsed by U.S. regulators without raising additional capital and within any applicable regulatory timelines; the revenue impact of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act); the revenue impact and the impact on the value of our assets and liabilities resulting from, and any mitigation actions taken in response to, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act), including the impact of the Durbin Amendment, the Volcker Rule, and activity of the Consumer Financial Protection Bureau; the risk retention rules and derivatives regulations; the Corporation's intention to comply with certain requirements relating to fraud prevention in debit card transactions pursuant to the final rule issued by the Federal Reserve

under the Durbin Amendment; the Corporation's ability to substitute or make changes to certain over-the-counter (OTC) derivative contracts; run-off of loan portfolios; that it is the Corporation's objective to maintain high-quality credit ratings; the expected impacts of certain privately-negotiated exchange transactions, including allowing the retirement of certain long-term junior subordinated debt issued to the trust companies, increasing Tier 1 common capital and reducing dividends paid on preferred stock and interest expense on certain long-term junior subordinated debt, increasing interest expense associated with newly issued senior notes and being accretive to earnings per common share and slightly dilutive to earnings per share; the estimated range of possible loss and the impact of various legal proceedings discussed in “Litigation and Regulatory Matters” in Note 11 - Commitments and Contingencies to the Consolidated Financial Statements; the number of delayed foreclosure sales and the resulting financial impact and other similar matters; and other matters relating to the Corporation and the securities that it may offer from time to time. The foregoing is not an exclusive list of all forward-looking statements the Corporation makes. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Corporation's control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Corporation's forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties more fully discussed elsewhere in this report, under Item 1A. “Risk Factors” of the Corporation's 2010 Annual Report on Form 10-K and the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, and in any of the Corporation's subsequent Securities and Exchange Commission (SEC) filings: the Corporation's ability to implement, manage and realize the anticipated benefits, revenue increases and cost savings from Project New BAC; the Corporation's timing and determinations regarding any potential revised comprehensive capital plan submission and the Federal Reserve's response; the Corporation's intent to build capital through retaining earnings, reducing legacy asset portfolios and implementing other non-dilutive capital related initiatives; the accuracy and variability of estimates and assumptions in determining the expected total cost of the BNY Mellon Settlement to the Corporation; the accuracy and variability of estimates and assumptions in determining the estimated liability and/or estimated range of possible loss for representations and warranties exposures to the GSEs, monolines and private-label and other investors; the accuracy and the variability of estimates and assumptions in determining the portion of the Corporation's repurchase obligations for residential mortgage obligations sold by the Corporation and its affiliates to investors that has been paid or reserved after giving effect to the BNY Mellon Settlement and the charges in the nine months ended September 30, 2011; the possibility that objections to the approval of the BNY Mellon Settlement, including objections by parties that have already filed notices of intent to object or motions to intervene, will delay or prevent receipt of final court approval; whether the conditions to the BNY Mellon Settlement will be satisfied, including the receipt of final court approval and private letter rulings from the IRS and other tax rulings and opinions; the Corporation and certain of its affiliates' ability to comply with the servicing and documentation obligations under the BNY Mellon Settlement; the potential assertion and impact of additional claims not addressed by the BNY Mellon Settlement or any of the prior agreements entered into between the Corporation and the GSEs, monoline insurers and other investors; the accuracy and variability of estimates and assumptions in determining the expected value of the loss-sharing reinsurance arrangement relating to the agreement with Assured Guaranty and the total cost of the agreement to the Corporation; the Corporation's resolution of certain representations and warranties obligations with the GSEs and our ability to resolve the GSEs' remaining claims; the Corporation's ability to resolve its representations and warranties obligations, and any related servicing, securities, fraud, indemnity or other claims with monolines, and private-label investors and other investors, including those monolines and investors from whom the Corporation has not yet received claims or with whom it has not yet reached any resolutions; failure to satisfy its obligations as servicer in the residential mortgage securitization process; the adequacy of the liability and/or the estimated range of possible loss for the representations and warranties exposures to the GSEs, monolines and private-label and other investors; the foreclosure review and assessment process, the effectiveness of the Corporation's response and any governmental findings or penalties or private third-party claims asserted in connection with these foreclosure matters; the ability to achieve resolution in negotiations with law enforcement authorities and federal agencies, including the U.S. Department of Justice (DOJ)

and U.S. Department of Housing and Urban Development (HUD), involving mortgage servicing practices, including the timing and any settlement terms; the adequacy of the reserve for future PPI claims in the U.K.; the risk of a subsequent credit rating downgrade of the U.S. government; negative economic conditions generally including continued weakness in the U.S. housing market, high unemployment in the U.S., as well as economic challenges in many non-U.S. countries in which the Corporation operates; the Corporation's mortgage modification policies and related results; the level and volatility of the capital markets, interest rates, currency values and other market indices; changes in consumer, investor and counterparty confidence in, and the related impact on, financial markets and institutions, including the Corporation as well as its business partners; the Corporation's credit ratings and the credit ratings of its securitizations, including the risk that the Corporation or its securities will be the subject of additional or further credit rating downgrades in addition to the downgrade by Moody's Investors Service, Inc. (Moody's) in the third quarter of 2011; the Corporation's ability to substitute or make changes to certain OTC derivative contracts, including as a result of certain limitations such as counterparty willingness, regulatory limitations on naming Bank of America, N.A. as the new counterparty, and the type or amount of collateral required; the impact resulting from international and domestic sovereign credit uncertainties, including the effectiveness of the EU financial relief plan; the timing and amount of any potential dividend increase; estimates of the fair value of certain of the Corporation's assets and liabilities; legislative and regulatory actions in the U.S. (including the impact of the Financial Reform Act, the Electronic Fund Transfer Act, the CARD Act and related regulations and interpretations) and internationally; the identification and effectiveness of any initiatives to mitigate the negative impact of the Financial Reform Act; the impact of litigation and regulatory investigations, including costs, expenses, settlements and judgments as well as any collateral effects on our ability to do business and access the capital markets; various monetary, tax and fiscal policies and regulations of the U.S. and non-U.S. governments;

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changes in accounting standards, rules and interpretations, inaccurate estimates or assumptions in the application of accounting policies, including in determining reserves, and of applicable guidance regarding goodwill accounting and the impact on the Corporation's financial statements; increased globalization of the financial services industry and competition with other U.S. and international financial institutions; adequacy of the Corporation's risk management framework; the Corporation's ability to attract new employees and retain and motivate existing employees; technology changes instituted by the Corporation, its counterparties or competitors; mergers and acquisitions and their integration into the Corporation, including the Corporation's ability to realize the benefits and cost savings from the Merrill Lynch & Co., Inc. (Merrill Lynch) and Countrywide Financial Corporation (Countrywide) acquisitions; the Corporation's reputation, including the effects of continuing intense public and regulatory scrutiny of the Corporation and the financial services industry; the effects of any unauthorized disclosures of our or our customers' private or confidential information and any negative publicity directed toward the Corporation; and decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

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

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

Executive Summary

Business Overview

The Corporation is a Delaware corporation, a bank holding company and a financial holding company. When used in this report, "the Corporation" may refer to the Corporation individually, the Corporation and its subsidiaries, or certain of the Corporation's subsidiaries or affiliates. Our principal executive offices are located in the Bank of America Corporate Center in Charlotte, North Carolina. Through our banking and various nonbanking subsidiaries throughout the United States and in certain international markets, we provide a diversified range of banking and nonbanking financial services and products through six business segments: Deposits, Card Services (formerly Global Card Services), Consumer Real Estate Services (CRES), Global Commercial Banking, Global Banking & Markets (GBAM) and Global Wealth & Investment Management (GWIM), with the remaining operations recorded in All Other. At September 30, 2011, the Corporation had $2.2 trillion in assets and approximately 290,000 full-time equivalent employees.

As of September 30, 2011, we operated in all 50 states, the District of Columbia and more than 40 countries. Our retail banking footprint covers approximately 80 percent of the U.S. population and in the U.S., we serve 58 million consumer and small business relationships with approximately 5,700 banking centers, 17,750 ATMs, nationwide call centers, and leading online and mobile banking platforms. We offer industry-leading support to approximately four million small business owners. We are a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions and individuals around the world.

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Table 1 provides selected consolidated financial data for the three and nine months ended September 30, 2011 and 2010 and at September 30, 2011 and December 31, 2010.

Table 1
Selected Financial Data

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except per share information)	2011	2010	2011	2010
Income statement				
Revenue, net of interest expense (FTE basis) [1]	$28,702	$26,982	$69,280	$88,722
Net income (loss)	6,232	(7,299)	(545)	(994)
Net income, excluding goodwill impairment charge [2]	6,232	3,101	2,058	9,406
Diluted earnings (loss) per common share [3]	0.56	(0.77)	(0.15)	(0.21)
Diluted earnings per common share, excluding goodwill impairment charge [2]	0.56	0.27	0.11	0.82
Dividends paid per common share	0.01	0.01	0.03	0.03
Performance ratios				
Return on average assets	1.07%	n/m	n/m	n/m
Return on average assets, excluding goodwill impairment charge [2]	1.07	0.52%	0.12%	0.51%
Return on average tangible shareholders' equity [1]	17.03	n/m	n/m	n/m
Return on average tangible shareholders' equity, excluding goodwill impairment charge [1, 2]	17.03	8.54%	1.83%	9.01%
Efficiency ratio (FTE basis) [1]	61.37	100.87	87.69	70.16
Efficiency ratio (FTE basis), excluding goodwill impairment charge [1, 2]	61.37	62.33	83.93	58.43
Asset quality				
Allowance for loan and lease losses at period end			$35,082	$43,581
Allowance for loan and lease losses as a percentage of total loans and leases outstanding at period end [4]			3.81%	4.69%
Nonperforming loans, leases and foreclosed properties at period end [4]			$29,059	$34,556
Net charge-offs	$5,086	$7,197	16,779	27,551
Annualized net charge-offs as a percentage of average loans and leases outstanding [4]	2.17%	3.07%	2.41%	3.84%
Annualized net charge-offs as a percentage of average loans and leases outstanding excluding purchased credit-impaired loans [4]	2.25	3.18	2.50	3.98
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs [4]	1.74	1.53	1.56	1.18
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs excluding purchased credit-impaired loans [4]	1.33	1.34	1.20	1.04

	September 30 2011	December 31 2010
Balance sheet		
Total loans and leases	$932,531	$940,440
Total assets	2,219,628	2,264,909

Total deposits	1,041,353	1,010,430
Total common shareholders' equity	210,772	211,686
Total shareholders' equity	230,252	228,248
Capital ratios		
Tier 1 common equity	8.65 %	8.60 %
Tier 1 capital	11.48	11.24
Total capital	15.86	15.77
Tier 1 leverage	7.11	7.21

(1) Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratio are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

(2) Net income (loss), diluted earnings (loss) per common share, return on average assets, return on average tangible shareholders' equity and the efficiency ratio have been calculated excluding the impact of the goodwill impairment charges of $2.6 billion in the second quarter of 2011 and $10.4 billion in the third quarter of 2010, and accordingly, these are non-GAAP measures. For additional information on these measures and ratios, and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Due to a net loss applicable to common shareholders for the three months ended September 30, 2010 and the nine months ended September 30, 2011 and 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(4) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

n/m = not meaningful

Third Quarter 2011 Economic and Business Environment

The economic and financial environment for banking was unsettled in the third quarter. Financial market uncertainty surrounding the U.S. debt ceiling debate in Washington, D.C., the Standard & Poor's Financial Services LLC (S&P) downgrade of the U.S. government's credit rating, the European financial crisis, and continued soft economic growth in the U.S. resulted in concerns about a double-dip recession. Following economic weakness in the first half of 2011, U.S. retail sales and real consumption rose at a modest pace in the third quarter. Employment gains were modest, and the unemployment rate remained at 9.1 percent during the quarter. Slower growth in wages and salaries, and higher inflation contributed to subdued gains in real disposable personal income, while sharp declines in global stock markets reduced household net worth and undercut consumer confidence. Recovering vehicle sales, reflecting the easing of supply chain issues related to the Japanese earthquake, provided a boost, while flat-to-lower energy costs also added some relief. The housing sector remained soft, with low levels of new and existing home sales and construction. Business investment in equipment and software grew as did U.S. exports. In addition, the public perception of certain financial services firms and practices appeared to fall during the quarter.

During the third quarter, the Federal Reserve took two steps to stimulate the economy. In August, it announced that it expected to keep the federal funds rate target at zero through mid-2013, and as a result, bond yields fell and the yield curve flattened. In September, the Federal Reserve announced a new program designed to lower bond yields and mortgage rates under which the Federal Reserve plans to purchase U.S. treasury bonds and agency MBS, and sell short-dated securities between October 2011 and June 2012.

Global financial markets were in turmoil during the quarter. European policymakers continued their efforts to address the joint problems posed by certain troubled EU countries, in particular Greece, and Europe's fragile banking system. Concerns about the inability of Greece to service its sovereign debt spread to other EU nations, most notably Italy, and as a result sovereign bond yields rose. The European Central Bank purchased the sovereign bonds of Greece, Spain and Italy. Fears of a EU financial crisis adversely affected the U.S. financial system and economic performance, and weighed heavily on global financial markets, particularly impacting financial sector stocks. For more information, see Recent Events – European Union Sovereign Risks on page 10.

China's economy continued to grow in the third quarter, but at a moderating pace, and its inflation rose further. Japan's economy continued to recover from the adverse effects of the natural disaster earlier this year. Among key emerging nations, Brazil, following a period of sustained growth and sharp currency appreciation, incurred a significant economic slowdown and a depreciating currency. For more information on our exposure in Europe, Asia, Latin America and Japan, see Non-U.S. Portfolio on page 115.

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Recent Events

Berkshire Investment

On September 1, 2011, we closed our sale to Berkshire Hathaway Inc. (Berkshire) of 50,000 shares of the Corporation's 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock) and a warrant to purchase 700 million shares of the Corporation's common stock (the Warrant), for an aggregate purchase price of $5.0 billion in cash. The Warrant is exercisable at the holder's option at any time, in whole or in part until September 1, 2021, at an exercise price of $7.142857 per share which may be settled in cash or by exchanging all or a portion of the Series T Preferred Stock. For additional information about the Series T Preferred Stock and the Warrant, see Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Divestitures and Asset Dispositions

During the three months ended September 30, 2011, we continued to sell certain business units and assets as part of our capital management and enterprise wide initiatives. We closed our sale of approximately 13.1 billion common shares of China Construction Bank Corporation (CCB), representing approximately half of our investment in CCB, resulting in a pre-tax gain of $3.6 billion. The sale also generated approximately $3.5 billion of Tier 1 common capital and reduced our risk-weighted assets by $7.3 billion under Basel I. Following the sale, we continue to hold approximately five percent of the outstanding common shares of CCB.

On August 15, 2011, we announced an agreement to sell our consumer card business in Canada and the sale is expected to close in the fourth quarter of 2011. Further, we announced that we intend to exit our consumer card business in Europe. In light of these actions, the international consumer card business results were moved to All Other and prior period results have been reclassified. For additional information, see Card Services on page 37, All Other on page 55 and Note 10 – Goodwill and Intangible Assets to the Consolidated Financial Statements.

In October 2011, we announced that we intend to wind down the correspondent mortgage channel by the end of 2011 as part of our ongoing strategy to focus on retail distribution for our consumer mortgage products and services. On February 4, 2011, we announced that we were exiting the reverse mortgage origination business.

Project New BAC

Project New BAC is a two-phase, enterprise-wide initiative to streamline workflows and processes, align businesses and expenses more closely with our overall strategic plan and operating principles, and increase revenues. Phase 1 evaluations focused on the consumer businesses, including Deposits, Card Services and CRES, related support, and technology and operations functions. Phase 2 evaluations will focus on Global Commercial Banking, GBAM and GWIM, related support, and technology and operations functions not subject to evaluation under Phase 1.

Phase 1 evaluations were completed during September 2011, and resulted in the recently-announced management reorganization and the clarification of initiatives to align our businesses with specific customer groups. Implementation of Phase 1 recommendations began during the fourth quarter of 2011. Phase 1 has a stated goal of a reduction of approximately 30,000 positions, with natural attrition and the elimination of unfilled positions expected to represent a significant part of the reduction. A stated goal of the full implementation of Phase 1 is to reduce annual expenses by $5 billion per year by 2014, or approximately 18 percent of Phase 1 baseline annual expenses. As implementation of the Phase 1 recommendations continues, reductions in staffing levels in the affected areas will result in some incremental costs including severance.

Phase 2 evaluations began in October 2011 and are expected to continue through April 2012. Reductions in the areas subject to evaluation for Phase 2 have not yet been fully identified; however they are expected to be lower than Phase 1. All aspects of New BAC are expected to be implemented by the end of 2014.

When reductions in employment levels associated with the implementation of Phases 1 and 2 of New BAC are probable of occurring and the amounts can be reasonably estimated, the associated severance costs will be recognized. There were no material expenses related to New BAC recorded in the three and nine months ended September 30, 2011.

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Credit Ratings Actions

On September 21, 2011, Moody's downgraded the Corporation's long-term senior unsecured debt rating to Baa1 from A2 and our short-term debt rating to Prime-2 from Prime-1. These long-term credit ratings now incorporate two notches of uplift due to systemic support, down from four notches previously. On the same day, Moody's downgraded the long-term senior debt rating of Bank of America, N.A. (BANA) to A2 from Aa3, and its short-term debt rating was affirmed at Prime-1. These long-term credit ratings now incorporate three notches of uplift due to systemic support, down from five notches previously. The outlook on our and BANA's long-term senior unsecured ratings remained negative. These actions concluded a review for downgrade announced on June 2, 2011.

In addition, the other two major credit ratings agencies, S&P and Fitch, Inc. (Fitch), have indicated they will reevaluate, and could reduce the uplift they include in our ratings for government support, for reasons arising from financial services regulatory reform proposals or legislation. There can be no assurance that S&P and Fitch will refrain from downgrading our credit ratings. While certain potential impacts of a downgrade are contractual and quantifiable, the full scope of consequences of a credit ratings downgrade is inherently uncertain, as it depends upon numerous dynamic, complex and inter-related factors and assumptions, including whether any downgrade of our long-term credit ratings precipitates downgrades to our short-term credit ratings, and assumptions about the behavior of various customers, investors and counterparties whose responses to a downgrade cannot be determined in advance. Under the terms of certain OTC derivative contracts and other trading agreements, certain counterparties to those agreements have required us to provide additional collateral or to terminate these contracts or agreements or provide other remedies.

For information regarding the risks associated with adverse changes in our credit ratings, see Liquidity Risk – Credit Ratings on page 82, Regulatory Matters – Transactions with Affiliates on page 69, Note 4 – Derivatives to the Consolidated Financial Statements, Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, Note 14 – Commitments and Contingencies to the Consolidated Financial Statements of the Corporation's 2010 Annual Report on Form 10-K and Item 1A. Risk Factors of the Corporation's 2010 Annual Report on Form 10-K.

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

Under an order entered by the court in connection with the settlement agreement (the BNY Mellon Settlement) we entered into with The Bank of New York Mellon (BNY Mellon), as trustee (Trustee), potentially interested persons had the opportunity to give notice of intent to object to the settlement (including on the basis that more information was needed) until August 30, 2011. Approximately 44 groups or entities appeared prior to the deadline. Certain of these groups or entities filed notices of intent to object, made motions to intervene, or both, filed notice of intent to object and made motions to intervene. The parties filing motions to intervene include the Attorneys General of the states of New York and Delaware, the Federal Deposit Insurance Corporation (FDIC) and the Federal Housing Finance Agency (FHFA). These motions have not yet been ruled on by the court. Certain of the motions to intervene and/or notices of intent to object allege various purported bases for opposition to the settlement, including challenges to the nature of the court proceeding and the lack of an opt-out mechanism, alleged conflicts of interest on the part of the institutional investor group and/or the Trustee, the inadequacy of the settlement amount and the method of allocating the settlement amount among the 525 legacy Countrywide first-lien and five second-lien non-GSE residential mortgage-backed securitization trusts (Covered Trusts), while other motions do not make substantive objections but state that they need more information about the settlement. A number of investors opposed to the settlement removed the proceeding to federal court. On October 19, 2011, the federal court denied BNY Mellon's motion to remand the proceeding to state court, and BNY Mellon, as well as investors that have intervened in support of the BNY Mellon Settlement, have petitioned to appeal the denial of this motion.

It is not currently possible to predict how many of the parties who have appeared in the court proceeding will ultimately object to the BNY Mellon Settlement, whether the objections will prevent receipt of final court approval or the ultimate outcome of the court approval process, which can include appeals and could take a substantial period of time. In particular, the conduct of discovery and the resolution of the objections to the settlement, and any appeals could take a substantial period of time and these factors, along with the recent removal of the proceeding to federal court, could materially delay the timing of final court approval. There can be no assurance that final court approval of the BNY Mellon Settlement will be obtained, that all conditions to the BNY Mellon Settlement will be satisfied or, if certain conditions to the BNY Mellon Settlement permitting withdrawal are met, that we and legacy Countrywide will not determine to withdraw from the BNY Mellon Settlement. Accordingly, it is not possible to predict when the court approval process will be completed.

For additional information about the BNY Mellon Settlement, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58, and Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66 and Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements. For more information about the risks associated with the BNY Mellon Settlement, see Item 1A. Risk Factors of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.

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Department of Justice / Attorney General Matters

Law enforcement authorities in all 50 states, the DOJ and other federal agencies continue to investigate alleged irregularities in the foreclosure practices of residential mortgage servicers, including us. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to mortgage loan origination, loan modification and loss mitigation practices, including compliance with HUD requirements related to Federal Housing Administration (FHA)-insured loans. We continue to cooperate with these investigations and are dedicating significant resources to addressing these issues. We and the other largest mortgage originators and servicers continue to engage in ongoing negotiations regarding these matters with law enforcement authorities and federal agencies. Although certain Attorneys General have recently withdrawn from global settlement negotiations related to these matters, the negotiations remain ongoing and are focused on the amount and form of any settlement payment or commitment and additional settlement terms, including principal forgiveness, servicing standards, enforcement mechanisms and releases. We cannot be certain as to the ultimate outcome that may result from these negotiations or the timing of such outcome. For additional information, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

European Union Sovereign Risks

In 2010, a financial crisis emerged in Europe triggered by high sovereign budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these EU countries to continue to service their sovereign debt obligations. These conditions impacted financial markets and resulted in credit ratings downgrades for, and high and volatile bond yields on, the sovereign debt of many EU countries. Certain European countries continue to experience varying degrees of financial stress, and yields on government-issued bonds in Greece, Ireland, Italy, Portugal and Spain have risen and remain volatile. Despite assistance packages to certain of these countries, the creation of a joint EU-IMF European Financial Stability Facility (EFSF) in May 2010 and additional expanded financial assistance to Greece, uncertainty over the outcome of the EU governments' financial support programs and worries about sovereign finances persisted. Market concerns over the direct and indirect exposure of certain European banks and insurers to these EU countries resulted in a widening of credit spreads and increased costs of funding for these financial institutions. On October 27, 2011, representatives of 17 EU countries announced a financial relief plan that involves a write-off of certain sovereign debt by European banks, requirements regarding European bank capital ratios and increases in available rescue funds. Although financial markets initially responded favorably to the announcement of this plan, details remain to be negotiated, and implementation is subject to certain contingencies and risks. For a further discussion of our direct sovereign and non-sovereign exposures in Europe, see Non-U.S. Portfolio on page 115.

Debt and Capital Exchanges

During the third quarter, global economic uncertainty and volatility continued as described more fully in the Executive Summary – Third Quarter 2011 Economic and Business Environment discussion on page 7. Concerns over these and other issues contributed to a widening of credit spreads for many financial institutions, including the Corporation, resulting in lowering of market values of debt and preferred stock issued by financial institutions. The uncertainty in the market evidenced by, among other things, volatility in credit spread movements, makes it economically advantageous at this time to consider retirement of issued junior subordinated debt and preferred stock. As a result of these matters, we intend to explore the issuance of common stock and senior notes in exchange for shares of preferred stock and, subject to any required amendments to the applicable governing documents, certain trust preferred capital debt securities (Trust Securities) issued by unconsolidated trust companies, in privately negotiated transactions. If we pursue the exchange of Trust Securities, we would immediately use the purchased Trust Securities to retire a corresponding amount of our junior subordinated debt that we previously issued to the unconsolidated trust companies. These transactions would increase Tier 1 common capital and, on an after-tax basis, reduce the combined

level of interest expense and dividends paid on the combined junior subordinated debt and preferred stock. The senior notes and common stock would be recorded at fair value at issuance, which is expected to be less than the par and carrying value of the preferred stock and/or junior subordinated debt, which would result in the exchanges being accretive to earnings per common share for the period in which completed. The ultimate impact on earnings per common share is not expected to be significant for periods subsequent to the exchange and will not be known until the level of earnings per common share for the period and the exact combination of exchanged preferred stock and Trust Securities are known. We will not issue more than 400 million shares of common stock or $3 billion in new senior notes in connection with these exchanges.

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Performance Overview

Net income (loss) was $6.2 billion and $(545) million for the three and nine months ended September 30, 2011 compared to $(7.3) billion and $(994) million for the same periods in 2010. The principal contributors to pre-tax income for the three-month period were the following: $4.5 billion positive fair value adjustments on structured liabilities, a gain of $3.6 billion from the sale of approximately half of our investment in CCB shares, DVA gains of $1.7 billion and losses of $2.2 billion related to other equity and strategic investments. Net income for the third quarter of 2011 was also positively impacted by a favorable tax rate. The principal contributors to the pre-tax loss for the nine-month period, including the items noted above for the three-month period, were the following: $14.0 billion of representations and warranties provision in the second quarter of 2011 largely related to the BNY Mellon Settlement as well as other mortgage-related costs, including a $2.6 billion non-cash, non-tax deductible goodwill impairment charge in CRES, higher mortgage-related litigation expense and increased mortgage assessments and waivers costs.

Table 2
Summary Income Statement

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Net interest income, FTE basis [1]	$10,739	$12,717	$34,629	$39,984
Noninterest income	17,963	14,265	34,651	48,738
Total revenue, net of interest expense, FTE basis [1]	28,702	26,982	69,280	88,722
Provision for credit losses	3,407	5,396	10,476	23,306
Goodwill impairment	—	10,400	2,603	10,400
All other noninterest expense	17,613	16,816	58,149	51,844
Income (loss) before income taxes	7,682	(5,630)	(1,948)	3,172
Income tax expense (benefit), FTE basis [1]	1,450	1,669	(1,403)	4,166
Net income (loss)	6,232	(7,299)	(545)	(994)
Preferred stock dividends	343	348	954	1,036
Net income (loss) applicable to common shareholders	$5,889	$(7,647)	$(1,499)	$(2,030)
Per common share information				
Earnings (loss)	$0.58	$(0.77)	$(0.15)	$(0.21)
Diluted earnings (loss)	0.56	(0.77)	(0.15)	(0.21)

(1) FTE basis is a non-GAAP measure. Other companies may define or calculate this measure differently. For additional information on this measure and for a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 21.

Net interest income on a fully taxable-equivalent (FTE) basis decreased $2.0 billion and $5.4 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness. Also negatively impacting net interest income was lower trading-related net interest income. Net interest income benefited from ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis was 2.32 percent and 2.50 percent for the three and nine months ended September 30, 2011.

Noninterest income increased $3.7 billion and decreased $14.1 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The increase for the three-month period was primarily the result of the positive fair value adjustments on structured liabilities due to widening of our credit spreads, the gain on the sale

of CCB shares and DVA gains partially offset by adverse market conditions and extreme volatility in the credit markets in 2011 and losses related to other equity and strategic investments. The decrease for the nine-month period resulted from the above mentioned representations and warranties provision which is included in mortgage banking income. For additional information on representations and warranties, see Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58. Other components of the nine-month period-over-period change in noninterest income included a decrease in service charges due to the impact of overdraft policy changes in conjunction with the implementation of Regulation E and a decrease in trading account profits due to strong first quarter 2010.

The provision for credit losses decreased $2.0 billion to $3.4 billion, and $12.8 billion to $10.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses reflected $1.7 billion and $6.3 billion of reserve reductions for the three and nine months ended September 30, 2011 as portfolio trends improved across most of the consumer and commercial businesses, particularly the Card Services and commercial real estate portfolios. The improvement for the nine-month period was offset in part by additions to consumer purchased credit-impaired (PCI) loan portfolio reserves in the first half of 2011.

Noninterest expense decreased $9.6 billion and $1.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were driven by a $10.4 billion goodwill impairment charge recorded during the third quarter of 2010 partially offset, for the nine-month period, by the $2.6 billion goodwill impairment charge recorded during the second quarter of 2011. In addition, offsetting the decrease for the nine-month period was an increase in other general operating expense which includes mortgage-related assessments and waivers costs and litigation expense both of which increased significantly compared to the same period in 2010 and an increase in personnel costs due to the continued build-out of several businesses and technology.

Segment Results

Table 3
Business Segment Results

	Three Months Ended September 30				Nine Months Ended September 30			
	Total Revenue [1]		Net Income (Loss)		Total Revenue [1]		Net Income (Loss)	
(Dollars in millions)	2011	2010	2011	2010	2011	2010	2011	2010
Deposits	$3,119	$3,146	$276	$198	$9,609	$10,559	$1,051	$1,562
Card Services	4,507	5,377	1,264	(9,844)	14,085	16,984	4,767	(8,269)
Consumer Real Estate Services	2,822	3,612	(1,137)	(392)	(6,430)	9,849	(18,070)	(4,010)
Global Commercial Banking	2,533	2,633	1,050	644	7,997	8,611	3,354	2,165
Global Banking & Markets	5,222	7,073	(302)	1,468	19,896	22,584	3,400	5,628
Global Wealth & Investment Management	4,230	3,898	347	269	13,212	12,128	1,386	1,022
All Other	6,269	1,243	4,734	358	10,911	8,007	3,567	908
Total FTE basis	28,702	26,982	6,232	(7,299)	69,280	88,722	(545)	(994)
FTE adjustment	(249)	(282)	—	—	(714)	(900)	—	—
Total Consolidated	$28,453	$26,700	$6,232	$(7,299)	$68,566	$87,822	$(545)	$(994)

(1) Total revenue is net of interest expense and is on a FTE basis which is a non-GAAP measure. For more information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 21.

The following discussion provides an overview of the results of our business segments and All Other for the three and nine months ended September 30, 2011 compared to the same periods in 2010. For additional information on these results, see Business Segment Operations on page 34.

Deposits net income increased for the three-month period due to a decrease in noninterest expense partially offset by lower revenue. Revenue declined primarily due to the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010. Noninterest expense was lower due to a decrease in operating expenses. Net income decreased for the nine-month period as the result of a decrease in noninterest income due to the impact of overdraft policy changes in conjunction with Regulation E.

Card Services net income increased for the three- and nine-month periods primarily due to a decrease in noninterest expense as a result of the goodwill impairment charge in 2010 and a decrease in the provision for credit losses. Revenue decreased as a result of a decline in net interest income from lower average loan balances and yields as well as lower noninterest income. Noninterest income declined for the nine-month period due to the impact of the CARD Act and the gain on the sale of our MasterCard position in the second quarter of 2010. Provision for credit losses decreased for the three- and nine-month periods reflecting lower delinquencies, improved collection rates and fewer bankruptcy filings as a result of improving economic conditions and lower average loans.

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CRES net loss increased for the three- and nine-month periods due to a decline in revenue and increased noninterest expense, partially offset by a decline in provision for credit losses. Revenue declined for the nine-month period due to an increase in representations and warranties provision, lower core production income and a decrease in insurance income due to the sale of Balboa's lender-placed insurance business in the second quarter of 2011. The revenue decline for the three-month period was driven by lower core production income and a decrease in insurance income, partially offset by a decrease in representations and warranties provision. Noninterest expense increased in the three- and nine-month periods due to higher default-related and other loss mitigation expenses, increased mortgage-related assessments and waivers costs and higher litigation expense. Noninterest expense for the nine-month period was also impacted by a non-cash goodwill impairment charge.

Global Commercial Banking net income increased for the three- and nine-month periods driven by lower credit costs from improved asset quality. Revenue decreased for the three- and nine-month periods driven by lower net interest income related to asset and liability management (ALM) activities and lower loan volumes. Noninterest expense decreased for the three-month period driven by lower support costs and increased for the nine-month period due to an increase in technology investments.

GBAM reported a net loss for the three months ended September 30, 2011 compared to net income for the same period in the prior year driven by decreased sales and trading activity due to a less favorable market environment which was partially offset by DVA gains, lower investment banking fees and the U.K corporate income tax rate change enacted during the quarter which reduced the carrying value of the related deferred tax assets. Net income decreased for the nine-month period driven by decreased sales and trading activity due to a less favorable market environment which was partially offset by DVA gains, and higher noninterest expense driven by increased costs related to investments in infrastructure.

GWIM net income increased for the three- and nine-month periods driven by higher revenue, partially offset by higher noninterest expense. Revenue increased driven by higher asset management fees from higher market levels and long-term assets under management (AUM) inflows as well as higher net interest income. The provision for credit losses increased for the three-month period due to increased reserves in the residential mortgage portfolio. During the nine-month period, the provision for credit losses decreased driven by improving portfolio trends. Noninterest expense increased due to higher revenue-related expenses and personnel costs associated with the continued build-out of the business.

All Other net income increased for the three- and nine-month periods due to higher noninterest income and lower noninterest expense partially offset by higher provision for credit losses. Noninterest income increased due to positive fair value adjustments related to structured liabilities as well as the gain on sale of approximately half of our equity interest in CCB partially offset by losses related to equity and strategic investments excluding CCB. The increase in provision for credit losses was driven primarily by a slower pace of improvement in the residential mortgage portfolio. The decrease in noninterest expense was due to a decline in merger and restructuring charges.

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Financial Highlights

Net Interest Income

Net interest income on a FTE basis decreased $2.0 billion to $10.7 billion and $5.4 billion to $34.6 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness due to lower interest rates. Also negatively impacting net interest income was lower trading-related net interest income. Net interest income benefited from ongoing reductions in long-term debt balances and lower rates paid on deposits. The net interest yield on a FTE basis decreased 40 basis points (bps) to 2.32 percent and 31 bps to 2.50 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as the margin continues to be under pressure due to the low rate environment.

Noninterest Income

Table 4
Noninterest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Card income	$1,911	$1,982	$5,706	$5,981
Service charges	2,068	2,212	6,112	7,354
Investment and brokerage services	3,022	2,724	9,132	8,743
Investment banking income	942	1,371	4,204	3,930
Equity investment income	1,446	357	4,133	3,748
Trading account profits	1,604	2,596	6,417	9,059
Mortgage banking income (loss)	1,617	1,755	(10,949)	4,153
Insurance income	190	75	1,203	1,468
Gains on sales of debt securities	737	883	2,182	1,654
Other income	4,511	433	6,729	3,498
Net impairment losses recognized in earnings on AFS debt securities	(85)	(123)	(218)	(850)
Total noninterest income	$17,963	$14,265	$34,651	$48,738

Noninterest income increased $3.7 billion to $18.0 billion and decreased $14.1 billion to $34.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The following highlights the significant changes.

- Service charges decreased $144 million and $1.2 billion for the three and nine months ended September 30, 2011 largely due to the impact of overdraft policy changes in conjunction with Regulation E, that were fully implemented during the third quarter of 2010.

- Investment banking income decreased $429 million and increased $274 million for the three and nine months ended September 30, 2011. The decrease for the three-month period was due to weakening markets for debt and equity issuance fees as a result of market uncertainty and a decrease in global fee pools. The increase for the nine-month period was primarily due to higher advisory fees.

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Equity investment income increased $1.1 billion and $385 million for the three and nine months ended September 30, 2011. The three months ended September 30, 2011 included a $3.6 billion gain on the sale of approximately one-half of our investment in CCB, partially offset by losses of $2.2 billion related to equity and strategic investments excluding CCB. The nine months ended September 30, 2011 included the CCB gain and a $377 million gain on the sale of our investment in BlackRock, Inc. (BlackRock), partially offset by $1.1 billion of impairment write-downs on our merchant services joint venture. The nine-month period in the prior year included a $1.2 billion gain on the sale of a strategic investment and $1.2 billion of positive valuation adjustments in Global Principal Investments (GPI).

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- Trading account profits decreased $992 million and $2.6 billion for the three and nine months ended September 30, 2011 primarily due to adverse market conditions and extreme volatility in the credit markets compared to the prior year. DVA gains on derivatives of $1.7 billion and $1.5 billion were recorded for the three and nine months ended September 30, 2011 as a result of the widening of our credit spreads during the period, compared to losses of $34 million and gains of $212 million for the same periods in the prior year. Also, in conjunction with regulatory reform measures and our initiative to optimize our balance sheet, the proprietary trading business was completely exited as of June 30, 2011. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.2 billion in the nine months ended September 30, 2010.

- Mortgage banking income decreased $138 million and $15.1 billion for the three and nine months ended September 30, 2011 with the nine-month change driven by a $12.7 billion increase in the representations and warranties provision which was primarily related to the BNY Mellon Settlement as well as lower production volume due to a reduction in new loan origination volumes and less favorable mortgage servicing rights (MSR) results.

- Other income increased $4.1 billion and $3.2 billion for the three and nine months ended September 30, 2011. For the three months ended September 30, 2011, the increase was primarily due to positive fair value adjustments of $4.5 billion on structured liabilities due to widening of our credit spreads, compared to negative fair value adjustments of $190 million for the same period in 2010. For the nine months ended September 30, 2011, the increase was primarily due to positive fair value adjustments of $4.1 billion on structured liabilities compared to positive fair value adjustments of $1.2 billion in the same period in 2010. In addition to the factors described above, the nine months ended September 30, 2011 included a $771 million gain on the sale of the lender-placed insurance business of Balboa.

Provision for Credit Losses

The provision for credit losses decreased $2.0 billion to $3.4 billion, and $12.8 billion to $10.5 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses included $1.7 billion and $6.3 billion of reserve reductions for the three and nine months ended September 30, 2011 driven primarily by lower delinquencies, improved collection rates and fewer bankruptcy filings across the Card Services portfolio, and improvement in overall credit quality in the commercial real estate portfolio.

The provision for credit losses related to our consumer portfolio decreased $1.3 billion to $3.5 billion and $9.1 billion to $11.2 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The provision for credit losses related to our commercial portfolio including the provision for unfunded lending commitments decreased $653 million to a benefit of $59 million and $3.8 billion to a benefit of $695 million for the three and nine months ended September 30, 2011 compared to the same periods in 2010.

Net charge-offs totaled $5.1 billion, or 2.17 percent and $16.8 billion, or 2.41 percent of average loans and leases for the three and nine months ended September 30, 2011 compared with $7.2 billion, or 3.07 percent, and $27.6 billion, or 3.84 percent, for the three and nine months ended September 30, 2010. The decrease in net charge-offs was primarily driven by improvements in general economic conditions that resulted in lower delinquencies, improved collection rates and fewer bankruptcy filings across the Card Services portfolio as well as lower losses in the home equity portfolio driven by fewer delinquent loans. For more information on the provision for credit losses, see Provision for Credit Losses on page 119.

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Noninterest Expense

Table 5
Noninterest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Personnel	$8,865	$8,402	$28,204	$26,349
Occupancy	1,183	1,150	3,617	3,504
Equipment	616	619	1,815	1,845
Marketing	556	497	1,680	1,479
Professional fees	937	651	2,349	1,812
Amortization of intangibles	377	426	1,144	1,311
Data processing	626	602	1,964	1,882
Telecommunications	405	361	1,167	1,050
Other general operating	3,872	3,687	15,672	11,162
Goodwill impairment	—	10,400	2,603	10,400
Merger and restructuring charges	176	421	537	1,450
Total noninterest expense	$17,613	$27,216	$60,752	$62,244

Noninterest expense decreased $9.6 billion to $17.6 billion, and $1.5 billion to $60.8 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The largest drivers in the comparisons were goodwill impairment charges of $10.4 billion in the third quarter of 2010 and $2.6 billion in the second quarter of 2011.

Personnel expense increased $1.9 billion for the nine months ended September 30, 2011 compared to the same period in 2010 attributable to personnel costs related to the continued build-out of certain businesses, technology costs as well as increases in default-related servicing. Additionally, for the same period, professional fees increased $537 million related to consulting fees for regulatory initiatives as well as higher legal expenses and other general operating expenses increased $4.5 billion largely as a result of $1.9 billion in mortgage-related assessments and waivers costs and an increase of $2.6 billion in litigation expense, predominantly related to mortgage issues. Merger and restructuring expenses decreased by $913 million for the nine months ended September 30, 2011 compared to the same period in 2010.

Income Tax Expense

Income tax expense was $1.2 billion on pre-tax income of $7.4 billion for the three months ended September 30, 2011 resulting in an effective tax rate of 16.2 percent compared to income tax expense of $1.4 billion on the pre-tax loss of $5.9 billion for the same period in 2010. For the nine months ended September 30, 2011, the income tax benefit was $2.1 billion on the pre-tax loss of $2.7 billion resulting in an effective tax rate of 79.5 percent benefit on the loss compared to income tax expense of $3.3 billion on the pre-tax income of $2.3 billion for the same period in 2010. The effective tax rates for the three and nine months ended September 30, 2010 were not meaningful due to the impact of the non-deductible $10.4 billion goodwill impairment charge in the third quarter of 2010.

The effective tax rate of 16.2 percent for the three months ended September 30, 2011 was driven by a $619 million reduction of a valuation allowance established against the Merrill Lynch capital loss carryover deferred tax asset, a $593 million benefit for capital loss deferred tax assets recognized in connection with the liquidation of certain subsidiaries and recurring tax preference items, such as tax-exempt income and affordable housing credits. These were partially offset by the $782 million impact of the U.K. corporate income tax rate reduction referred to below.

The effective tax rate of 79.5 percent benefit for the nine months ended September 30, 2011 was driven by the same factors as above, as well as by the effect of those net tax benefits on the level of the year-to-date pre-tax loss, partially offset by the impact of the non-deductible $2.6 billion goodwill impairment charge in the second quarter of 2011.

On July 19, 2011, the U.K. 2011 Finance Bill was enacted which reduced the corporate income tax rate to 26 percent beginning on April 1, 2011, and then to 25 percent effective April 1, 2012. These rate reductions will favorably affect income tax expense on future U.K. earnings but also required us to remeasure our U.K. net deferred tax assets using the lower tax rates. As noted above, income tax expense (benefit) for the three and nine months ended September 30, 2011 included a $782 million charge for the remeasurement. If corporate income tax rates were to be reduced to 23 percent by 2014 as suggested in U.K. Treasury announcements and assuming no change in the deferred tax asset balance, a charge to income tax expense of approximately $400 million for each one percent reduction in the rate would result in each period of enactment.

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Balance Sheet Overview

Table 6
Selected Balance Sheet Data

(Dollars in millions)	September 30 2011	December 31 2010	Average Balance Three Months Ended September 30 2011	2010	Nine Months Ended September 30 2011	2010
Assets						
Federal funds sold and securities borrowed or purchased under agreements to resell	$ 249,998	$ 209,616	$ 256,143	$ 254,820	$ 247,635	$ 261,444
Trading account assets	176,398	194,671	180,438	210,529	195,931	212,985
Debt securities	350,725	338,054	344,327	328,097	338,512	317,906
Loans and leases	932,531	940,440	942,032	934,860	939,848	964,302
Allowance for loan and lease losses	(35,082)	(41,885)	(36,429)	(45,232)	(38,632)	(46,678)
All other assets	545,058	624,013	614,943	696,323	642,938	753,018
Total assets	$ 2,219,628	$ 2,264,909	$ 2,301,454	$ 2,379,397	$ 2,326,232	$ 2,462,977
Liabilities						
Deposits	$ 1,041,353	$ 1,010,430	$ 1,051,320	$ 973,846	$ 1,036,905	$ 982,132
Federal funds purchased and securities loaned or sold under agreements to repurchase	248,116	245,359	261,830	318,368	281,476	372,311
Trading account liabilities	68,026	71,985	87,841	95,265	89,302	95,159
Commercial paper and other short-term borrowings	33,869	59,962	41,404	72,780	56,107	78,437
Long-term debt	398,965	448,431	420,273	485,588	431,902	498,794
All other liabilities	199,047	200,494	216,376	199,572	201,155	203,679
Total liabilities	1,989,376	2,036,661	2,079,044	2,145,419	2,096,847	2,230,512
Shareholders’ equity	230,252	228,248	222,410	233,978	229,385	232,465
Total liabilities and shareholders’ equity	$ 2,219,628	$ 2,264,909	$ 2,301,454	$ 2,379,397	$ 2,326,232	$ 2,462,977

Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities, primarily involving our portfolios of highly liquid assets, that are designed to ensure the adequacy of capital while enhancing our ability to manage liquidity requirements for the Corporation and our customers, and to position the balance sheet in accordance with the Corporation’s risk appetite. The execution of these activities requires the use of balance sheet and capital-related limits including spot, average and risk-weighted asset limits, particularly in our trading businesses. One of our key metrics, Tier 1 leverage ratio, is calculated based on adjusted quarterly average total assets. Risk mitigation activities that contributed to the decrease in average assets during the three and nine months ended September 30, 2011 included reduction of exposure within various types of low quality and alternative investments, significant loan run-off and the exit of proprietary trading.

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Assets

At September 30, 2011, total assets were $2.2 trillion, a decrease of $45.3 billion, or two percent, from December 31, 2010 driven by a decline in cash held overnight at the Federal Reserve, the sale of certain strategic investments, lower trading asset levels due to reduced long inventory hedges, lower yield trading activity and a decline in the market value of inventory hedges.

Average total assets decreased $77.9 billion and $136.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The most significant decreases were due to lower overnight cash deposits with the Federal Reserve and a reduction in goodwill. For the nine months ended September 30, 2011, certain actions were taken to reduce risk-weighted assets, including reducing certain capital markets risk exposures, selling assets, reducing our loan run-off portfolio and exiting proprietary trading activities. For more information, see Capital Management – Regulatory Capital on page 70.

Liabilities and Shareholders' Equity

At September 30, 2011, total liabilities were $2.0 trillion, a decrease of $47.3 billion, or two percent, from December 31, 2010 driven by planned reductions in long-term debt and short-term borrowings, partially offset by deposit growth.

Average total liabilities decreased $66.4 billion and $133.7 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were primarily driven by the same factors described above for ending liabilities and reductions in securities sold under agreement to repurchase partially offset by a higher representations and warranties reserve.

Shareholders' equity increased $2.0 billion to $230.3 billion at September 30, 2011 compared to December 31, 2010. The increase was driven primarily by the sale of preferred stock and related warrant to Berkshire, partially offset by a decrease in accumulated other comprehensive income (OCI). For more information, see Note 12 – Shareholders' Equity to the Consolidated Financial Statements.

Average shareholders' equity decreased $11.6 billion and $3.1 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were primarily driven by the impact of the net loss for the three months ended June 30, 2011.

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Table 7
Selected Quarterly Financial Data

	2011 Quarters			2010 Quarters	
(In millions, except per share information)	Third	Second	First	Fourth	Third
Income statement					
Net interest income	$10,490	$11,246	$12,179	$12,439	$12,435
Noninterest income	17,963	1,990	14,698	9,959	14,265
Total revenue, net of interest expense	28,453	13,236	26,877	22,398	26,700
Provision for credit losses	3,407	3,255	3,814	5,129	5,396
Goodwill impairment	—	2,603	—	2,000	10,400
Merger and restructuring charges	176	159	202	370	421
All other noninterest expense [1]	17,437	20,094	20,081	18,494	16,395
Income (loss) before income taxes	7,433	(12,875)	2,780	(3,595)	(5,912)
Income tax expense (benefit)	1,201	(4,049)	731	(2,351)	1,387
Net income (loss)	6,232	(8,826)	2,049	(1,244)	(7,299)
Net income (loss) applicable to common shareholders	5,889	(9,127)	1,739	(1,565)	(7,647)
Average common shares issued and outstanding	10,116	10,095	10,076	10,037	9,976
Average diluted common shares issued and outstanding [2]	10,464	10,095	10,181	10,037	9,976
Performance ratios					
Return on average assets	1.07 %	n/m	0.36 %	n/m	n/m
Four quarter trailing return on average assets [3]	n/m	n/m	n/m	n/m	n/m
Return on average common shareholders' equity	11.40	n/m	3.29	n/m	n/m
Return on average tangible common shareholders' equity [4]	18.30	n/m	5.28	n/m	n/m
Return on average tangible shareholders' equity[4]	17.03	n/m	5.54	n/m	n/m
Total ending equity to total ending assets	10.37	9.83 %	10.15	10.08 %	9.85 %
Total average equity to total average assets	9.66	10.05	9.87	9.94	9.83
Dividend payout	1.73	n/m	6.06	n/m	n/m
Per common share data					
Earnings (loss)	$0.58	$(0.90)	$0.17	$(0.16)	$(0.77)
Diluted earnings (loss) [2]	0.56	(0.90)	0.17	(0.16)	(0.77)
Dividends paid	0.01	0.01	0.01	0.01	0.01
Book value	20.80	20.29	21.15	20.99	21.17
Tangible book value [4]	13.22	12.65	13.21	12.98	12.91
Market price per share of common stock					
Closing	$6.12	$10.96	$13.33	$13.34	$13.10
High closing	11.09	13.72	15.25	13.56	15.67
Low closing	6.06	10.50	13.33	10.95	12.32
Market capitalization	$62,023	$111,060	$135,057	$134,536	$131,442
Average balance sheet					
Total loans and leases	$942,032	$938,513	$938,966	$940,614	$934,860
Total assets	2,301,454	2,339,110	2,338,538	2,370,258	2,379,397
Total deposits	1,051,320	1,035,944	1,023,140	1,007,738	973,846
Long-term debt	420,273	435,144	440,511	465,875	485,588
Common shareholders' equity	204,928	218,505	214,206	218,728	215,911
Total shareholders' equity	222,410	235,067	230,769	235,525	233,978
Asset quality[5]					

Allowance for credit losses [6]	$35,872		$38,209		$40,804		$43,073		$44,875	
Nonperforming loans, leases and foreclosed properties [7]	29,059		30,058		31,643		32,664		34,556	
Allowance for loan and lease losses as a percentage of total loans and leases outstanding [7]	3.81	%	4.00	%	4.29	%	4.47	%	4.69	%
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [7]	133		135		135		136		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [6]	101		105		108		116		118	
Amounts included in allowance that are excluded from nonperforming loans [8]	$18,317		$19,935		$22,110		$22,908		$23,661	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [8]	63	%	63	%	60	%	62	%	62	%
Net charge-offs	$5,086		$5,665		$6,028		$6,783		$7,197	
Annualized net charge-offs as a percentage of average loans and leases outstanding [7]	2.17	%	2.44	%	2.61	%	2.87	%	3.07	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [7]	2.87		2.96		3.19		3.27		3.47	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [7]	3.15		3.22		3.40		3.48		3.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.74		1.64		1.63		1.56		1.53	
Capital ratios (period end)										
Risk-based capital:										
Tier 1 common	8.65	%	8.23	%	8.64	%	8.60	%	8.45	%
Tier 1	11.48		11.00		11.32		11.24		11.16	
Total	15.86		15.65		15.98		15.77		15.65	
Tier 1 leverage	7.11		6.86		7.25		7.21		7.21	
Tangible equity [4]	7.16		6.63		6.85		6.75		6.54	
Tangible common equity [4]	6.25		5.87		6.10		5.99		5.74	

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

(2) Due to a net loss applicable to common shareholders for the second quarter of 2011 and the fourth and third quarters of 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Calculated as total net income for four consecutive quarters divided by average assets for the period.

(4) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21 and Table 9 on pages 22 through 24.

(5) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 84 and Commercial Portfolio Credit Risk Management on page 103.

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

(7) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions from nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42, and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

(8)

Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to Card Services portfolios, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.
n/m = not meaningful

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Table 8
Selected Year-to-Date Financial Data

(In millions, except per share information)	Nine Months Ended September 30 2011		2010	
Income statement				
Net interest income	$33,915		$39,084	
Noninterest income	34,651		48,738	
Total revenue, net of interest expense	68,566		87,822	
Provision for credit losses	10,476		23,306	
Goodwill impairment	2,603		10,400	
Merger and restructuring charges	537		1,450	
All other noninterest expense [1]	57,612		50,394	
Income (loss) before income taxes	(2,662	)	2,272	
Income tax expense (benefit)	(2,117	)	3,266	
Net loss	(545	)	(994	)
Net loss available to common shareholders	(1,499	)	(2,030	)
Average common shares issued and outstanding	10,096		9,707	
Average diluted common shares issued and outstanding [2]	10,096		9,707	
Performance ratios				
Return on average assets	n/m		n/m	
Return on average common shareholders' equity	n/m		n/m	
Return on average tangible common shareholders' equity[3]	n/m		n/m	
Return on average tangible shareholders' equity[3]	n/m		n/m	
Total ending equity to total ending assets	10.37	%	9.85	%
Total average equity to total average assets	9.86		9.44	
Dividend payout	n/m		n/m	
Per common share data				
Earnings (loss)	$(0.15	)	$(0.21	)
Diluted earnings (loss) [2]	(0.15	)	(0.21	)
Dividends paid	0.03		0.03	
Book value	20.80		21.17	
Tangible book value [3]	13.22		12.91	
Market price per share of common stock				
Closing	$6.12		$13.10	
High closing	15.25		19.48	
Low closing	6.06		12.32	
Market capitalization	$62,023		$131,442	
Average balance sheet				
Total loans and leases	$939,848		$964,302	
Total assets	2,326,232		2,462,977	
Total deposits	1,036,905		982,132	
Long-term debt	431,902		498,794	
Common shareholders' equity	212,512		210,649	
Total shareholders' equity	229,385		232,465	
Asset quality [4]				
Allowance for credit losses [5]	$35,872		$44,875	
Nonperforming loans, leases and foreclosed properties [6]	29,059		34,556	
	3.81	%	4.69	%

Allowance for loan and lease losses as a percentage of total loans and leases outstanding [6]				
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases [6]	133		135	
Allowance for loan and lease losses as a percentage of total nonperforming loans and leases excluding the PCI loan portfolio [6]	101		118	
Amounts included in allowance that are excluded from nonperforming loans [7]	$18,317		$23,661	
Allowance as a percentage of total nonperforming loans and leases excluding the amounts included in the allowance that are excluded from nonperforming loans [7]	63	%	62	%
Net charge-offs	$16,779		$27,551	
Annualized net charge-offs as a percentage of average loans and leases outstanding [6]	2.41	%	3.84	%
Nonperforming loans and leases as a percentage of total loans and leases outstanding [6]	2.87		3.47	
Nonperforming loans, leases and foreclosed properties as a percentage of total loans, leases and foreclosed properties [6]	3.15		3.71	
Ratio of the allowance for loan and lease losses at period end to annualized net charge-offs	1.56		1.18	

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

(2) Due to a net loss applicable to common shareholders for the nine months ended September 30, 2011 and 2010, the impact of antidilutive equity instruments was excluded from diluted earnings (loss) per share and average diluted common shares.

(3) Tangible equity ratios and tangible book value per share of common stock are non-GAAP measures. Other companies may define or calculate these measures differently. For additional information on these ratios and corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21 and Table 10 on pages 25 and 26.

(4) For more information on the impact of the PCI loan portfolio on asset quality, see Consumer Portfolio Credit Risk Management on page 84 and Commercial Portfolio Credit Risk Management on page 103.

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

(6) Balances and ratios do not include loans accounted for under the fair value option. For additional exclusions on nonperforming loans, leases and foreclosed properties, see Nonperforming Consumer Loans and Foreclosed Properties Activity on page 100 and corresponding Table 42 and Nonperforming Commercial Loans, Leases and Foreclosed Properties Activity on page 110 and corresponding Table 51.

(7) Amounts included in allowance that are excluded from nonperforming loans primarily include amounts allocated to Card Services portfolios, purchased credit-impaired loans and the non-U.S. credit card portfolio in All Other.

n/m = not meaningful

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Supplemental Financial Data

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

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

We also evaluate our business based on the following ratios that utilize tangible equity, a non-GAAP measure. Return on average tangible common shareholders' equity measures our earnings contribution as a percentage of common shareholders' equity plus any Common Equivalent Securities (CES) less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Return on average tangible shareholders' equity (ROTE) measures our earnings contribution as a percentage of average shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible common equity ratio represents common shareholders' equity plus any CES less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. The tangible equity ratio represents total shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by total assets less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities. Tangible book value per common share represents ending common shareholders' equity less goodwill and intangible assets (excluding MSRs), net of related deferred tax liabilities divided by ending common shares outstanding. These measures are used to evaluate our use of equity (i.e., capital). In addition, profitability, relationship and investment models all use ROTE as key measures to support our overall growth goals.

In addition, we evaluate our business segment results based on return on average economic capital, a non-GAAP financial measure. Return on average economic capital for the segments is calculated as net income, adjusted for cost of funds and earnings credits and certain expenses related to intangibles, divided by average economic capital. Economic capital represents allocated equity less goodwill and a percentage of intangible assets. We also believe the use of this non-GAAP measure provides additional clarity in assessing the segments.

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The aforementioned supplemental data and performance measures are presented in Tables 7 and 8. In addition, in Tables 9 and 10 we excluded the impact of goodwill impairment charges of $2.6 billion recorded in the second quarter of 2011, and $10.4 billion and $2.0 billion recorded in the third and fourth quarters of 2010 when presenting earnings (loss) and diluted earnings (loss) per common share, the efficiency ratio, return on average assets, four quarter trailing return on average assets, return on average common shareholders' equity, return on average tangible common shareholders' equity and ROTE. Accordingly, these are non-GAAP measures. Tables 9 and 10 provide reconciliations of these non-GAAP measures with financial measures defined by GAAP. We believe the use of these non-GAAP measures provides additional clarity in assessing the results of the Corporation. Other companies may define or calculate these measures and ratios differently.

Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	2011 Quarters			2010 Quarters	
(Dollars in millions, except per share information)	Third	Second	First	Fourth	Third
Fully taxable-equivalent basis data					
Net interest income	$10,739	$11,493	$12,397	$12,709	$12,717
Total revenue, net of interest expense	28,702	13,483	27,095	22,668	26,982
Net interest yield	2.32 %	2.50 %	2.67 %	2.69 %	2.72 %
Efficiency ratio	61.37	n/m	74.86	92.04	100.87
Performance ratios, excluding goodwill impairment charges [1]					
Per common share information					
Earnings (loss)		$(0.65)		$0.04	$0.27
Diluted earnings (loss)		(0.65)		0.04	0.27
Efficiency ratio		n/m		83.22 %	62.33 %
Return on average assets		n/m		0.13	0.52
Four quarter trailing return on average assets [2]		n/m		0.43	0.39
Return on average common shareholders' equity		n/m		0.79	5.06
Return on average tangible common shareholders' equity		n/m		1.27	8.67
Return on average tangible shareholders' equity		n/m		1.96	8.54

(1) Performance ratios have been calculated excluding the impact of the goodwill impairment charges of $2.6 billion recorded during the second quarter of 2011, and $2.0 billion and $10.4 billion recorded during the fourth and third quarters of 2010, respectively.
(2) Calculated as total net income for four consecutive quarters divided by average assets for the period.
n/m = not meaningful

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Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2011 Quarters			2010 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis					
Net interest income	$10,490	$11,246	$12,179	$12,439	$12,435
FTE adjustment	249	247	218	270	282
Net interest income on a fully taxable-equivalent basis	$10,739	$11,493	$12,397	$12,709	$12,717
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis					
Total revenue, net of interest expense	$28,453	$13,236	$26,877	$22,398	$26,700
FTE adjustment	249	247	218	270	282
Total revenue, net of interest expense on a fully taxable-equivalent basis	$28,702	$13,483	$27,095	$22,668	$26,982
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges					
Total noninterest expense	$17,613	$22,856	$20,283	$20,864	$27,216
Goodwill impairment charges	—	(2,603)	—	(2,000)	(10,400)
Total noninterest expense, excluding goodwill impairment charges	$17,613	$20,253	$20,283	$18,864	$16,816
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis					
Income tax expense (benefit)	$1,201	$(4,049)	$731	$(2,351)	$1,387
FTE adjustment	249	247	218	270	282
Income tax expense (benefit) on a fully taxable-equivalent basis	$1,450	$(3,802)	$949	$(2,081)	$1,669
Reconciliation of net income (loss) to net income (loss), excluding goodwill impairment charges					
Net income (loss)	$6,232	$(8,826)	$2,049	$(1,244)	$(7,299)
Goodwill impairment charges	—	2,603	—	2,000	10,400
Net income (loss), excluding goodwill impairment charges	$6,232	$(6,223)	$2,049	$756	$3,101
Reconciliation of net income (loss) applicable to common shareholders to net income (loss) applicable to common shareholders, excluding goodwill impairment charges					
Net income (loss) applicable to common shareholders	$5,889	$(9,127)	$1,739	$(1,565)	$(7,647)
Goodwill impairment charges	—	2,603	—	2,000	10,400
Net income (loss) applicable to common shareholders, excluding goodwill impairment charges	$5,889	$(6,524)	$1,739	$435	$2,753

Reconciliation of average common shareholders' equity to average tangible common shareholders' equity					
Common shareholders' equity	$204,928	$218,505	$214,206	$218,728	$215,911
Goodwill	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)
Intangible assets (excluding MSRs)	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)
Related deferred tax liabilities	2,852	2,932	3,035	3,121	3,214
Tangible common shareholders' equity	$127,705	$138,295	$133,550	$136,054	$126,012
Reconciliation of average shareholders' equity to average tangible shareholders' equity					
Shareholders' equity	$222,410	$235,067	$230,769	$235,525	$233,978
Goodwill	(71,070)	(73,748)	(73,922)	(75,584)	(82,484)
Intangible assets (excluding MSRs)	(9,005)	(9,394)	(9,769)	(10,211)	(10,629)
Related deferred tax liabilities	2,852	2,932	3,035	3,121	3,214
Tangible shareholders' equity	$145,187	$154,857	$150,113	$152,851	$144,079
Reconciliation of period end common shareholders' equity to period end tangible common shareholders' equity					
Common shareholders' equity	$210,772	$205,614	$214,314	$211,686	$212,391
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible common shareholders' equity	$133,953	$128,217	$133,818	$130,938	$129,510
Reconciliation of period end shareholders' equity to period end tangible shareholders' equity					
Shareholders' equity	$230,252	$222,176	$230,876	$228,248	$230,495
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible shareholders' equity	$153,433	$144,779	$150,380	$147,500	$147,614
Reconciliation of period end assets to period end tangible assets					
Assets	$2,219,628	$2,261,319	$2,274,532	$2,264,909	$2,339,660
Goodwill	(70,832)	(71,074)	(73,869)	(73,861)	(75,602)
Intangible assets (excluding MSRs)	(8,764)	(9,176)	(9,560)	(9,923)	(10,402)
Related deferred tax liabilities	2,777	2,853	2,933	3,036	3,123
Tangible assets	$2,142,809	$2,183,922	$2,194,036	$2,184,161	$2,256,779

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Table 9
Quarterly Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	2011 Quarters			2010 Quarters	
(Dollars in millions)	Third	Second	First	Fourth	Third
Deposits					
Reported net income (loss)	$276	$424	$351	$(200)	$198
Adjustment related to intangibles (1)	1	(1)	1	2	3
Adjusted net income (loss)	$277	$423	$352	$(198)	$201
Average allocated equity	$23,820	$23,612	$23,641	$24,128	$24,402
Adjustment related to goodwill and a percentage of intangibles	(17,947)	(17,950)	(17,958)	(17,967)	(17,978)
Average economic capital	$5,873	$5,662	$5,683	$6,161	$6,424
Card Services					
Reported net income (loss)	$1,264	$1,939	$1,564	$1,289	$(9,844)
Adjustment related to intangibles (1)	4	3	5	15	17
Goodwill impairment charge	—	—	—	—	10,400
Adjusted net income	$1,268	$1,942	$1,569	$1,304	$573
Average allocated equity	$22,410	$22,671	$23,807	$25,173	$33,033
Adjustment related to goodwill and a percentage of intangibles	(12,216)	(12,261)	(12,295)	(12,327)	(19,368)
Average economic capital	$10,194	$10,410	$11,512	$12,846	$13,665
Consumer Real Estate Services					
Reported net loss	$(1,137)	$(14,519)	$(2,414)	$(4,937)	$(392)
Adjustment related to intangibles (1)	—	—	—	—	—
Goodwill impairment charge	—	2,603	—	2,000	—
Adjusted net loss	$(1,137)	$(11,916)	$(2,414)	$(2,937)	$(392)
Average allocated equity	$14,240	$17,139	$18,736	$24,310	$26,493
Adjustment related to goodwill and a percentage of intangibles	—	(2,702)	(2,742)	(4,799)	(4,801)
Average economic capital	$14,240	$14,437	$15,994	$19,511	$21,692
Global Commercial Bank					
Reported net income	$1,050	$1,381	$923	$1,053	$644
Adjustment related to intangibles (1)	—	1	1	1	1
Adjusted net income	$1,050	$1,382	$924	$1,054	$645
Average allocated equity	$40,726	$40,522	$41,512	$42,997	$42,930
Adjustment related to goodwill and a percentage of intangibles	(20,689)	(20,697)	(20,700)	(20,703)	(20,707)
Average economic capital	$20,037	$19,825	$20,812	$22,294	$22,223
Global Banking and Markets					
Reported net income (loss)	$(302)	$1,559	$2,143	$669	$1,468
Adjustment related to intangibles (1)	5	4	4	4	5
Adjusted net income (loss)	$(297)	$1,563	$2,147	$673	$1,473
Average allocated equity	$36,372	$37,458	$41,491	$46,935	$50,173
	(10,783)	(10,474)	(10,379)	(10,240)	(10,057)

Adjustment related to goodwill and a percentage of intangibles					
Average economic capital	$25,589	$26,984	$31,112	$36,695	$40,116
Global Wealth and Investment Management					
Reported net income	$347	$506	$533	$319	$269
Adjustment related to intangibles [1]	7	7	9	20	21
Adjusted net income	$354	$513	$542	$339	$290
Average allocated equity	$17,839	$17,574	$17,938	$18,227	$18,039
Adjustment related to goodwill and a percentage of intangibles	(10,691)	(10,706)	(10,728)	(10,752)	(10,775)
Average economic capital	$7,148	$6,868	$7,210	$7,475	$7,264

[1] Represents cost of funds and earnings credit on intangibles.

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Table 10
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures

	Nine Months Ended September 30	
(Dollars in millions, except per share information)	2011	2010
Fully taxable-equivalent basis data		
Net interest income	$34,629	$39,984
Total revenue, net of interest expense	69,280	88,722
Net interest yield	2.50 %	2.81 %
Efficiency ratio	87.69	70.16
Performance ratios, excluding goodwill impairment charges [1]		
Per common share information		
Earnings	$0.11	$0.83
Diluted earnings	0.11	0.82
Efficiency ratio	83.93 %	58.43 %
Return on average assets	0.12	0.51
Return on average common shareholders' equity	0.70	5.31
Return on average tangible common shareholders' equity	1.11	9.20
Return on average tangible shareholders' equity	1.83	9.01
Reconciliation of net interest income to net interest income on a fully taxable-equivalent basis		
Net interest income	$33,915	$39,084
FTE adjustment	714	900
Net interest income on a fully taxable-equivalent basis	$34,629	$39,984
Reconciliation of total revenue, net of interest expense to total revenue, net of interest expense on a fully taxable-equivalent basis		
Total revenue, net of interest expense	$68,566	$87,822
FTE adjustment	714	900
Total revenue, net of interest expense on a fully taxable-equivalent basis	$69,280	$88,722
Reconciliation of total noninterest expense to total noninterest expense, excluding goodwill impairment charges		
Total noninterest expense	$60,752	$62,244
Goodwill impairment charges	(2,603)	(10,400)
Total noninterest expense, excluding goodwill impairment charges	$58,149	$51,844
Reconciliation of income tax expense (benefit) to income tax expense (benefit) on a fully taxable-equivalent basis		
Income tax expense (benefit)	$(2,117)	$3,266
FTE adjustment	714	900
Income tax expense (benefit) on a fully taxable-equivalent basis	$(1,403)	$4,166
Reconciliation of net loss to net income, excluding goodwill impairment charges		
Net loss	$(545)	$(994)
Goodwill impairment charges	2,603	10,400
Net income, excluding goodwill impairment charges	$2,058	$9,406
Reconciliation of net loss applicable to common shareholders to net income applicable to common shareholders, excluding goodwill impairment charges		
Net loss applicable to common shareholders	$(1,499)	$(2,030)
Goodwill impairment charges	2,603	10,400
Net income applicable to common shareholders, excluding goodwill impairment charges	$1,104	$8,370

Reconciliation of average common shareholders’ equity to average tangible common shareholders’ equity		
Common shareholders’ equity	$212,512	$210,649
Common Equivalent Securities	—	3,877
Goodwill	(72,903)	(84,965)
Intangible assets (excluding MSRs)	(9,386)	(11,246)
Related deferred tax liabilities	2,939	3,368
Tangible common shareholders’ equity	$133,162	$121,683
Reconciliation of average shareholders’ equity to average tangible shareholders’ equity		
Shareholders’ equity	$229,385	$232,465
Goodwill	(72,903)	(84,965)
Intangible assets (excluding MSRs)	(9,386)	(11,246)
Related deferred tax liabilities	2,939	3,368
Tangible shareholders’ equity	$150,035	$139,622

(1) Performance ratios have been calculated excluding the impact of the goodwill impairment charge of $2.6 billion recorded during the second quarter of 2011 and $10.4 billion recorded during the third quarter of 2010.

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Table 10
Year-to-Date Supplemental Financial Data and Reconciliations to GAAP Financial Measures (continued)

	Nine Months Ended September 30	
(Dollars in millions)	2011	2010
Deposits		
Reported net income	$1,051	$1,562
Adjustment related to intangibles [1]	1	8
Adjusted net income	$1,052	$1,570
Average allocated equity	$23,692	$24,254
Adjustment related to goodwill and a percentage of intangibles	(17,952)	(17,977)
Average economic capital	$5,740	$6,277
Card Services		
Reported net income (loss)	$4,767	$(8,269)
Adjustment related to intangibles [1]	12	54
Goodwill impairment charge	—	10,400
Adjusted net income	$4,779	$2,185
Average allocated equity	$22,958	$37,073
Adjustment related to goodwill and a percentage of intangibles	(12,257)	(21,649)
Average economic capital	$10,701	$15,424
Consumer Real Estate Services		
Reported net loss	$(18,070)	$(4,010)
Adjustment related to intangibles [1]	—	2
Goodwill impairment charge	2,603	—
Adjusted net loss	$(15,467)	$(4,008)
Average allocated equity	$16,688	$26,591
Adjustment related to goodwill and a percentage of intangibles	(1,804)	(4,803)
Average economic capital	$14,884	$21,788
Global Commercial Bank		
Reported net income	$3,354	$2,165
Adjustment related to intangibles [1]	2	4
Adjusted net income	$3,356	$2,169
Average allocated equity	$40,917	$43,790
Adjustment related to goodwill and a percentage of intangibles	(20,695)	(20,678)
Average economic capital	$20,222	$23,112
Global Banking and Markets		
Reported net income	$3,400	$5,628
Adjustment related to intangibles [1]	13	15
Adjusted net income	$3,413	$5,643
Average allocated equity	$38,422	$51,083
Adjustment related to goodwill and a percentage of intangibles	(10,547)	(10,061)
Average economic capital	$27,875	$41,022
Global Wealth and Investment Management		
Reported net income	$1,386	$1,022

Adjustment related to intangibles [1]	23	66
Adjusted net income	$1,409	$1,088
Average allocated equity	$17,783	$18,015
Adjustment related to goodwill and a percentage of intangibles	(10,708)	(10,788)
Average economic capital	$7,075	$7,227

(1) Represents cost of funds and earnings credit on intangibles.

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Core Net Interest Income

We manage core net interest income which is reported net interest income on a FTE basis adjusted for the impact of market-based activities. As discussed in the GBAM business segment section on page 47, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for GBAM. An analysis of core net interest income, core average earning assets and core net interest yield on earning assets, all of which adjust for the impact of market-based activities from reported net interest income on a FTE basis, is shown below. We believe the use of this non-GAAP presentation provides additional clarity in assessing our results.

Table 11
Core Net Interest Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Net interest income [1]				
As reported [2]	$10,739	$12,717	$34,629	$39,984
Impact of market-based net interest income [3]	(950)	(1,045)	(2,915)	(3,280)
Core net interest income	$9,789	$11,672	$31,714	$36,704
Average earning assets				
As reported	$1,841,135	$1,863,819	$1,851,736	$1,902,303
Impact of market-based earning assets [3]	(447,560)	(503,890)	(459,532)	(523,309)
Core average earning assets	$1,393,575	$1,359,929	$1,392,204	$1,378,994
Net interest yield contribution [1, 4]				
As reported [2]	2.32 %	2.72 %	2.50 %	2.81 %
Impact of market-based activities [3]	0.47	0.70	0.54	0.74
Core net interest yield on earning assets	2.79 %	3.42 %	3.04 %	3.55 %

(1) FTE basis

(2) Balance and calculation include fees earned on overnight deposits placed with the Federal Reserve of $38 million and $107 million for the three months ended September 30, 2011 and 2010 and $150 million and $305 million for the nine months ended September 30, 2011 and 2010.

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

(4) Calculated on an annualized basis.

For the three and nine months ended September 30, 2011, core net interest income decreased $1.9 billion to $9.8 billion, and $5.0 billion to $31.7 billion compared to the same periods in 2010. The decrease was primarily due to lower consumer loan balances and yields and decreased investment yields, including the acceleration of purchase premium amortization from an increase in modeled prepayment expectations and increased hedge ineffectiveness. Core net interest income benefited from ongoing reductions in long-term debt balances and lower interest rates paid on deposits.

For the three and nine months ended September 30, 2011, core average earning assets increased $33.6 billion to $1,394 billion and $13.2 billion to $1,392 billion compared to the same periods in 2010. The increase was primarily due to growth in residential mortgages and investment securities, and was partially offset by declines in credit card and home equity loans.

For the three and nine months ended September 30, 2011, core net interest yield decreased 63 bps to 2.79 percent and 51 bps to 3.04 percent compared to the same periods in 2010 due to the factors noted above. Over the three- and nine-month periods in 2011, the yield curve flattened significantly with long-term rates near historical lows at

September 30, 2011. This has resulted in net interest yield compression as assets have repriced down and liability yields have remained relatively stable.

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Table 12
Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis

	Third Quarter 2011			Second Quarter 2011		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Earning assets						
Time deposits placed and other short-term investments [1]	$26,743	$87	1.31 %	$27,298	$106	1.56 %
Federal funds sold and securities borrowed or purchased under agreements to resell	256,143	584	0.90	259,069	597	0.92
Trading account assets	180,438	1,543	3.40	186,760	1,576	3.38
Debt securities [2]	344,327	1,744	2.02	335,269	2,696	3.22
Loans and leases [3]:						
Residential mortgage [4]	268,494	2,856	4.25	265,420	2,763	4.16
Home equity	129,125	1,238	3.81	131,786	1,261	3.83
Discontinued real estate	15,923	134	3.36	15,997	129	3.22
U.S. credit card	103,671	2,650	10.14	106,164	2,718	10.27
Non-U.S. credit card	25,434	697	10.88	27,259	760	11.18
Direct/Indirect consumer [5]	90,280	915	4.02	89,403	945	4.24
Other consumer [6]	2,795	43	6.07	2,745	47	6.76
Total consumer	635,722	8,533	5.34	638,774	8,623	5.41
U.S. commercial	191,439	1,809	3.75	190,479	1,827	3.85
Commercial real estate [7]	42,931	360	3.33	45,762	382	3.35
Commercial lease financing	21,342	240	4.51	21,284	235	4.41
Non-U.S. commercial	50,598	349	2.73	42,214	339	3.22
Total commercial	306,310	2,758	3.58	299,739	2,783	3.72
Total loans and leases	942,032	11,291	4.77	938,513	11,406	4.87
Other earning assets	91,452	814	3.54	97,616	866	3.56
Total earning assets [8]	1,841,135	16,063	3.47	1,844,525	17,247	3.75
Cash and cash equivalents [1]	102,573	38		115,956	49	
Other assets, less allowance for loan and lease losses	357,746			378,629		
Total assets	$2,301,454			$2,339,110		

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation's Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

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

(3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.

(4) Includes non-U.S. residential mortgage loans of $91 million, $94 million and $92 million in the third, second and first quarters of 2011, and $96 million and $502 million in the fourth and third quarters of 2010, respectively.

(5) Includes non-U.S. consumer loans of $8.6 billion, $8.7 billion and $8.2 billion in the third, second and first quarters of 2011, and $7.9 billion and $7.7 billion in the fourth and third quarters of 2010, respectively.

(6) Includes consumer finance loans of $1.8 billion, $1.8 billion and $1.9 billion in the third, second and first quarters of 2011, and $2.0 billion in both the fourth and third quarters of 2010, respectively; other non-U.S. consumer loans of $932 million, $840 million and $777 million in the third, second and first quarters of 2011, and $791 million and

$788 million in the fourth and third quarters of 2010, respectively; and consumer overdrafts of $107 million, $79 million and $76 million in the third, second and first quarters of 2011, and $34 million and $123 million in the fourth and third quarters of 2010, respectively.

(7) Includes U.S. commercial real estate loans of $40.7 billion, $43.4 billion and $45.7 billion in the third, second and first quarters of 2011, and $49.0 billion and $53.1 billion in the fourth and third quarters of 2010, respectively; and non-U.S. commercial real estate loans of $2.2 billion, $2.3 billion and $2.7 billion in the third, second and first quarters of 2011, and $2.6 billion and $2.5 billion in the fourth and third quarters of 2010, respectively.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $1.0 billion, $739 million and $388 million in the third, second and first quarters of 2011, and $29 million and $643 million in the fourth and third quarters of 2010, respectively. Interest expense includes the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $631 million, $625 million and $621 million in the third, second and first quarters of 2011, and $672 million and $1.0 billion in the fourth and third quarters of 2010, respectively. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 127.

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Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

(Dollars in millions)	First Quarter 2011				Fourth Quarter 2010				Third Quarter 2010			
	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets												
Time deposits placed and other short-term investments [1]	$31,294	$88	1.14	%	$28,141	$75	1.07	%	$23,233	$86	1.45	%
Federal funds sold and securities borrowed or purchased under agreements to resell	227,379	517	0.92		243,589	486	0.79		254,820	441	0.69	
Trading account assets	221,041	1,669	3.05		216,003	1,710	3.15		210,529	1,692	3.20	
Debt securities [2]	335,847	2,917	3.49		341,867	3,065	3.58		328,097	2,646	3.22	
Loans and leases [3]:												
Residential mortgage [4]	262,049	2,881	4.40		254,051	2,857	4.50		237,292	2,797	4.71	
Home equity	136,089	1,335	3.96		139,772	1,410	4.01		143,083	1,457	4.05	
Discontinued real estate	12,899	110	3.42		13,297	118	3.57		13,632	122	3.56	
U.S. credit card	109,941	2,837	10.47		112,673	3,040	10.70		115,251	3,113	10.72	
Non-U.S. credit card	27,633	779	11.43		27,457	815	11.77		27,047	875	12.84	
Direct/Indirect consumer [5]	90,097	993	4.47		91,549	1,088	4.72		95,692	1,130	4.68	
Other consumer [6]	2,753	45	6.58		2,796	45	6.32		2,955	47	6.35	
Total consumer	641,461	8,980	5.65		641,595	9,373	5.81		634,952	9,541	5.98	
U.S. commercial	191,353	1,926	4.08		193,608	1,894	3.88		192,306	2,040	4.21	
Commercial real estate [7]	48,359	437	3.66		51,617	432	3.32		55,660	452	3.22	
Commercial lease financing	21,634	322	5.95		21,363	250	4.69		21,402	255	4.78	
Non-U.S. commercial	36,159	299	3.35		32,431	289	3.53		30,540	282	3.67	
Total commercial	297,505	2,984	4.06		299,019	2,865	3.81		299,908	3,029	4.01	
Total loans and leases	938,966	11,964	5.14		940,614	12,238	5.18		934,860	12,570	5.35	
Other earning assets	115,336	922	3.24		113,325	923	3.23		112,280	949	3.36	
Total earning assets [8]	1,869,863	18,077	3.92		1,883,539	18,497	3.90		1,863,819	18,384	3.93	
Cash and cash equivalents [1]	138,241	63			136,967	63			155,784	107		
Other assets, less allowance for loan and lease losses	330,434				349,752				359,794			
Total assets	$2,338,538				$2,370,258				$2,379,397			

For footnotes see page 28.

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Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

(Dollars in millions)	Third Quarter 2011				Second Quarter 2011			
	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$41,256	$21	0.19	%	$41,668	$31	0.30	%
NOW and money market deposit accounts	473,391	248	0.21		478,690	304	0.25	
Consumer CDs and IRAs	108,359	244	0.89		113,728	281	0.99	
Negotiable CDs, public funds and other time deposits	18,547	5	0.12		13,842	42	1.22	
Total U.S. interest-bearing deposits	641,553	518	0.32		647,928	658	0.41	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	21,037	34	0.65		19,234	37	0.77	
Governments and official institutions	2,043	2	0.32		2,131	2	0.38	
Time, savings and other	64,271	150	0.93		64,889	146	0.90	
Total non-U.S. interest-bearing deposits	87,351	186	0.85		86,254	185	0.86	
Total interest-bearing deposits	728,904	704	0.38		734,182	843	0.46	
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	303,234	1,152	1.51		338,692	1,342	1.59	
Trading account liabilities	87,841	547	2.47		96,108	627	2.62	
Long-term debt	420,273	2,959	2.82		435,144	2,991	2.75	
Total interest-bearing liabilities (8)	1,540,252	5,362	1.39		1,604,126	5,803	1.45	
Noninterest-bearing sources:								
Noninterest-bearing deposits	322,416				301,762			
Other liabilities	216,376				198,155			
Shareholders’ equity	222,410				235,067			
Total liabilities and shareholders’ equity	$2,301,454				$2,339,110			
Net interest spread			2.08	%			2.30	%
Impact of noninterest-bearing sources			0.23				0.19	
Net interest income/yield on earning assets (1)		$10,701	2.31	%		$11,444	2.49	%

For footnotes see page 28.

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Quarterly Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

	First Quarter 2011			Fourth Quarter 2010			Third Quarter 2010		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-bearing liabilities									
U.S. interest-bearing deposits:									
Savings	$38,905	$32	0.34 %	$37,145	$35	0.36 %	$37,008	$36	0.39 %
NOW and money market deposit accounts	475,954	316	0.27	464,531	333	0.28	442,906	359	0.32
Consumer CDs and IRAs	118,306	300	1.03	124,855	338	1.07	132,687	377	1.13
Negotiable CDs, public funds and other time deposits	13,995	39	1.11	16,334	47	1.16	17,326	57	1.30
Total U.S. interest-bearing deposits	647,160	687	0.43	642,865	753	0.46	629,927	829	0.52
Non-U.S. interest-bearing deposits:									
Banks located in non-U.S. countries	21,534	38	0.72	16,827	38	0.91	17,431	38	0.86
Governments and official institutions	2,307	2	0.35	1,560	2	0.42	2,055	2	0.36
Time, savings and other	60,432	112	0.76	58,746	101	0.69	54,373	81	0.59
Total non-U.S. interest-bearing deposits	84,273	152	0.73	77,133	141	0.73	73,859	121	0.65
Total interest-bearing deposits	731,433	839	0.46	719,998	894	0.49	703,786	950	0.54
Federal funds purchased, securities loaned or sold under agreements to repurchase and other short-term borrowings	371,573	1,184	1.29	369,738	1,142	1.23	391,148	848	0.86
Trading account liabilities	83,914	627	3.03	81,313	561	2.74	95,265	635	2.65
Long-term debt	440,511	3,093	2.84	465,875	3,254	2.78	485,588	3,341	2.74
Total interest-bearing liabilities [8]	1,627,431	5,743	1.43	1,636,924	5,851	1.42	1,675,787	5,774	1.37
Noninterest-bearing sources:									
Noninterest-bearing deposits	291,707			287,740			270,060		

Other liabilities	188,631			210,069			199,572		
Shareholders’ equity	230,769			235,525			233,978		
Total liabilities and shareholders’ equity	$2,338,538			$2,370,258			$2,379,397		
Net interest spread			2.49 %			2.48 %			2.56 %
Impact of noninterest-bearing sources			0.17			0.18			0.13
Net interest income/yield on earning assets [1]		$12,334	2.66 %		$12,646	2.66 %		$12,610	2.69 %

For footnotes see page 28.

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Table 13
Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis

	Nine Months Ended September 30							
	2011				2010			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Earning assets								
Time deposits placed and other short-term investments [1]	$28,428	$281	1.33	%	$27,175	$217	1.06	%
Federal funds sold and securities borrowed or purchased under agreements to resell	247,635	1,698	0.92		261,444	1,346	0.69	
Trading account assets	195,931	4,788	3.26		212,985	5,340	3.35	
Debt securities [2]	338,512	7,357	2.90		317,906	8,785	3.69	
Loans and leases [3]:								
Residential mortgage [4]	265,345	8,500	4.27		242,922	8,879	4.87	
Home equity	132,308	3,834	3.87		147,911	4,580	4.14	
Discontinued real estate	14,951	373	3.32		14,009	409	3.89	
U.S. credit card	106,569	8,205	10.29		119,744	9,604	10.72	
Non-U.S. credit card	26,767	2,236	11.17		28,198	2,635	12.50	
Direct/Indirect consumer [5]	89,927	2,853	4.24		98,368	3,665	4.98	
Other consumer [6]	2,764	135	6.47		2,973	141	6.34	
Total consumer	638,631	26,136	5.47		654,125	29,913	6.11	
U.S. commercial	191,091	5,562	3.89		196,665	6,015	4.09	
Commercial real estate [7]	45,664	1,179	3.45		62,755	1,568	3.34	
Commercial lease financing	21,419	797	4.96		21,448	820	5.10	
Non-U.S. commercial	43,043	987	3.07		29,309	802	3.66	
Total commercial	301,217	8,525	3.78		310,177	9,205	3.97	
Total loans and leases	939,848	34,661	4.93		964,302	39,118	5.42	
Other earning assets	101,382	2,602	3.43		118,491	2,996	3.38	
Total earning assets [8]	1,851,736	51,387	3.72		1,902,303	57,802	4.06	
Cash and cash equivalents [1]	118,792	150			187,310	305		
Other assets, less allowance for loan and lease losses	355,704				373,364			
Total assets	$2,326,232				$2,462,977			

(1) For this presentation, fees earned on overnight deposits placed with the Federal Reserve are included in the cash and cash equivalents line, consistent with the Corporation’s Consolidated Balance Sheet presentation of these deposits. Net interest income and net interest yield are calculated excluding these fees.

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

(3) Nonperforming loans are included in the respective average loan balances. Income on these nonperforming loans is recognized on a cash basis. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.

(4) Includes non-U.S. residential mortgages of $92 million and $515 million for the nine months ended September 30, 2011 and 2010.

(5) Includes non-U.S. consumer loans of $8.5 billion and $7.9 billion for the nine months ended September 30, 2011 and 2010.

(6) Includes consumer finance loans of $1.8 billion and $2.1 billion, other non-U.S. consumer loans of $851 million and $711 million, and consumer overdrafts of $88 million and $137 million for the nine months ended September

30, 2011 and 2010.

(7) Includes U.S. commercial real estate loans of $43.3 billion and $60.1 billion, and non-U.S. commercial real estate loans of $2.4 billion and $2.7 billion for the nine months ended September 30, 2011 and 2010.

(8) Interest income includes the impact of interest rate risk management contracts, which decreased interest income on the underlying assets by $2.2 billion and $1.4 billion for the nine months ended September 30, 2011 and 2010. Interest expense included the impact of interest rate risk management contracts, which decreased interest expense on the underlying liabilities by $1.9 billion and $2.8 billion for the nine months ended September 30, 2011 and 2010. For further information on interest rate contracts, see Interest Rate Risk Management for Nontrading Activities on page 127.

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Year-to-Date Average Balances and Interest Rates – Fully Taxable-equivalent Basis (continued)

	Nine Months Ended September 30							
	2011				2010			
(Dollars in millions)	Average Balance	Interest Income/ Expense	Yield/ Rate		Average Balance	Interest Income/ Expense	Yield/ Rate	
Interest-bearing liabilities								
U.S. interest-bearing deposits:								
Savings	$40,618	$84	0.28	%	$36,482	$122	0.45	%
NOW and money market deposit accounts	476,002	868	0.24		433,858	1,072	0.33	
Consumer CDs and IRAs	113,428	825	0.97		148,644	1,385	1.25	
Negotiable CDs, public funds and other time deposits	15,478	86	0.74		18,138	179	1.32	
Total U.S. interest-bearing deposits	645,526	1,863	0.39		637,122	2,758	0.58	
Non-U.S. interest-bearing deposits:								
Banks located in non-U.S. countries	20,600	109	0.71		18,532	106	0.76	
Governments and official institutions	2,159	6	0.35		3,952	8	0.27	
Time, savings and other	63,212	408	0.86		53,816	231	0.57	
Total non-U.S. interest-bearing deposits	85,971	523	0.81		76,300	345	0.60	
Total interest-bearing deposits	731,497	2,386	0.44		713,422	3,103	0.58	
Federal funds purchased and securities loaned or sold under agreements to repurchase and other short-term borrowings	337,583	3,678	1.46		450,748	2,557	0.76	
Trading account liabilities	89,302	1,801	2.70		95,159	2,010	2.82	
Long-term debt	431,902	9,043	2.80		498,794	10,453	2.80	
Total interest-bearing liabilities [(8)]	1,590,284	16,908	1.42		1,758,123	18,123	1.38	
Noninterest-bearing sources:								
Noninterest-bearing deposits	305,408				268,710			
Other liabilities	201,155				203,679			
Shareholders' equity	229,385				232,465			
Total liabilities and shareholders' equity	$2,326,232				$2,462,977			
Net interest spread			2.30	%			2.68	%
Impact of noninterest-bearing sources			0.19				0.11	
Net interest income/yield on earning assets [(1)]		$34,479	2.49	%		$39,679	2.79	%

For footnotes see page 32.

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Business Segment Operations

Segment Description and Basis of Presentation

We report the results of our operations through six business segments: Deposits, Card Services, CRES, Global Commercial Banking, GBAM and GWIM, with the remaining operations recorded in All Other. Prior period amounts have been reclassified to conform to current period presentation.

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data on page 21. We begin by evaluating the operating results of the segments which by definition exclude merger and restructuring charges.

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

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

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

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

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each segment's credit, market, interest rate, strategic and operational risk components. The nature of these risks is discussed further on page 70. We benefit from the diversification of risk across these components which is reflected as a reduction to allocated equity for each segment. The total amount of average equity reflects both risk-based capital and the portion of goodwill and intangibles specifically assigned to the business segments. The risk-adjusted methodology is periodically refined and such refinements are reflected as changes to allocated equity in each segment.

For more information on selected financial information for the business segments and reconciliations to consolidated total revenue, net income (loss) and period-end total assets, see Note 20 – Business Segment Information to the Consolidated Financial Statements.

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Deposits

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2011	2010	% Change	2011	2010	% Change
Net interest income [1]	$1,987	$1,954	2 %	$6,473	$6,272	3 %
Noninterest income:						
Service charges	1,071	1,138	(6)	2,959	4,111	(28)
All other income	61	54	13	177	176	1
Total noninterest income	1,132	1,192	(5)	3,136	4,287	(27)
Total revenue, net of interest expense	3,119	3,146	(1)	9,609	10,559	(9)
Provision for credit losses	52	62	(16)	116	160	(28)
Noninterest expense	2,627	2,774	(5)	7,835	7,926	(1)
Income before income taxes	440	310	42	1,658	2,473	(33)
Income tax expense [1]	164	112	46	607	911	(33)
Net income	$276	$198	39	$1,051	$1,562	(33)
Net interest yield [1]	1.88 %	1.89 %		2.06 %	2.02 %	
Return on average equity	4.61	3.23		5.93	8.61	
Return on average economic capital [2]	18.78	12.40		24.54	33.45	
Efficiency ratio [1]	84.24	88.17		81.54	75.07	
Cost per dollar deposit [3]	2.47	2.68		2.51	2.55	
Balance Sheet						
Average						
Total earning assets	$420,310	$410,330	2	$420,975	$414,212	2
Total assets	447,053	436,479	2	447,369	440,598	2
Total deposits	422,331	411,117	3	422,452	415,458	2
Allocated equity	23,820	24,402	(2)	23,692	24,254	(2)
Economic capital [2]	5,873	6,424	(9)	5,740	6,277	(9)
Period end				September 30 2011	December 31 2010	
Total earning assets				$422,197	$414,215	2
Total assets				448,906	440,954	2
Total deposits				424,267	415,189	2
Client brokerage assets				61,918	63,597	(3)

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. An increase in the ratio for the three-month period resulted from higher net income and a decrease in economic capital. The decrease in the ratio for the nine-month period resulted from lower net income partially offset by a decrease in economic capital. Economic capital decreased due to improvements in interest rate risk related to changes in the composition of the deposit base. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Cost per dollar deposit represents annualized noninterest expense, excluding certain expenses, as a percentage of average deposits.

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

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

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $78 million, or 39 percent, to $276 million due to a decrease in noninterest expense partially offset by lower revenue. Revenue of $3.1 billion was down $27 million from the year-ago quarter driven by lower noninterest income, reflecting the impact of overdraft policy changes in conjunction with Regulation E that were fully implemented during the third quarter of 2010. For more information on Regulation E, see Regulatory Matters of the Corporation's 2010 Annual Report on Form 10-K on page 56. Noninterest expense was down $147 million from a year ago to $2.6 billion due to a decrease in operating expenses.

Average deposits increased $11.2 billion from a year ago driven by a customer shift to more liquid products in a low interest rate environment.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income decreased $511 million, or 33 percent, to $1.1 billion due to a decrease in noninterest income of $1.2 billion, or 27 percent, to $3.1 billion, driven by the same factor described in the three-month discussion above. Other components of net income remained relatively unchanged.

Average deposits increased $7.0 billion from a year ago driven by the same factor described in the three-month discussion above.

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Card Services

(Dollars in millions)	Three Months Ended September 30 2011	2010	% Change	Nine Months Ended September 30 2011	2010	% Change
Net interest income [1]	$2,823	$3,500	(19)%	$8,743	$11,002	(21)%
Noninterest income:						
Card income	1,720	1,731	(1)	4,980	5,206	(4)
All other income (loss)	(36)	146	n/m	362	776	(53)
Total noninterest income	1,684	1,877	(10)	5,342	5,982	(11)
Total revenue, net of interest expense	4,507	5,377	(16)	14,085	16,984	(17)
Provision for credit losses	1,037	3,066	(66)	1,934	9,116	(79)
Goodwill impairment	—	10,400	(100)	—	10,400	(100)
All other noninterest expense	1,458	1,434	2	4,632	4,495	3
Income (loss) before income taxes	2,012	(9,523)	n/m	7,519	(7,027)	n/m
Income tax expense [1]	748	321	133	2,752	1,242	122
Net income (loss)	$1,264	$(9,844)	n/m	$4,767	$(8,269)	n/m
Net interest yield [1]	8.98 %	9.76 %		9.07 %	9.86 %	
Return on average equity	22.36	n/m		27.76	n/m	
Return on average economic capital [2]	49.31	16.63		59.71	18.94	
Efficiency ratio [1]	32.35	n/m		32.88	87.70	
Efficiency ratio, excluding goodwill impairment charge [1]	32.35	26.69		32.88	26.46	
Balance Sheet						
Average						
Total loans and leases	$123,547	$141,092	(12)	$127,755	$147,893	(14)
Total earning assets	124,767	142,228	(12)	128,905	149,181	(14)
Total assets	130,298	149,156	(13)	132,657	157,030	(16)
Allocated equity	22,410	33,033	(32)	22,958	37,073	(38)
Economic capital [2]	10,194	13,665	(25)	10,701	15,424	(31)
Period end				September 30 2011	December 31 2010	
Total loans and leases				$122,223	$137,024	(11)
Total earning assets				123,510	138,072	(11)
Total assets				128,759	140,146	(8)

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. Increases in the ratios resulted from higher net income and a decrease in economic capital. Economic capital decreased due to lower levels of credit risk as loan balances declined. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

Card Services is one of the leading issuers of credit and debit cards in the U.S. to consumers and small businesses providing a broad offering of lending products including co-branded and affinity products. On August 15, 2011, we announced an agreement to sell our Canadian consumer card business and that we intend to exit our consumer card businesses in Europe. The sale of the Canadian consumer card business is expected to close in the fourth quarter of 2011. In light of these actions, the international consumer card business results were moved to All Other, prior period results have been reclassified and the Global Card Services business segment was renamed Card Services. The loans related to the Canada consumer card business are currently classified as held-for-sale within All Other.

During 2010 and 2011, Card Services was negatively impacted by provisions of the CARD Act. The majority of the provisions of the CARD Act became effective on February 22, 2010, while certain provisions became effective in the third quarter of 2010. The CARD Act has negatively impacted net interest income due to restrictions on our ability to reprice credit cards based on risk and card income due to restrictions imposed on certain fees. For more information on the CARD Act, see Regulatory Matters of the Corporation's 2010 Annual Report on Form 10-K on page 56.

On June 29, 2011, the Federal Reserve adopted a final rule with respect to the Durbin Amendment, effective October 1, 2011, that establishes the maximum allowable interchange fees a bank can receive for a debit card transaction. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements. We intend to comply with these fraud-related requirements. In addition, the Federal Reserve approved rules governing routing and exclusivity, requiring issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product, which are effective April 1, 2012. For more information on the final interchange rules, see Regulatory Matters on page 68. The new interchange fee rules are expected to result in a reduction of debit card revenue in the fourth quarter of 2011 of approximately $475 million.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $11.1 billion to $1.3 billion primarily driven by a decline in noninterest expense due to the $10.4 billion goodwill impairment charge in 2010, and a $2.0 billion decrease in the provision for credit losses. This was partially offset by a decrease in revenue of $870 million, or 16 percent, to $4.5 billion primarily due to lower net interest income.

Net interest income decreased $677 million, or 19 percent, to $2.8 billion driven by lower average loan balances and yields. Net interest yield decreased 78 bps to 8.98 percent due to charge-offs and paydowns of higher interest rate products. Noninterest income decreased $193 million, or 10 percent, to $1.7 billion.

The provision for credit losses decreased $2.0 billion to $1.0 billion reflecting lower delinquencies, improved collection rates and fewer bankruptcy filings as a result of improving economic conditions and lower average loans. For more information on the provision for credit losses, see Provision for Credit Losses on page 119.

Average loans decreased $17.5 billion driven by higher payments, charge-offs, continued run-off of non-core portfolios and the impact of portfolio divestitures earlier in 2011.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income increased $13.0 billion to $4.8 billion primarily due to the $10.4 billion goodwill impairment charge in the third quarter of 2010 and a decrease in the provision for credit losses of $7.2 billion to $1.9 billion, partially offset by a $2.9 billion decline in revenue to $14.1 billion. Net interest income of $8.7 billion decreased $2.3 billion, noninterest income declined $640 million to $5.3 billion and noninterest expense decreased $10.3 billion to $4.6 billion. These period over period changes were primarily driven by the same factors described in the three-month discussion above. In addition, the decline in noninterest income reflected the gain on the sale of our MasterCard position in the second quarter of 2010 and the CARD Act as discussed above.

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Consumer Real Estate Services

(Dollars in millions)	Three Months Ended September 30, 2011					
	Home Loans	Legacy Asset Servicing	Other	Total Consumer Real Estate Services	Three Months Ended September 30, 2010	% Change
Net interest income [1]	$473	$472	$(22)	$923	$1,339	(31)%
Noninterest income:						
Mortgage banking income	914	526	360	1,800	1,757	2
Insurance income	23	—	—	23	527	(96)
All other income (loss)	38	38	—	76	(11)	n/m
Total noninterest income	975	564	360	1,899	2,273	(16)
Total revenue, net of interest expense	1,448	1,036	338	2,822	3,612	(22)
Provision for credit losses	50	868	—	918	1,302	(29)
Noninterest expense	1,340	2,512	—	3,852	2,923	32
Income (loss) before income taxes	58	(2,344)	338	(1,948)	(613)	n/m
Income tax expense (benefit) [1]	24	(976)	141	(811)	(221)	n/m
Net income (loss)	$34	$(1,368)	$197	$(1,137)	$(392)	(190)
Net interest yield [1]	2.72%	2.77%	(0.69)%	2.45%	2.87%	
Efficiency ratio [1]	92.54	n/m	n/m	n/m	80.94	
Balance Sheet						
Average						
Total loans and leases	$54,961	$65,118	$—	$120,079	$127,712	(6)
Total earning assets	68,924	67,524	12,729	149,177	184,994	(19)
Total assets	72,601	81,560	28,682	182,843	221,908	(18)
Allocated equity	n/a	n/a	n/a	14,240	26,493	(46)
Economic capital [2]	n/a	n/a	n/a	14,240	21,692	(34)

	Nine Months Ended September 30, 2011					
	Home Loans	Legacy Asset Servicing	Other	Total Consumer Real Estate Services	Nine Months Ended September 30, 2010	% Change
Net interest income [1]	$1,520	$941	$(63)	$2,398	$3,538	(32)%
Noninterest income:						
Mortgage banking income (loss)	2,602	(12,615)	(510)	(10,523)	4,418	n/m
Insurance income	753	—	—	753	1,578	(52)
All other income	860	82	—	942	315	199
Total noninterest income (loss)	4,215	(12,533)	(510)	(8,828)	6,311	n/m
	5,735	(11,592)	(573)	(6,430)	9,849	n/m

Total revenue, net of interest expense						
Provision for credit losses	171	3,352	—	3,523	7,292	(52)
Goodwill impairment	—	—	2,603	2,603	—	n/m
Noninterest expense	4,548	10,146	—	14,694	8,906	65
Income (loss) before income taxes	1,016	(25,090)	(3,176)	(27,250)	(6,349)	n/m
Income tax expense (benefit) [1]	377	(9,362)	(195)	(9,180)	(2,339)	n/m
Net income (loss)	$639	$(15,728)	$(2,981)	$(18,070)	$(4,010)	n/m
Net interest yield [1]	2.78 %	1.85 %	(0.44)%	2.00 %	2.53 %	
Efficiency ratio [1]	79.30	n/m	n/m	n/m	90.43	
Balance Sheet						
Average						
Total loans and leases	$55,128	$65,644	$—	$120,772	$130,684	(8)
Total earning assets	73,110	67,854	19,015	159,979	187,134	(15)
Total assets	75,305	83,114	38,218	196,637	227,323	(13)
Allocated equity	n/a	n/a	n/a	16,688	26,591	(37)
Economic capital [2]	n/a	n/a	n/a	14,884	21,788	(32)
Period end	September 30, 2011				December 31, 2010	
Total loans and leases	$55,170	$64,653	$—	$119,823	$122,933	(3)
Total earning assets	66,618	67,548	10,665	144,831	172,082	(16)
Total assets	80,670	83,529	24,570	188,769	212,412	(11)

(1) FTE basis

(2) Economic capital is a non-GAAP measure. Economic capital decreased due to improvements in credit risk as loan balances declined and due to a lower MSR balance. Allocated equity decreased due to the $2.0 billion goodwill impairment charge recorded during the fourth quarter of 2010 and the $2.6 billion goodwill impairment charge recorded during the second quarter of 2011. For additional information on this measure and for a corresponding reconciliation to a GAAP financial measure, see Supplemental Financial Data on page 21.

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

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

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

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

CRES includes the impact of transferring customers and their related loan balances between GWIM and CRES based on client segmentation thresholds. For more information on the migration of customer balances, see GWIM on page 52.

Home Loans

Home Loans' products are available to our customers through our retail network of approximately 5,700 banking centers, mortgage loan officers in approximately 750 locations and a sales force offering our customers direct telephone and online access to our products. These products are also offered through our correspondent lending channel. In October 2011, we announced that we intend to wind down the correspondent channel by the end of 2011. On February 4, 2011, we announced that we were exiting the reverse mortgage origination business. In October 2010, we exited the first mortgage wholesale acquisition channel. These strategic changes were made to allow greater focus on our direct to consumer channels and to deepen relationships with existing customers and use mortgage products to acquire new relationships.

Home Loans includes the ongoing loan production activities, certain servicing activities and the CRES home equity portfolio not selected for inclusion in the Legacy Asset Servicing portfolio. Servicing activities include collecting cash for principal, interest and escrow payments from borrowers, and disbursing customer draws for lines of credit and accounting for and remitting principal and interest payments to investors and escrow payments to third parties along with responding to non-default related customer inquiries. Home Loans also included insurance operations through June 30, 2011, when the ongoing insurance business was transferred to Card Services following the sale of Balboa's lender-placed insurance business. Due to the realignment of CRES, the composition of the Home Loans loan portfolio does not currently reflect a normalized level of credit losses and noninterest expense which we expect will develop over time.

Legacy Asset Servicing

Legacy Asset Servicing is responsible for servicing and managing the exposures related to selected residential mortgage, home equity and discontinued real estate loan portfolios. These selected loan portfolios include owned loans and loans serviced for others, including loans held in other business segments and All Other (collectively, the Legacy Asset Servicing portfolio). The Legacy Asset Servicing portfolio includes residential mortgage loans, home equity loans and discontinued real estate loans that would not have been originated under our underwriting standards

at December 31, 2010. Countrywide loans that were impaired at the time of acquisition (the Countrywide PCI portfolio) as well as certain loans that met a pre-defined delinquency status or probability of default threshold as of January 1, 2011, are also included in the Legacy Asset Servicing portfolio. Since determining the pool of loans that would be included in the Legacy Asset Servicing portfolio as of January 1, 2011, the criteria have not changed for this portfolio. However, the criteria for inclusion of certain assets and liabilities in the Legacy Asset Servicing portfolio will continue to be evaluated over time.

The total owned loans in the Legacy Asset Servicing portfolio were $163.2 billion at September 30, 2011, of which $64.7 billion are reflected on the balance sheet of Legacy Asset Servicing within CRES and the remainder is held on the balance sheet of All Other. For more information on the Legacy Asset Servicing portfolio criteria, see Consumer Credit Portfolio on page 85.

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

Our home retention efforts are part of our servicing activities, along with supervising foreclosures and property dispositions. These default-related activities are performed by Legacy Asset Servicing. In an effort to help our customers avoid foreclosure, Legacy Asset Servicing evaluates various workout options prior to foreclosure sales which, combined with our temporary halt of foreclosures announced in October 2010, has resulted in elongated default timelines. We have resumed foreclosure sales in all non-judicial states; however, while we have recently resumed foreclosure proceedings in nearly all judicial states, our progress on foreclosure sales in judicial states has been significantly slower than in non-judicial states. We have also not resumed foreclosure sales for certain types of customers, including those in bankruptcy and those with FHA-insured loans, although we have resumed foreclosure proceedings with respect to certain customers in bankruptcy and with FHA-insured loans. The implementation of changes in procedures and controls, including loss mitigation procedures related to our ability to recover on FHA insurance-related claims, as well as governmental, regulatory and judicial actions, may result in continuing delays in foreclosure proceedings and foreclosure sales, as well as creating obstacles to the collection of certain fees and expenses, in both judicial and non- judicial foreclosures. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

Other

The Other component within CRES includes the results of certain MSR activities, including net hedge results, together with any related assets or liabilities used as economic hedges. The change in the value of the MSRs reflects the change in discount rates and prepayment speed assumptions, as well as the effect of changes in other assumptions, including the cost to service. These amounts are not allocated between Home Loans and Legacy Asset Servicing since the MSRs are managed as a single asset. Goodwill assigned to CRES was included in Other; however, the remaining balance of goodwill was written off in its entirety during the three months ended June 30, 2011. For additional information on MSRs, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

The CRES net loss increased $745 million to $1.1 billion. Revenue declined $790 million to $2.8 billion primarily driven by a decrease of $1.0 billion in core production income, due to a 54 percent decline in loan funding volume caused primarily by lower overall market demand, a drop in market share, largely in the correspondent channel. Additionally, the decline in revenue was due to a $504 million decrease in insurance income due to the sale of Balboa's lender-placed insurance business in the second quarter of 2011 and a decline in net interest income primarily due to the change in the composition of assets and liabilities driven primarily by lower average balances of loans held-for-sale (LHFS). Partially offsetting the revenue decline was a decrease of $594 million in representations and warranties provision and more favorable MSR results, net of hedges, of $450 million.

Provision for credit losses declined $384 million to $918 million reflecting improved portfolio trends, including the Countrywide PCI home equity portfolio.

Noninterest expense increased $929 million to $3.9 billion primarily due to higher default-related and other loss mitigation expenses and $290 million in litigation expense. Additionally, as a result of elongated default timelines, our servicing costs have increased driven by $350 million of mortgage-related assessments and waivers costs, which included $244 million for compensatory fees that we expect to be assessed by the GSEs as a result of foreclosure delays pursuant to our agreements and first mortgage seller/servicer guides with the GSEs which provide timelines to complete the liquidation of delinquent loans. In instances where we fail to meet these timelines, our agreements provide the GSEs with the option to assess compensatory fees. The remainder of the mortgage-related assessments and waivers costs are out-of-pocket costs that we do not expect to recover. We expect these costs will remain elevated as additional loans are delayed in the foreclosure process and as the GSEs assert more aggressive criteria. We also expect that continued elevated costs, including costs related to resources necessary to perform the foreclosure process

assessments, to revise affidavit filings and to implement other operational changes will continue. These increases were partially offset by a decrease of $181 million in insurance expenses and a decline of $199 million in production expense primarily due to lower origination volumes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

The CRES net loss increased $14.1 billion to $18.1 billion. Revenue declined $16.3 billion to a loss of $6.4 billion due in large part to a decrease of $14.9 billion in mortgage banking income driven by an increase in representations and warranties provision of $12.7 billion and a decline in core production income of $2.3 billion. The representations and warranties provision included $8.6 billion related to the BNY Mellon Settlement in the second quarter of 2011 and $6.7 billion related to other non-GSE exposures, and to a lesser extent, GSE exposures. For additional information on representations and warranties, see Note 9 – Representations and Warranties Obligations and Corporate Guarantees to the Consolidated Financial Statements and Off-Balance Sheet Arrangements and Contractual Obligations – Representations and Warranties on page 58. The decrease in core production income was due to lower production volume and driven by the same factors noted in the three-month discussion. Net interest income also contributed to the decline in revenue driven by increases in allocated interest expense and the same factors noted in the three-month discussion. These declines were partially offset by a pre-tax gain on the sale of Balboa's lender-placed insurance business of $752 million, net of an inter-segment advisory fee. Provision for credit losses decreased $3.8 billion to $3.5 billion driven primarily by improving portfolio trends, including the Countrywide PCI home equity

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portfolio. Noninterest expense increased $8.4 billion to $17.3 billion due to a non-cash, non-tax deductible goodwill impairment charge of $2.6 billion in the second quarter of 2011 and increased litigation expenses as well as the same factors noted in the three-month discussion.

Mortgage Banking Income

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

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

The table below summarizes the components of mortgage banking income.

Mortgage Banking Income

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Production income (loss):				
Core production revenue	$803	$1,849	$2,295	$4,560
Representations and warranties provision	(278)	(872)	(15,328)	(2,646)
Total production income (loss)	525	977	(13,033)	1,914
Servicing income:				
Servicing fees	1,464	1,623	4,626	4,842
Impact of customer payments [1]	(664)	(923)	(2,009)	(2,961)
Fair value changes of MSRs, net of economic hedge results [2]	361	(89)	(509)	120
Other servicing-related revenue	114	169	402	503
Total net servicing income	1,275	780	2,510	2,504
Total CRES mortgage banking income (loss)	1,800	1,757	(10,523)	4,418
Eliminations [3]	(183)	(2)	(426)	(265)
Total consolidated mortgage banking income (loss)	$1,617	$1,755	$(10,949)	$4,153

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

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Core production revenue of $803 million represented a decrease of $1.0 billion due primarily to lower new loan origination volumes. The decline in new loan originations was caused primarily by lower overall market demand, a drop in market share, largely in the correspondent and retail sales channels and the exit from the wholesale acquisition channel. In addition, the representations and warranties provision decreased $594 million to $278 million due primarily to a lower provision related to the GSEs.

Net servicing income increased $495 million due to favorable MSR results, net of hedges. While overall MSRs results, net of hedges, were favorable, the MSR results during the three months ended September 30, 2011 reflect a $3.9 billion decline in the capitalized value of MSRs offset by $4.3 billion in gains from the economic hedges designed to protect against changes in the value of the MSRs driven by interest rate fluctuations. The decline in the value of the MSRs was driven primarily by a decline in interest rates, which resulted in higher forecasted prepayment speeds. For additional information on MSRs and the related hedge instruments, see Note 19 – Mortgage Servicing Rights to the Consolidated Financial Statements and Mortgage Banking Risk Management on page 132.

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Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Core production revenue of $2.3 billion represented a decline of $2.3 billion due to lower production volume driven by the same factors noted in the three-month discussion. The representations and warranties provision increased $12.7 billion to $15.3 billion. Net servicing income was unchanged as less favorable MSR results, net of hedges, and lower servicing income was offset by a decline in impact of customer payments.

Key Statistics

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions, except as noted)	2011	2010	2011	2010
Loan production				
CRES:				
First mortgage	$30,448	$69,875	$121,220	$205,981
Home equity	660	2,000	3,114	5,602
Total Corporation [1]:				
First mortgage	$33,038	$71,925	$130,142	$213,365
Home equity	847	2,136	3,629	6,300

Period end	September 30 2011	December 31 2010
Mortgage servicing portfolio (in billions) [2, 3]	$1,917	$2,057
Mortgage loans serviced for investors (in billions) [3]	1,512	1,628
Mortgage servicing rights:		
Balance	7,880	14,900
Capitalized mortgage servicing rights (% of loans serviced for investors)	52 bps	92 bps

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

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

(3) The total Corporation mortgage servicing portfolio included $1,062 billion in Home Loans and $855 billion in Legacy Asset Servicing at September 30, 2011. The total Corporation mortgage loans serviced for investors included $858 billion in Home Loans and $654 billion in Legacy Asset Servicing at September 30, 2011.

First mortgage production was $33.0 billion and $130.1 billion for the three and nine months ended September 30, 2011 compared to $71.9 billion and $213.4 billion for the same periods in 2010. The decrease of $38.9 billion and $83.2 billion was primarily due to a decline in the overall market demand for mortgages and a reduction in market share in both the retail and correspondent sales channels partially driven by pricing strategies in the correspondent channel as well as our exit from the wholesale acquisition channel.

Home equity production was $847 million and $3.6 billion for the three and nine months ended September 30, 2011 compared to $2.1 billion and $6.3 billion for the same periods in 2010 primarily due to a decline in reverse mortgage originations based on our decision to exit this business in February 2011.

At September 30, 2011, the consumer MSR balance was $7.9 billion, which represented 52 bps of the related unpaid principal balance compared to $14.9 billion or 92 bps of the related unpaid principal balance at December 31, 2010. The decline in the consumer MSR balance was primarily driven by lower mortgage rates, which resulted in higher forecasted prepayment speeds partially offset by adjustments to prepayment models to reflect muted refinancing

activity relative to historic norms, the impact of elevated expected costs to service delinquent loans, which reduced expected cash flows and the value of the MSRs and MSR sales. In addition, the MSRs declined as a result of customer payments. These declines were partially offset by the addition of new MSRs recorded in connection with sales of loans. During the three and nine months ended September 30, 2011, MSRs in the amount of $218 million and $452 million were sold. Gains and losses recognized on these transactions were not significant. These sales are designed to reduce the balance of MSRs and lower our default-related servicing costs. For additional information on our servicing activities, see Off-Balance Sheet Arrangements and Contractual Obligations – Other Mortgage-related Matters on page 66.

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Global Commercial Banking

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2011	2010	% Change	2011	2010	% Change
Net interest income [1]	$1,743	$1,853	(6)%	$5,420	$6,143	(12)%
Noninterest income:						
Service charges	563	589	(4)	1,745	1,777	(2)
All other income	227	191	19	832	691	20
Total noninterest income	790	780	1	2,577	2,468	4
Total revenue, net of interest expense	2,533	2,633	(4)	7,997	8,611	(7)
Provision for credit losses	(150)	556	n/m	(488)	2,115	n/m
Noninterest expense	1,018	1,061	(4)	3,195	3,068	4
Income before income taxes	1,665	1,016	64	5,290	3,428	54
Income tax expense [1]	615	372	65	1,936	1,263	53
Net income	$1,050	$644	63	$3,354	$2,165	55
Net interest yield [1]	2.65 %	2.61 %		2.66 %	3.03 %	
Return on average equity	10.22	5.95		10.96	6.61	
Return on average economic capital [2]	20.78	11.52		22.18	12.55	
Efficiency ratio [1]	40.19	40.31		39.95	35.63	
Balance Sheet						
Average						
Total loans and leases	$188,037	$199,320	(6)	$189,924	$206,699	(8)
Total earning assets	261,422	281,740	(7)	272,585	270,719	1
Total assets	299,542	318,404	(6)	310,804	307,484	1
Total deposits	173,837	148,605	17	166,895	145,931	14
Allocated equity	40,726	42,930	(5)	40,917	43,790	(7)
Economic capital [2]	20,037	22,223	(10)	20,222	23,112	(13)
Period end				September 30 2011	December 31 2010	
Total loans and leases				$188,650	$194,038	(3)
Total earning assets				247,068	274,624	(10)
Total assets				284,897	312,807	(9)
Total deposits				171,297	161,279	6

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. Increases in the ratios resulted from higher net income and lower economic capital. Economic capital decreased due to improved credit quality and declining loan balances. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

n/m = not meaningful

Global Commercial Banking provides a wide range of lending-related products and services, integrated working capital management and treasury solutions to clients through our network of offices and client relationship teams along with various product partners. Our clients include business banking and middle-market companies, commercial real estate firms and governments, and are generally defined as companies with annual sales up to $2 billion. Our lending products and services include commercial loans and commitment facilities, real estate lending, asset-based lending and indirect consumer loans. Our capital management and treasury solutions include treasury management, foreign exchange and short-term investing options. Effective in the first quarter of 2011, management responsibility for the merchant processing joint venture, Banc of America Merchant Services, LLC, was moved from GBAM to Global Commercial Banking where it more closely aligns with the business model. Prior periods have been reclassified to reflect this change. In the nine months ended September 30, 2011, we recorded $1.1 billion of impairment write-downs on our investment in the joint venture, of which $630 million was recorded in the three months ended September 30, 2011. Because of the recent transfer of the joint venture to Global Commercial Banking, the impairment write-downs were recorded in All Other. For additional information, see Note 5 – Securities to the Consolidated Financial Statements.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income increased $406 million, or 63 percent, to $1.1 billion driven by lower credit costs from improved asset quality and lower expenses partially offset by lower revenue.

Revenue decreased $100 million, or four percent, primarily driven by lower net interest income related to ALM activities and lower loan volumes. Offsetting this decrease was an increase in average deposits of $25.2 billion, as clients continue to maintain high levels of liquidity. Noninterest income was essentially unchanged.

The provision for credit losses decreased $706 million to a benefit of $150 million driven by improved overall economic conditions and an accelerated rate of loan resolutions in the commercial real estate portfolio.

Noninterest expense decreased $43 million driven by lower support costs.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income increased $1.2 billion, or 55 percent, to $3.4 billion due to an improvement in the provision for credit losses of $2.6 billion partially offset by lower revenue and higher expenses. The decrease in net interest income of $723 million was primarily related to ALM activities and lower average loan balances, partially offset by the impact of higher deposits. The decrease in provision for credit losses was driven by the same factors described in the three-month discussion above. Noninterest expense increased $127 million due to an increase in FDIC expense driven by growth in deposit balances and higher support costs related primarily to technology investments.

Global Commercial Banking Revenue

Global Commercial Banking revenue can also be categorized into treasury services revenue primarily from capital and treasury management, and business lending revenue derived from credit-related products and services.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Treasury Services				
Net interest income	$706	$620	$2,187	$2,142
Noninterest income	469	481	1,417	1,464
Total revenue, net of interest expense	$1,175	$1,101	$3,604	$3,606
Total average deposits	$173,835	$148,603	$166,893	$145,928
Business Lending				
Net interest income	$1,036	$1,232	$3,233	$4,000
Noninterest income	322	300	1,160	1,005
Total revenue, net of interest expense	$1,358	$1,532	$4,393	$5,005
Total average loans and leases	$186,501	$197,946	$188,411	$205,393

Treasury services revenue for the three and nine months ended September 30, 2011 was $1.2 billion and $3.6 billion, $74 million higher than the three months ended September 30, 2010 and essentially unchanged compared to the nine months ended September 30, 2010. Net interest income increased $86 million and $45 million to $706 million and

$2.2 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010. The increases were driven by the funding benefit of an increase in average deposits of $25.2 billion and $21.0 billion. Noninterest income decreased $12 million and $47 million to $469 million and $1.4 billion for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as clients' use of certain treasury services declined and clients continued to convert from paper to electronic services. These actions, combined with our clients leveraging compensating balances to offset fees, have negatively impacted treasury services noninterest income.

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Business lending revenue for the three and nine months ended September 30, 2011 was $1.4 billion and $4.4 billion, a decrease of $174 million and $612 million compared to the same periods in 2010. Net interest income declined from $1.2 billion to $1.0 billion for the three months ended September 30, 2011 and from $4.0 billion to $3.2 billion for the nine months ended September 30, 2011 compared to the same periods in 2010. The decreases were driven by a lower net interest income allocation related to ALM activities and lower loan balances. Noninterest income increased $22 million to $322 million for the three months ended September 30, 2011 and $155 million to $1.2 billion for the nine months ended September 30, 2011 due in part to a gain on the termination of a purchase contract in the second quarter of 2011. Average loan and lease balances decreased $11.4 billion and $17.0 billion, or six percent and eight percent, for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as commercial real estate net paydowns and sales outpaced new originations and renewals, and charge-offs continued to reduce exposure, particularly in higher risk portfolios.

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Global Banking & Markets

	Three Months Ended September 30			Nine Months Ended September 30		
(Dollars in millions)	2011	2010	% Change	2011	2010	% Change
Net interest income [1]	$1,846	$1,884	(2)%	$5,668	$6,011	(6)%
Noninterest income:						
Service charges	410	455	(10)	1,327	1,378	(4)
Investment and brokerage services	613	565	8	1,876	1,831	2
Investment banking fees	1,048	1,306	(20)	4,196	3,823	10
Trading account profits	1,621	2,454	(34)	6,312	8,727	(28)
All other income (loss)	(316)	409	n/m	517	814	(36)
Total noninterest income	3,376	5,189	(35)	14,228	16,573	(14)
Total revenue, net of interest expense	5,222	7,073	(26)	19,896	22,584	(12)
Provision for credit losses	15	(157)	n/m	(269)	(54)	n/m
Noninterest expense	4,480	4,311	4	13,892	13,213	5
Income before income taxes	727	2,919	(75)	6,273	9,425	(33)
Income tax expense [1]	1,029	1,451	(29)	2,873	3,797	(24)
Net income (loss)	$(302)	$1,468	n/m	$3,400	$5,628	(40)
Return on average equity	n/m	11.61 %		11.83 %	14.73 %	
Return on average economic capital [2]	n/m	14.57		16.37	18.39	
Efficiency ratio [1]	85.82 %	60.96		69.83	58.51	
Balance Sheet						
Average						
Total trading-related assets [3]	$490,356	$507,014	(3)	$483,232	$515,469	(6)
Total loans and leases	120,143	98,874	22	111,167	97,915	14
Total earning assets	572,758	591,313	(3)	571,745	611,061	(6)
Total assets	748,289	743,264	1	735,438	763,797	(4)
Total deposits	121,389	96,040	26	116,364	95,568	22
Allocated equity	36,372	50,173	(28)	38,422	51,083	(25)
Economic capital [2]	25,589	40,116	(36)	27,875	41,022	(32)
Period end				September 30 2011	December 31 2010	
Total trading-related assets [3]				$448,062	$417,714	7
Total loans and leases				124,527	99,964	25
Total earning assets				530,471	512,962	3
Total assets				686,035	653,737	5
Total deposits				115,724	109,691	5

(1) FTE basis

(2) Return on average economic capital and economic capital are non-GAAP measures. Other companies may define or calculate these measures differently. The decrease in the ratio for the nine-month period resulted from lower net income partially offset by a decrease in economic capital. Economic capital decreased due to improvements in

credit quality and counterparty credit exposure. For additional information on these measures and for corresponding reconciliations to GAAP financial measures, see Supplemental Financial Data on page 21.

(3) Includes assets which are not considered earning assets (i.e., derivative assets).

n/m = not meaningful

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

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Net income decreased $1.8 billion to a loss of $302 million primarily driven by a decline of $1.7 billion in sales and trading revenue due to a less favorable market environment that was partially offset by DVA gains, and a decline of $258 million in investment banking fees mainly due to weakening markets for debt and equity issuances. DVA gains, which are included in sales and trading revenue, on derivatives during the three months ended September 30, 2011 were $1.7 billion compared to losses of $34 million in the same period in 2010 due to uncertainty caused by the European sovereign debt crisis and the downgrade of our credit ratings by Moody's, both of which contributed to a widening of the Corporation's credit spreads in the third quarter of 2011.

Provision for credit losses increased to $15 million compared to a benefit of $157 million due to higher reserve releases in the prior-year period, coupled with loan growth and a slower rate of improvement within the corporate credit portfolio in the current period. Tax expense in the current-year period included a $774 million charge related to a reduction in the U.K. corporate income tax rate enacted during the quarter which reduced the carrying value of the related deferred tax assets, compared to a charge of $388 million for a reduction enacted in the prior-year period. For additional information related to the U.K corporate income tax rate reduction, see Financial Highlights – Income Tax Expense on page 16.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Net income decreased $2.2 billion to $3.4 billion primarily due to a decline of $3.1 billion in sales and trading revenue driven by the same factors described in the three-month discussion above, and an increase of $679 million in noninterest expense driven by increased costs related to investments in infrastructure. These drivers were partially offset by an increase of $373 million in investment banking fees. DVA gains on derivatives during the nine months ended September 30, 2011 were $1.5 billion compared to gains of $212 million in the same period in 2010, resulting from the same factors described in the three-month discussion above.

Provision for credit losses decreased $215 million to a benefit of $269 million primarily from the positive impact of an improving economic environment on the credit portfolio and a loan recovery.

Components of Global Banking & Markets

Sales and Trading Revenue

Sales and trading revenue is segregated into fixed income including investment and non-investment grade corporate debt obligations, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), swaps and collateralized debt obligations (CDOs); currencies including interest rate and foreign exchange contracts; commodities including primarily futures, forwards and options; and equity income from equity-linked derivatives and cash equity activity. For additional information on sales and trading revenue, see Note 4 – Derivatives to the Consolidated Financial Statements.

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Sales and trading revenue [1]				
Fixed income, currencies and commodities	$1,820	$3,478	$8,145	$11,188
Equity income	960	966	3,308	3,369
Total sales and trading revenue	$2,780	$4,444	$11,453	$14,557

(1) Includes $44 million and $147 million of net interest income on a FTE basis for the three and nine months ended September 30, 2011 as compared to $65 million and $213 million for the same periods in 2010.

Fixed income, currencies and commodities (FICC) revenue decreased $1.7 billion, or 48 percent, to $1.8 billion for the three months ended September 30, 2011 compared to the same period in 2010 driven primarily by declines in our credit and mortgage products businesses due to lower client activity and adverse market conditions, partially offset by DVA gains. Equity income of $960 million, which remained relatively unchanged for the three months ended September 30, 2011 compared to the same period in 2010, was impacted by lower trading revenue in equity derivatives. Sales and trading revenue included total commissions and brokerage fee revenue of $610 million ($574 million from equities and $36 million from FICC) for the three months ended September 30, 2011 compared to $560 million ($532 million from equities and $28 million from FICC) for the same period in 2010.

FICC revenue decreased $3.0 billion, or 27 percent, to $8.1 billion for the nine months ended September 30, 2011 compared to the same period in 2010 primarily due to lower client activity and adverse market conditions impacting our mortgage products, credit, and rates and currencies businesses, partially offset by DVA gains. Equity income of $3.3 billion remained relatively unchanged for the nine months ended September 30, 2011 compared to the same period in 2010 with an increase in commission revenue offsetting lower equity derivative trading volumes. Sales and trading revenue included total commissions and brokerage fee revenue of $1.9 billion ($1.8 billion from equities and $111 million from FICC) for the nine months ended September 30, 2011 compared to $1.8 billion ($1.7 billion from equities and $128 million from FICC) for the same period in 2010.

In conjunction with regulatory reform measures and our initiative to optimize our balance sheet, we completely exited our proprietary trading business as of June 30, 2011, which involved trading activities in a variety of products, including stocks, bonds, currencies and commodities. There was no proprietary trading revenue for the three months ended September 30, 2011 compared to $323 million for the same period in 2010. Proprietary trading revenue was $434 million for the six months ended June 30, 2011 compared to $1.2 billion for the nine months ended September 30, 2010. For additional information on restrictions on proprietary trading, see Financial Reform Act – Limitations on Proprietary Trading on page 68.

Sales and trading revenue may continue to be adversely affected by lower client activity and adverse market conditions as a result of, among other things, the European sovereign debt crisis, uncertainty regarding the outcome of

the evolving domestic regulatory landscape, our credit ratings and market volatility.

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Investment Banking Fees

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Investment banking fees [1]				
Advisory [2]	$273	$273	$973	$682
Debt issuance	479	743	2,158	2,252
Equity issuance	296	290	1,065	889
Total investment banking fees	$1,048	$1,306	$4,196	$3,823

(1) Includes self-led deals.

(2) Advisory includes fees on debt and equity advisory services and mergers and acquisitions.

Investment banking fees, including self-led deals, decreased $258 million for the three months ended September 30, 2011 compared to the same period in 2010 mainly due to weakening markets for debt and equity issuances as a result of market uncertainty and a decrease in global fee pools. Investment banking fees increased $373 million for the nine months ended September 30, 2011 compared to the same period in 2010 reflecting strong performance across advisory services as well as equity issuances in the first half of 2011 compared to the same period in 2010.

Global Corporate Banking

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

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in millions)	2011	2010	2011	2010
Global Corporate Banking				
Business Lending	$792	$778	$2,416	$2,523
Global Treasury Services	602	545	1,831	1,681
Total revenue, net of interest expense	$1,394	$1,323	$4,247	$4,204
Total average deposits	$114,061	$89,382	$109,187	$87,673
Total average loans and leases	101,288	80,756	93,914	80,743

Global Corporate Banking revenues of $1.4 billion and $4.2 billion for the three and nine months ended September 30, 2011 remained in line with the same periods in 2010. Business Lending revenues remained relatively unchanged for the three months ended September 30, 2011 but declined $107 million for the nine months ended September 30, 2011 compared to the same periods in 2010 as growth in loan volumes was offset by lower purchase accounting accretion in the portfolio because prior periods included the impact of prepayments. Global Treasury Services revenues increased $57 million and $150 million for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as growth in U.S. and non-U.S. deposit volumes was partially offset by a challenging rate

environment.

Global Corporate Banking average deposits increased 28 percent and 25 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 as balances continued to grow due to clients' excess liquidity and limited alternative investment options. Average loan and lease balances in Global Corporate Banking increased 25 percent and 16 percent for the three and nine months ended September 30, 2011 compared to the same periods in 2010 due to expansion in commercial loans and non-U.S. trade finance portfolios driven by continuing international demand and improved domestic momentum.