BANK OF AMERICA CORP /DE/
Form 10-K
February 28, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[ü] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number:

1-6523

Exact Name of Registrant as Specified in its Charter:

Bank of America Corporation

State or Other Jurisdiction of Incorporation or Organization:

Delaware

IRS Employer Identification No.:

56-0906609

Address of Principal Executive Offices:

Bank of America Corporate Center

100 N. Tryon Street

Charlotte, North Carolina 28255

Registrant s telephone number, including area code:

(704) 386-5681

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange
Depositary Shares, Each Representing a 1/1000th interest in a share of 6.204% Non-Cumulative Preferred Stock, Series D	New York Stock Exchange
Depositary Shares, Each Representing a 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series E	New York Stock Exchange
Depositary Shares, Each Representing a 1/1,000th interest in a share of 6.625% Non-Cumulative Preferred Stock, Series I	New York Stock Exchange
Depositary Shares, Each Representing a 1/1,000th interest in a share of 7.25% Non-Cumulative Preferred Stock, Series J	New York Stock Exchange
7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L	New York Stock Exchange
Minimum Return Index EAGLES℠, due June 1, 2010, Linked to the +Nasdaq-100 Index®	American Stock Exchange
Minimum Return Index EAGLES®, due June 28, 2010, Linked to the S&P 500® Index	American Stock Exchange
Minimum Return Return Linked Notes, due June 24, 2010, Linked to the Nikkei 225 Index	American Stock Exchange
Minimum Return Basket EAGLES℠, due August 2, 2010, Linked to a Basket of Energy Stocks	American Stock Exchange

Minimum Return Index EAGLES®, due August 28, 2009, Linked to the Russell 2000® Index	American Stock Exchange
Minimum Return Index EAGLES®, due September 25, 2009, Linked to the Dow Jones Industrial Average℠	American Stock Exchange
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the Nasdaq-100 Index®	American Stock Exchange
1.50% Index CYCLES™, due November 26, 2010, Linked to the S&P 500® Index	American Stock Exchange

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Title of each class	**Name of each exchange on which registered**
1.00% Index CYCLES™, due December 28, 2010, Linked to the S&P MidCap 400 Index	American Stock Exchange
Return Linked Notes due June 28, 2010, Linked to the Nikkei 225 Index	American Stock Exchange
1.00% Index CYCLES™, due January 28, 2011, Linked to a Basket of Health Care Stocks	American Stock Exchange
Minimum Return Index EAGLES®, due January 28, 2011, Linked to the Russell 2000® Index	American Stock Exchange
0.25% Cash-Settled Exchangeable Notes, due January 26, 2010, Linked to the Nasdaq-100 Index®	American Stock Exchange
1.25% Index CYCLES™, due February 24, 2010, Linked to the S&P 500® Index	American Stock Exchange
Minimum Return Index EAGLES®, due March 27, 2009, Linked to the Nasdaq-100 Index®	American Stock Exchange
1.75% Basket CYCLES™, due April 30, 2009, Linked to a Basket of Three Indices	American Stock Exchange
1.00% Basket CYCLES™, due May 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	American Stock Exchange
Minimum Return Index EAGLES®, due June 25, 2010, Linked to the Dow Jones Industrial Average℠	American Stock Exchange
1.50% Basket CYCLES™, due July 29, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	American Stock Exchange
Minimum Return Index EAGLES®, due August 28, 2009, Linked to the AMEX Biotechnology Index℠	American Stock Exchange
1.25% Index CYCLES™, due August 25, 2010, Linked to the Dow Jones Industrial Average℠	American Stock Exchange
1.25% Basket CYCLES™, due September 27, 2011, Linked to a Basket of Four Indices	American Stock Exchange
Minimum Return Basket EAGLES℠, due September 29, 2010, Linked to a Basket of Energy Stocks	American Stock Exchange
Minimum Return Index EAGLES®, due October 29, 2010, Linked to the S&P 500® Index	American Stock Exchange
Minimum Return Index EAGLES®, due November 23, 2010, Linked to the Nasdaq-100 Index®	American Stock Exchange
Minimum Return Index EAGLES®, due November 24, 2010, Linked to the CBOE China Index	American Stock Exchange
1.25% Basket CYCLES™, due December 27, 2010, Linked to a 70/30 Basket of Four Indices and an Exchange Traded Fund	American Stock Exchange
1.50% Index CYCLES™, due December 28, 2011, Linked to a Basket of Health Care Stocks	American Stock Exchange
6 1/2% Subordinated InterNotes℠, due 2032	New York Stock Exchange
5 1/2% Subordinated InterNotes℠, due 2033	New York Stock Exchange
5 7/8% Subordinated InterNotes℠, due 2033	New York Stock Exchange
6% Subordinated InterNotes℠, due 2034	New York Stock Exchange
Minimum Return Index EAGLES, due March 25, 2011, Linked to the Dow Jones Industrial Average	American Stock Exchange
1.625% Index CYCLES, due March 23, 2010, Linked to the Nikkei 225 Index	American Stock Exchange
1.75% Index CYCLES, due April 28, 2011, Linked to the S&P 500 Index	American Stock Exchange
Return Linked Notes, due August 26, 2010, Linked to a Basket of Three Indices	American Stock Exchange
Return Linked Notes, due June 27, 2011, Linked to an 80/20 Basket of Four Indices and an Exchange Traded Fund	American Stock Exchange
Minimum Return Index EAGLES, due July 29, 2010, Linked to the S&P 500 Index	American Stock Exchange
Return Linked Notes, due January 28, 2011, Linked to a Basket of Two Indices	American Stock Exchange
Minimum Return Index EAGLES, due August 26, 2010, Linked to the Dow Jones Industrial Average	American Stock Exchange
Return Linked Notes, due August 25, 2011, Linked to the Dow Jones EURO STOXX 50 Index	American Stock Exchange
Minimum Return Index EAGLES, due October 3, 2011, Linked to the S&P 500 Index	American Stock Exchange

Minimum Return Index EAGLES, due October 28, 2011, Linked to the AMEX Biotechnology Index	American Stock Exchange
Return Linked Notes, due October 27, 2011, Linked to a Basket of Three Indices	American Stock Exchange
Return Linked Notes, due November 22, 2010, Linked to a Basket of Two Indices	American Stock Exchange
Minimum Return Index EAGLES, due November 23, 2011, Linked to a Basket of Five Indices	American Stock Exchange
Minimum Return Index EAGLES, due December 27, 2011, Linked to the Dow Jones Industrial average	American Stock Exchange
0.25% Senior Notes Optionally Exchangeable Into a Basket of Three Common Stocks, due February 2012	American Stock Exchange
Return Linked Notes, due December 29, 2011 Linked to a Basket of Three Indices	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ü No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No ü

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant s common stock (Common Stock) held by non-affiliates is approximately $215,286,616,664 (based on the June 29, 2007 closing price of Common Stock of $48.89 per share as reported on the New York Stock Exchange). As of February 25, 2008, there were 4,442,228,781 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document of the Registrant	**Form 10-K Reference Locations**
Portions of the 2008 Proxy Statement	PART III

Part I

Bank of America Corporation and Subsidiaries

Item 1. Business

General

Bank of America Corporation (Bank of America or the Corporation) is a Delaware corporation, a bank holding company and a financial holding company under the Gramm-Leach-Bliley Act. Our principal executive offices are located in the Bank of America Corporate Center, Charlotte, North Carolina 28255.

Through our banking subsidiaries (the Banks) and various nonbanking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and nonbanking financial services and products through three business segments: *Global Consumer and Small Business Banking, Global Corporate and Investment Banking* and *Global Wealth and Investment Management*. We currently operate in 32 states, the District of Columbia and more than 30 foreign countries. The Bank of America footprint covers more than 82 percent of the U.S. population and 44 percent of the country s wealthy households. In the United States, we serve approximately 59 million consumer and small business relationships with more than 6,100 retail banking offices, more than 18,500 ATMs and approximately 24 million active on-line users. We have banking centers in 13 of the 15 fastest growing states and hold the top market share in 6 of those states. Bank of America is the number one Small Business Administration lender and has relationships with 99 percent of the U.S. Fortune 500 Companies and 83 percent of the Fortune Global 500 Companies.

Additional information relating to our businesses and our subsidiaries is included in the information set forth in pages 19 through 35 of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and *Note 22 Business Segment Information* of the Notes to the Consolidated Financial Statements in Item 8 of this report.

Bank of America s website is *www.bankofamerica.com.* Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website at *http://investor.bankofamerica.com* under the heading SEC Filings as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC). In addition, we make available on *http://investor.bankofamerica.com* under the heading Corporate Governance: (i) our Code of Ethics and Insider Trading Policy; (ii) our Corporate Governance Guidelines; and (iii) the charters of each of Bank of America s Board committees, and we also intend to disclose any amendments to our Code of Ethics, or waivers of our Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, on our website. All of these corporate governance materials are also available free of charge in print to stockholders who request them in writing to: Bank of America Corporation, Attention: Shareholder Relations Department, 101 South Tryon Street, NC1-002-29-01, Charlotte, North Carolina 28255.

Competition

Bank of America and our subsidiaries operate in a highly competitive environment. Our competitors include banks, thrifts, credit unions, investment banking firms, investment advisory firms, brokerage firms, investment companies, insurance companies, mortgage banking companies, credit card issuers, mutual fund companies and e-commerce and other Internet-based companies. We compete with some of these competitors globally and with others on a regional or product basis. Competition is based on a number of factors including customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience.

More specifically, our consumer banking business competes with banks, thrifts, credit unions, finance companies and other nonbank organizations offering financial services. Our commercial lending business competes with local, regional and international banks and nonbank financial organizations, some of which are larger than certain of our nonbanking subsidiaries and the Banks. In the investment banking, investment advisory and brokerage businesses, our nonbanking subsidiaries compete with U.S. and international banking and investment banking firms, investment advisory firms, brokerage firms, investment companies, other organizations offering similar services and other investment alternatives available to investors, some of which are larger than our subsidiaries. Our mortgage banking units compete with banks, thrifts, government agencies, mortgage brokers and other nonbank organizations offering mortgage banking services. Our card business competes in the U.S. and internationally with banks, as well as monoline and retail card product companies. In the trust business, the Banks compete with other banks, thrifts, insurance agents, financial counselors and other fiduciaries for personal trust business and with other banks, investment counselors and insurance companies for institutional funds.

Bank of America also competes actively for funds. A primary source of funds for the Banks is deposits, and competition for deposits includes other deposit-taking organizations, such as banks, thrifts and credit unions, as well as money market mutual funds. In addition, we compete for funding in

the domestic and international short-term and long-term debt securities capital markets.

Our ability to expand into additional states remains subject to various federal and state laws. See Government Supervision and Regulation General below for a more detailed discussion of interstate banking and branching legislation and certain state legislation.

Employees

As of December 31, 2007, there were approximately 210,000 full-time equivalent employees within Bank of America and our subsidiaries. Of these employees, 116,000 were employed within *Global Consumer and Small Business Banking,* 21,000 were employed within *Global Corporate and Investment Banking* and 14,000 were employed within *Global Wealth and Investment Management*. The remainder were employed elsewhere within our company including various staff and support functions.

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None of our domestic employees are subject to a collective bargaining agreement. Management considers our employee relations to be good.

Acquisition and Disposition Activity

As part of our operations, we regularly evaluate the potential acquisition of, and hold discussions with, various financial institutions and other businesses of a type eligible for financial holding company ownership or control. In addition, we regularly analyze the values of, and submit bids for, the acquisition of customer-based funds and other liabilities and assets of such financial institutions and other businesses. We also regularly consider the potential disposition of certain of our assets, branches, subsidiaries or lines of businesses. As a general rule, we publicly announce any material acquisitions or dispositions when a definitive agreement has been reached.

On October 1, 2007, the Corporation completed the acquisition of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation. On July 1, 2007, the Corporation completed the acquisition of U.S. Trust Corporation. Additional information on our acquisitions and mergers is included under *Note 2 Merger and Restructuring Activity* of the Notes to the Consolidated Financial Statements in Item 8 which is incorporated herein by reference.

Government Supervision and Regulation

The following discussion describes elements of an extensive regulatory framework applicable to bank holding companies, financial holding companies and banks and specific information about Bank of America and our subsidiaries. Federal regulation of banks, bank holding companies and financial holding companies is intended primarily for the protection of depositors and the Deposit Insurance Fund rather than for the protection of stockholders and creditors.

General

As a registered bank holding company and financial holding company, Bank of America is subject to the supervision of, and regular inspection by, the Board of Governors of the Federal Reserve System (the Federal Reserve Board or FRB). The Banks are organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the Comptroller or OCC), the Federal Deposit Insurance Corporation (the FDIC), the Federal Reserve Board, other federal and state regulatory agencies, and with respect to Bank of America s operations in the United Kingdom, the Financial Services Authority (the FSA). In addition to banking laws, regulations and regulatory agencies, Bank of America and our subsidiaries and affiliates are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of Bank of America and our ability to make distributions to stockholders.

A financial holding company, and the companies under its control, are permitted to engage in activities considered financial in nature as defined by the Gramm-Leach-Bliley Act and Federal Reserve Board interpretations (including, without limitation, insurance and securities activities), and therefore may engage in a broader range of activities than permitted for bank holding companies and their subsidiaries. A financial holding company may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, provided the financial holding company gives the Federal Reserve Board after-the-fact notice of the new activities. The Gramm-Leach-Bliley Act also permits national banks, such as the Banks, to engage in activities considered financial in

nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC.

Bank holding companies (including bank holding companies that also are financial holding companies) also are required to obtain the prior approval of the Federal Reserve Board before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Banking and Branching Act), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state. Subject to certain restrictions, the Interstate Banking and Branching Act also authorizes banks to merge across state lines to create interstate banks. The Interstate Banking and Branching Act also permits a bank to open new branches in a state in which it does not already have banking operations if such state enacts a law permitting de novo branching.

Changes in Regulations

Proposals to change the laws and regulations governing the banking industry are frequently introduced in Congress, in the state legislatures and before the various bank regulatory agencies. The likelihood and timing of any proposals or legislation and the impact they might have on Bank of America and our subsidiaries cannot be determined at this time.

Capital and Operational Requirements

The Federal Reserve Board, the OCC and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The Federal Reserve Board risk-based guidelines define a three-tier capital framework. Tier 1 capital includes common shareholders equity, trust securities, minority interests and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as Tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt, the allowance for credit losses up to 1.25 percent of risk-weighted assets and other adjustments. Tier 3 capital includes subordinated debt that is unsecured, fully paid, has an original maturity of at least two years, is not redeemable before maturity without prior approval by the Federal Reserve Board and includes a lock-in clause precluding payment of either interest or principal if the payment would cause the issuing bank s risk-based capital ratio to fall or remain below the required minimum. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents our qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is four percent and the minimum total capital ratio is eight percent. Our Tier 1 and total risk-based capital ratios under these guidelines at December 31, 2007 were 6.87 percent and 11.02 percent. At December 31, 2007, we had no subordinated debt that qualified as Tier 3 capital.

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The leverage ratio is determined by dividing Tier 1 capital by adjusted quarterly average total assets, after certain adjustments. Well-capitalized bank holding companies must have a minimum Tier 1 leverage ratio of three percent and are not subject to an FRB directive to maintain higher capital levels. Our leverage ratio at December 31, 2007 was 5.04 percent, which exceeded our leverage ratio requirement.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank s compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent s general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well capitalized institution must have a Tier 1 risk-based capital ratio of at least six percent, a total risk-based capital ratio of at least ten percent and a leverage ratio of at least five percent and not be subject to a capital directive order. Under these guidelines, each of the Banks was considered well capitalized as of December 31, 2007.

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

Distributions

Our funds for cash distributions to our stockholders are derived from a variety of sources, including cash and temporary investments. The primary source of such funds, and funds used to pay principal and interest on our indebtedness, is dividends received from the Banks. Each of the Banks is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. The appropriate federal regulatory authority is

authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof.

In addition, the ability of Bank of America and the Banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. The right of Bank of America, our stockholders and our creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

Source of Strength

According to Federal Reserve Board policy, bank holding companies are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support each such subsidiary. This support may be required at times when a bank holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC either as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default the other Banks may be assessed for the FDIC s loss, subject to certain exceptions.

Additional Information

See also the following additional information which is incorporated herein by reference: Net Interest Income (under the captions Financial Highlights Net Interest Income and Supplemental Financial Data in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (the MD&A) and Tables I, II and XIII of the Statistical Tables); Securities (under the caption Balance Sheet Analysis Debt Securities and Interest Rate Risk Management for Nontrading Activities Securities in the MD&A and *Note 1 Summary of Significant Accounting Principles and Note 5 Securities* of the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplemental Data (the Notes));

Outstanding Loans and Leases (under the caption Balance Sheet Analysis Loans and Leases; Net of Allowance for Loan and Lease Losses and Credit Risk Management in the MD&A, Table III of the Statistical Tables, and *Note 1 Summary of Significant Accounting Principles and Note 6 Outstanding Loans and Leases* of the Notes); Deposits (under the caption Balance Sheet Analysis Deposits and Liquidity Risk and Capital Management Liquidity Risk in the MD&A and *Note 11 Deposits* of the Notes); Short-Term Borrowings (under the caption Balance Sheet Analysis Commercial Paper and other Short-term Borrowings and Liquidity Risk and Capital Management Liquidity Risk in the MD&A, Table IX of the Statistical Tables and *Note 12 Short-term Borrowings and Long-term Debt* of the Notes); Trading Account Assets and Liabilities (under the caption Balance Sheet Analysis Trading Account Assets , Balance Sheet Analysis Trading Account Liabilities and Market Risk Management Trading Risk Management in the MD&A and *Note 3 Trading Account Assets and Liabilities* of the Notes); Market Risk Management (under the caption Market Risk Management in the MD&A); Liquidity Risk Management (under the caption Liquidity Risk and Capital Management in the MD&A); Operational Risk Management (under the caption Operational Risk Management in the MD&A); and Performance by Geographic Area (under *Note 24 Performance by Geographical Are*a of the Notes).

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Item 1A. Risk Factors

The following discusses some of the key risk factors that could affect Bank of America s business and operations. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect Bank of America.

Business, economic and political conditions. Our businesses and earnings are affected by general business, economic and political conditions in the United States and abroad. Given the concentration of our business activities in the United States, we are particularly exposed to downturns in the United States economy. For example, in a poor economic environment there is a greater likelihood that more of our customers or counterparties could become delinquent on their loans or other obligations to us, which, in turn, could result in a higher level of charge-offs and provision for credit losses, all of which would adversely affect our earnings. General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, and the strength of the United States economy and the local economies in which we operate. Geopolitical conditions can also affect our earnings. Acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts, could affect business and economic conditions in the United States and abroad.

In the second half of 2007, certain credit markets experienced difficult conditions and volatility. These conditions resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency. The Corporation s *Global Corporate and Investment Banking* business operates in these markets, either directly or indirectly, through exposures in securities, loans, derivatives and other commitments. While it is difficult to predict how long these conditions will exist and which markets, products or other businesses of the Corporation will ultimately be affected, these factors could continue to adversely impact the Corporation s results of operations.

Access to funds from subsidiaries. The Corporation is a separate and distinct legal entity from our banking and nonbanking subsidiaries. We therefore depend on dividends, distributions and other payments from our banking and nonbanking subsidiaries to fund dividend payments on the common stock and our preferred stock and to fund all payments on our other obligations, including debt obligations. Many of our subsidiaries are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the Corporation. Regulatory action of that kind could impede access to funds we need to make payments on our obligations or dividend payments. In addition, the Corporation s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

Changes in accounting standards. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time the Financial Accounting Standards Board (FASB) changes the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the Corporation restating prior period financial statements.

Competition. We operate in a highly competitive environment that could experience intensified competition as continued merger activity in

the financial services industry produces larger, better-capitalized companies that are capable of offering a wider array of financial products and services at more competitive prices. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and Internet-based financial solutions. Many of our competitors have fewer regulatory constraints and some have lower cost structures than we do. Increased competition may affect our results by creating pressure to lower prices on our products and services and reducing market share.

Credit risk. When we loan money, commit to loan money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. A number of our products expose us to credit risk, including loans, leases and lending commitments, derivatives, trading account assets and assets held-for-sale. As one of the nation s largest lenders, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and potential credit losses inherent in our credit exposure (including unfunded credit commitments). This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. As is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify.

For a further discussion of credit risk and our credit risk management policies and procedures, see Credit Risk Management in the MD&A.

Governmental fiscal and monetary policy. Our businesses and earnings are affected by domestic and international monetary policy. For example, the Federal Reserve Board regulates the supply of money and credit in the United States and its policies determine in large part our cost of funds for lending, investing and capital raising activities and the return we earn on those loans and investments, both of which affect our net

interest margin. The actions of the Federal Reserve Board also can materially affect the value of financial instruments we hold, such as debt securities and mortgage servicing rights and its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Our businesses and earnings also are affected by the fiscal or other policies that are adopted by various regulatory authorities of the United States, non-U.S. governments and international agencies. Changes in domestic and international monetary policy are beyond our control and hard to predict.

Liquidity risk. Liquidity is essential to our businesses. Our liquidity could be impaired by an inability to access the capital markets or by unforeseen outflows of cash. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us. Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs, limit our access to the capital markets or trigger unfavorable contractual obligations.

For a further discussion of our liquidity position and the policies and procedures we use to manage our liquidity risks, see Liquidity Risk and Capital Management in the MD&A.

Litigation risks. We face significant legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed

in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability or significant regulatory action against Bank of America could have material adverse financial effects or cause significant reputational harm to Bank of America, which in turn could seriously harm our business prospects.

For a further discussion of litigation risks, see Litigation and Regulatory Matters in *Note 13 Commitments and Contingencies* of the Notes.

Market risk. We are directly and indirectly affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates could adversely affect our net interest margin the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding which could in turn affect our net interest income and earnings. Market risk is inherent in the financial instruments associated with our operations and activities including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, and derivatives. Just a few of the market conditions that may shift from time to time, thereby exposing us to market risk, include fluctuations in interest and currency exchange rates, equity and futures prices, changes in the implied volatility of interest rates, foreign exchange rates, equity and futures prices, and price deterioration or changes in value due to changes in market perception or actual credit quality of either the issuer or its country of origin. Accordingly, depending on the instruments or activities impacted, market risks can have wide ranging, complex adverse effects on our results from operations and our overall financial condition.

For a further discussion of market risk and our market risk management policies and procedures, see Market Risk Management in the MD&A.

Merger risks. There are significant risks and uncertainties associated with mergers. For example, we may fail to realize the growth opportunities and cost savings anticipated to be derived from the merger. In addition, it is possible that the integration process could result in the loss of key employees, or that the disruption of ongoing business from the merger could adversely affect our ability to maintain relationships with clients or suppliers. We have an active acquisition program and there is a risk that integration difficulties may cause us not to realize expected benefits from the transactions and affect our results. We will be subject to similar risks and difficulties in connection with future acquisitions, as well as decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

Non-U.S. operations; trading in non-U.S. securities. We do business throughout the world, including in developing regions of the world commonly known as emerging markets. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social instability, changes in governmental policies or policies of central banks, expropriation, nationalization, confiscation of assets, unfavorable political and diplomatic developments and changes in legislation relating to non-U.S. ownership. We also invest in the securities of corporations located in non-U.S. jurisdictions, including emerging markets. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be magnified, because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets.

Operational risks. The potential for operational risk exposure exists throughout our organization. Integral to our performance is the continued efficacy of our technical systems, operational infrastructure, relationships

with third parties and the vast array of associates and key executives in our day-to-day and ongoing operations. Failure by any or all of these resources subjects us to risks that may vary in size, scale and scope. This includes but is not limited to operational or technical failures, unlawful tampering with our technical systems, terrorist activities, ineffectiveness or exposure due to interruption in third party support, as well as the loss of key individuals or failure on the part of the key individuals to perform properly.

For further discussion of operating risks, see Operational Risk Management in the MD&A.

Products and services. Our business model is based on a diversified mix of businesses that provides a broad range of financial products and services, delivered through multiple distribution channels. Our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure by competition to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including internet services, could require us to incur substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing and introducing new products and services, responding or adapting to changes in consumer spending and saving habits, achieving market acceptance of our products and services, or developing and maintaining loyal customers.

Regulatory considerations. Bank of America, the Banks and many of our nonbank subsidiaries are heavily regulated by bank regulatory agencies at the federal and state levels. This regulatory oversight is established to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders. Bank of America and its nonbanking subsidiaries are also heavily regulated by securities regulators, domestically and internationally. This regulation is designed to protect investors in securities we sell or underwrite. Congress and state legislatures and foreign, federal and state regulatory agencies continually review laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer and increasing the ability of nonbanks to offer competing financial services and products.

Reputational risks. Our ability to attract and retain customers and employees could be adversely affected to the extent our reputation is damaged. Our actual or perceived failure to address various issues could give rise to reputational risk that could cause harm to Bank of America and our business prospects. These issues include, but are not limited to, appropriately addressing potential conflicts of interest; legal and regulatory requirements; ethical issues; money-laundering; privacy; properly maintaining customer and associate personal information; record keeping; sales and trading practices; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. Failure to appropriately address these issues could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

Risk management processes and strategies. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and finan-

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cial outcome or the specifics and timing of such outcomes. Accordingly, our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. For a further discussion of our risk management policies and procedures, see Managing Risk in the MD&A.

Additional risks and uncertainties. We are a diversified financial services company. In addition to banking, we provide investment, mortgage, investment banking, credit card and consumer finance services. Although we believe our diversity helps lessen the effect when downturns affect any one segment of our industry, it also means our earnings could be subject to different risks and uncertainties than the ones discussed herein. If any of the risks that we face actually occur, irrespective of whether those risks are described in this section or elsewhere in this report, our business, financial condition and operating results could be materially adversely affected.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the Securities and Exchange Commission s staff 180 days or more before the end of Bank of America s fiscal year relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

Item 2. Properties

As of December 31, 2007, Bank of America s principal offices and primarily all of our business segments were located in the 60-story Bank of America Corporate Center in Charlotte, North Carolina, which is owned by one of our subsidiaries. We occupy approximately 592,000 square feet and lease approximately 609,000 square feet to third parties at market rates, which represents substantially all of the space in this facility. We occupy approximately 932,000 square feet of space at 100 Federal Street in Boston, Massachusetts, which is the headquarters for one of our primary business segments, *Global Wealth and Investment Management*. The 37-story building is owned by one of our subsidiaries which also leases approximately 321,000 square feet to third parties. We also lease or own a significant amount of space worldwide. As of December 31, 2007, Bank of America and our subsidiaries owned or leased approximately 25,200 locations in 41 states, the District of Columbia and more than 30 foreign countries.

Item 3. Legal Proceedings

See Litigation and Regulatory Matters in *Note 13 Commitments and Contingencies* of the Notes beginning on page 122 for Bank of America s litigation disclosure which is incorporated herein by reference.

Item 4. Submission of Matters To A Vote of Security Holders

There were no matters submitted to a vote of stockholders during the quarter ended December 31, 2007.

Item 4A. Executive Officers of The Registrant

Pursuant to the Instructions to Form 10-K and Item 401(b) of Regulation S-K, the name, age and position of each current executive officer of Bank of America are listed below along with such officer s business experience. Officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of stockholders.

Keith T. Banks, 52, President, Global Wealth and Investment Management. Mr. Banks was named to his present position in October 2007. From August 2000 to April 2004, he served as Chief Executive Officer and Chief Investment Officer of FleetBoston Financial Corporation s asset management organization; and from April 2004 to October 2007, he

served as President and Chief Investment Officer of Columbia Management, Bank of America s asset management organization. He first became an officer in 1981. He also serves as President, Global Wealth and Investment Management and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Amy Woods Brinkley, age 52, Chief Risk Officer. Ms. Brinkley was named to her present position in April 2002. From July 2001 to April 2002, she served as Chairman, Credit Policy and Deputy Corporate Risk Management Executive; and from August 1999 to July 2001, she served as President, Consumer Products. She first became an officer in 1979. She also serves as Chief Risk Officer and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Barbara J. Desoer, age 55, Global Technology and Operations Executive. Ms. Desoer was named to her present position in August 2004. From July 2001 to August 2004, she served as President, Consumer Products; and from September 1999 to July 2001, she served as Director of

Marketing. She first became an officer in 1977. She also serves as Global Technology and Operations Executive and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Kenneth D. Lewis, age 60, Chairman, Chief Executive Officer and President. Mr. Lewis was named Chief Executive Officer in April 2001, President in July 2004 and Chairman in February 2005. From April 2001 to April 2004, he served as Chairman; from January 1999 to April 2004, he served as President; and from October 1999 to April 2001, he served as Chief Operating Officer. He first became an officer in 1971. Mr. Lewis also serves as a director of the Corporation and as Chairman, Chief Executive Officer, President and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Liam E. McGee, age 53, President, Global Consumer and Small Business Banking. Mr. McGee was named to his present position in August 2004. From August 2001 to August 2004, he served as President, Global Consumer Banking; from August 2000 to August 2001, he served as President, Bank of America California; and from August 1998 to August 2000, he served as President, Southern California Region. He first became an officer in 1990. He also serves as President, Global Consumer and Small Business Banking and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Brian T. Moynihan, age 48, President, Global Corporate and Investment Banking. Mr. Moynihan was named to his present position in October 2007. From April 2004 to October 2007, he served as President, Global Wealth and Investment Management. Previously he held the following positions at FleetBoston Financial Corporation: from 1999 to April 2004, he served as Executive Vice President with responsibility for Brokerage and Wealth Management from 2000, and Regional Commercial Financial Services and Investment Management from May 2003. He first became an officer in 1993. He also serves as President, Global Corporate and Investment Banking and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

Joe L. Price, age 47, Chief Financial Officer. Mr. Price was named to his present position in January 2007. From June 2003 to December 2006, he served as GCIB Risk Management Executive; from July 2002 to May 2003 he served as Senior Vice President Corporate Strategy and President, Consumer Special Assets; from November 1999 to July 2002 he

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served as President, Consumer Finance; from August 1997 to October 1999 he served as Corporate Risk Evaluation Executive and General Auditor; from June 1995 to July 1997 he served as Controller; and from April 1993 to May 1995 he served as Accounting Policy and Finance Executive.

He first became an officer in 1993. He also serves as Chief Financial Officer and a director of Bank of America, N.A., FIA Card Services, N.A., LaSalle Bank, N.A., LaSalle Bank Midwest, N.A. and United States Trust Company, N.A.

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Part II

Bank of America Corporation and Subsidiaries

Item 5. Market for Registrant s Common Equity and Related Stock Holder Matters

The principal market on which the Common Stock is traded is the New York Stock Exchange. The Common Stock is also listed on the London Stock Exchange, and certain shares are listed on the Tokyo Stock Exchange. The following table sets forth the high and low closing sales prices of the Common Stock on the New York Stock Exchange for the periods indicated:

	Quarter	High	Low
2006	first	$ 47.08	43.09
	second	50.47	45.48
	third	53.57	47.98
	fourth	54.90	51.66
2007	first	54.05	49.46
	second	51.82	48.80
	third	51.87	47.00
	fourth	52.71	41.10

As of February 20, 2008, there were 263,761 registered shareholders of Common Stock. During 2006 and 2007, Bank of America paid dividends on the Common Stock on a quarterly basis. The following table sets forth dividends paid per share of Common Stock for the periods indicated:

	Quarter	Dividend
2006	first	$ .50
	second	.50
	third	.56
	fourth	.56
2007	first	.56
	second	.56
	third	.64
	fourth	.64

For additional information regarding the Corporation s ability to pay dividends, see the discussion under the heading Government Supervision and Regulation Distributions in this report and *Note 15 Regulatory Requirements and Restrictions* of the Notes on page 127 which is incorporated herein by reference.

For information on the Corporation s equity compensation plans, see Item 12 on page 153 of this report and *Note 17 Stock-Based Compensation Plans* of the Notes on page 133, both of which are incorporated herein by reference.

The table below presents share repurchase activity for each quarterly period in 2007, each month within the fourth quarter of 2007 and the year ended December 31, 2007, including total common shares repurchased under announced programs, weighted average per share price and the remaining buy back authority under announced programs. For additional information on shareholders equity and earnings per common share, see *Note 14 Shareholders Equity and Earnings Per Common Share* of the Notes on page 125 which is incorporated herein by reference.

(Dollars in millions, except per share information; shares in thousands)	Common Shares Repurchased [1]	Weighted Average Per Share Price	Remaining Buyback Authority [2]	
			Amounts	Shares
Three months ended March 31, 2007	48,000	$ 52.23	$ 16,366	215,088
Three months ended June 30, 2007	13,450	50.91	15,681	201,638
Three months ended September 30, 2007	9,580	49.47	13,605	192,058
October 1-31, 2007	1,000	47.35	13,558	191,058
November 1-30, 2007	1,700	45.98	13,480	189,358
December 1-31, 2007			13,480	189,358
Three months ended December 31, 2007	2,700	46.49		
Year ended December 31, 2007	73,730	51.42		

[1] Reduced shareholders equity by $3.8 billion and increased diluted earnings per common share by approximately $0.02 in 2007. These repurchases were partially offset by the issuance of approximately 53.5 million shares of common stock under employee plans, which increased shareholders equity by $2.5 billion, net of $10 million of deferred compensation related to restricted stock awards, and decreased diluted earnings per common share by approximately $0.01 in 2007.

[2] On January 24, 2007, the Board of Directors (the Board) authorized a stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $14.0 billion and is limited to a period of 12 to 18 months. On April 26, 2006, the Board authorized a stock repurchase program of up to 200 million shares of the Corporation s common stock at an aggregate cost not to exceed $12.0 billion and to be completed within a period of 12 to 18 months. This repurchase plan was completed during the third quarter of 2007.

The Corporation did not have any unregistered sales of its equity securities in fiscal year 2007.

Item 6. Selected Financial Data

See Table 5 in the MD&A on page 16 and Table XII of the Statistical Tables on page 82 which are incorporated herein by reference.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

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Throughout the MD&A, we use certain acronyms and abbreviations which are defined in the Glossary beginning on page 85.

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

Bank of America Corporation and Subsidiaries

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Readers of the Annual Report of Bank of America Corporation and its subsidiaries (the Corporation) should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this report as well as those discussed under Item 1A. Risk Factors. The statements are representative only as of the date they are made, and the Corporation undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: changes in general economic conditions and economic conditions in the geographic regions and industries in which the Corporation operates which may affect, among other things, the level of nonperforming assets, charge-offs and provision expense; changes in the interest rate environment and market liquidity which may reduce interest margins, impact funding sources and affect the ability to originate and distribute financial products in the primary and secondary markets; changes in foreign exchange rates; adverse movements and volatility in debt and equity capital markets; changes in market rates and prices which may adversely impact the value of financial products including securities, loans, deposits, debt and derivative financial instruments, and other similar financial instruments; political conditions and related actions by the United States abroad which may adversely affect the Corporation s businesses and economic conditions as a whole; liabilities resulting from litigation and regulatory investigations, including costs, expenses, settlements and judgments; changes in domestic or foreign tax laws, rules and regulations as well as court, Internal Revenue Service or other governmental agencies interpretations thereof; various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, state regulators and the Financial Services Authority; changes in accounting standards, rules and interpretations; competition with other local, regional and international banks, thrifts, credit unions and other nonbank financial institutions; ability to grow core businesses; ability to develop and introduce new banking-related products, services and enhancements, and gain market acceptance of such products; mergers and acquisitions and their integration into the Corporation; decisions to downsize, sell or close units or otherwise change the business mix of the Corporation; and management s ability to manage these and other risks.

The Corporation, headquartered in Charlotte, North Carolina, operates in 32 states, the District of Columbia and more than 30 foreign countries. The Corporation provides a diversified range of banking and

nonbanking financial services and products domestically and internationally through three business segments: *Global Consumer and Small Business Banking (GCSBB), Global Corporate and Investment Banking (GCIB)*, and *Global Wealth and Investment Management (GWIM)*.

At December 31, 2007, the Corporation had $1.7 trillion in assets and approximately 210,000 full-time equivalent employees. Notes to Consolidated Financial Statements referred to in the MD&A are incorporated by reference into the MD&A. Certain prior period amounts have been reclassified to conform to current period presentation.

Recent Events

2007 Market Dislocation

During the second half of 2007, extreme dislocations emerged in the financial markets, including the leveraged finance, subprime mortgage, and commercial paper markets. These dislocations were further compounded by the decoupling of typical correlations in the various markets in which we do business. Furthermore, in the fourth quarter of 2007, the credit ratings of certain structured securities (e.g., CDOs) were downgraded which among other things triggered further widening of credit spreads for these types of securities. We have been an active participant in the CDO market and maintain ongoing exposure to these securities and have incurred losses associated with these exposures. For more information regarding *Capital Markets and Advisory Services (CMAS)* results including CDOs, leveraged finance and related ongoing exposure, see the *CMAS* discussion beginning on page 27.

In addition, the market dislocation impacted the credit ratings of structured investment vehicles (SIVs) in the market place. *GWIM* manages certain cash funds which have invested in SIV transactions. We have entered into capital commitments to support these funds and have incurred losses associated with these commitments including losses on certain securities purchased earlier from these funds at fair value. For more information on our cash fund support, see the *GWIM* discussion beginning on page 31.

In 2008, we continue to have exposure to those items noted above, and depending upon market conditions, we may experience additional losses.

Current Business Environment

The financial conditions mentioned above continue to negatively affect the economy and the financial services sector in 2008. The slowdown of the economy, significant decline in consumer real estate prices, and the continued and rapid deterioration in the housing sector have affected our home equity portfolio and will, in all likelihood, impact other areas of our consumer portfolio. We expect that certain industry sectors, in particular those that are dependent on the housing sector, and certain geographic regions will experience further stress. For more information on the impact of the current business environment on credit, see the Credit Risk Management discussion beginning on page 44.

The subprime mortgage dislocation has also impacted the ratings of certain monoline insurance providers (monolines) which has affected the

pricing of certain municipal securities and the liquidity of the short term public finance markets. We have direct and indirect exposure to monolines and as a result are continuing to monitor this exposure as the markets evolve. For more information related to our monoline exposure, see the Industry Concentrations discussion on page 54.

The above conditions together with uncertainty in energy costs and the overall economic slowdown, which may ultimately lead to recessionary conditions, will affect other markets in which we do business and will adversely impact our results in 2008. The degree of the impact is dependent upon the duration and severity of the aforementioned conditions in this rapidly changing business and interest rate environment. For more information on interest rate sensitivity, see the Interest Rate Risk Management for Nontrading Activities discussion on page 65.

Other Recent Events

In January 2008, we announced changes in our *CMAS* business within *GCIB* which better align the strategy of this business with *GCIB* s broader integrated platform. We will continue to provide corporate, commercial and sponsored clients with debt and equity capital raising services, strategic advice, and a full range of corporate banking capabilities. However, we will reduce activities in certain structured products (e.g., CDOs) and will resize the international platform to emphasize debt, cash management, and selected trading services, including rates and foreign exchange. This realignment will result in the reduction of 650 front office personnel with additional infrastructure headcount reduction to follow. We also plan to sell our equity prime brokerage business. This is in addition to our announcement in October 2007 to eliminate approximately 3,000 positions within various businesses, which includes reductions in *GCIB* as part of our *GCIB* business strategic review to enhance the operating platform, reductions in the wholesale mortgage-related business included in *GCSBB* and reductions in other related infrastructure positions.

In August of 2007, we made a $2.0 billion investment in Countrywide Financial Corporation (Countrywide), the largest mortgage lender in the U.S., in the form of Series B non-voting convertible preferred securities yielding 7.25 percent. In January 2008, we announced a definitive agreement to purchase all outstanding shares of Countrywide for approximately $4.0 billion in common stock. The acquisition would make us the nation s leading mortgage lender and loan servicer. The closing of this transaction is subject to closing conditions and regulatory approvals and is expected to close early in the third quarter of 2008.

In January 2008, the Board of Directors (the Board) declared a regular quarterly cash dividend on common stock of $0.64 per share, payable on March 28, 2008 to common shareholders of record on March 7, 2008. In October 2007, the Board declared a regular quarterly cash dividend on common stock of $0.64 per share which was paid on December 28, 2007 to common shareholders of record on December 7, 2007. In July 2007, the Board increased the quarterly cash dividend on common stock 14 percent from $0.56 to $0.64 per share.

In January 2008, we issued 240 thousand shares of Bank of America Corporation Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K with a par value of $0.01 per share for $6.0 billion. The fixed rate is 8.00 percent through January 29, 2018 and then adjusts to three-month LIBOR plus 363 basis points (bps) thereafter. In addition, we issued 6.9 million shares of Bank of America Corporation 7.25% Non-Cumulative Perpetual Convertible Preferred Stock, Series L with a par value of $0.01 per share for $6.9 billion. In November and December of 2007, we issued 41 thousand shares of Bank of America Corporation 7.25% Non-Cumulative Preferred Stock, Series J with a par value of $0.01 per share for $1.0 billion. In September 2007, we issued 22 thousand shares of Bank of America Corporation 6.625% Non-Cumulative Preferred Stock, Series I with a par value of $0.01 per share for $550 million.

In December 2007, we completed the sale of Marsico Capital Management, LLC (Marsico), a 100 percent owned investment manager, to Thomas F. Marsico, founder and chief executive officer of Marsico, and realized a pre-tax gain of approximately $1.5 billion.

Merger Overview

On October 1, 2007, we acquired all the outstanding shares of ABN AMRO North America Holding Company, parent of LaSalle Bank Corporation (LaSalle), for $21.0 billion in cash. With this acquisition, we significantly expanded our presence in metropolitan Chicago, Illinois and Michigan, by adding LaSalle s commercial banking clients, retail customers and banking centers.

On July 1, 2007, we acquired all the outstanding shares of U.S. Trust Corporation for $3.3 billion in cash. U.S. Trust Corporation focuses exclusively on managing wealth for high net-worth and ultra high net-worth individuals and families. The acquisition significantly increases the size and capabilities of our wealth management business and positions it as one of the largest financial services companies managing private wealth in the U.S.

On January 1, 2006, we acquired 100 percent of the outstanding stock of MBNA Corporation (MBNA) for $34.6 billion. The acquisition expanded our customer base and opportunity to deepen customer relationships across the full breadth of the Corporation by delivering innovative deposit, lending and investment products and services to MBNA s customer base. Additionally, the acquisition allowed us to significantly increase our affinity relationships through MBNA s credit card operations and sell these credit cards through our delivery channels including the retail branch network.

For more information related to these mergers, see *Note 2 Merger and Restructuring Activity* to the Corporation s Consolidated Financial Statements.

2007 Economic Overview

In 2007, notwithstanding significant declines in housing, soaring oil prices and tremendous turmoil in financial markets, real Gross Domestic Product (GDP) grew 2.2 percent. Growth softened significantly in the fourth quarter. Consumer spending remained resilient, as increases in employment and wages offset the negative influences of declining home prices. Fueled by another year of strong exports and a slowdown in imports, the U.S. trade deficit fell sharply, lifting U.S. domestic production. However, declines in residential construction subtracted nearly a full percentage point from GDP growth, more than offsetting the boost provided by international trade. Corporate profits declined modestly in the second half of the year from all-time record highs. Global economies recorded their fourth consecutive year of rapid expansion, driven by sustained robust growth in China, India and other emerging market economies. Growth in Europe and Japan moderated in the second half of the year. Higher energy prices pushed up inflation throughout the year. However, excluding food and energy, core inflation receded in the second half of the year, in lagged response to the deceleration of nominal spending growth. A sharp rise in defaults on subprime mortgages and worries about the potential fallout from the faltering housing and subprime mortgage markets triggered financial market turbulence beginning in the summer. A dramatic repricing of credit risk and unprecedented capital losses stemming from sharp declines in the value of structured credit products based on subprime debt deepened the financial crisis. In response, the FRB eased short-term interest rates, reduced the discount rate relative to its federal funds rate target and in December created a new facility for auctioning short-term funds through the discount window of the Federal Reserve Banks. The fourth quarter ended on a weak note, as consumer spending moderated, businesses reduced production, employment slowed and the unemployment rate rose.

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Performance Overview

Net income was $15.0 billion, or $3.30 per diluted common share in 2007, decreases of 29 percent and 28 percent from $21.1 billion, or $4.59 per diluted common share in 2006.

Table 1 Business Segment Total Revenue and Net Income

	Total Revenue [1]		Net Income	
(Dollars in millions)	**2007**	2006	**2007**	2006
Global Consumer and Small Business Banking [2]	**$ 47,682**	$ 44,926	**$ 9,430**	$ 11,378
Global Corporate and Investment Banking	**13,417**	21,161	**538**	6,032
Global Wealth and Investment Management	**7,923**	7,357	**2,095**	2,223
All Other [2]	**(954)**	360	**2,919**	1,500
Total FTE basis	**68,068**	73,804	**14,982**	21,133
FTE adjustment	**(1,749)**	(1,224)		
Total Consolidated	**$ 66,319**	$ 72,580	**$ 14,982**	$ 21,133

[1] Total revenue is net of interest expense, and is on a FTE basis for the business segments and *All Other*. For more information on a FTE basis, see Supplemental Financial Data beginning on page 17.
[2] *GCSBB* is presented on a managed basis with a corresponding offset recorded in *All Other*.

Global Consumer and Small Business Banking

Net income decreased $1.9 billion, or 17 percent, to $9.4 billion in 2007 compared to 2006. Managed net revenue rose $2.8 billion, or six percent, to $47.7 billion driven by increases in both noninterest and net interest income. Noninterest income increased $2.1 billion, or 13 percent, to $18.9 billion driven by higher card, service charge and mortgage banking income. Net interest income increased $612 million, or two percent, to $28.8 billion due to the impacts of organic growth and the LaSalle acquisition on average loans and leases, and deposits. These increases in revenues were more than offset by the increase in provision for credit losses of $4.4 billion, or 51 percent, to $12.9 billion. This increase reflects portfolio growth and seasoning, increases from the unusually low loss levels experienced in 2006 post bankruptcy reform, the impact of housing market weakness on the home equity portfolio, and growth and deterioration in the small business portfolio. Noninterest expense increased $1.7 billion, or nine percent, mainly due to increases in personnel and technology-related costs. For more information on *GCSBB*, see page 21.

Global Corporate and Investment Banking

Net income decreased $5.5 billion, or 91 percent, to $538 million, and total revenue decreased $7.7 billion, or 37 percent, to $13.4 billion in 2007 compared to 2006. These decreases were driven by $5.6 billion in losses resulting from our CDO exposure and other trading losses. These decreases were partially offset by an increase in net interest income, primarily market-based, of $1.3 billion, or 14 percent. The provision for credit losses increased $643 million driven by the absence of 2006 releases of reserves, higher net charge-offs and an increase in reserves during 2007 reflecting the impact of the weak housing market particularly on the homebuilder loan portfolio. Noninterest expense increased $347 million, or three percent, mainly due to an increase in expenses related to the addition of LaSalle partially offset by a reduction in *CMAS* performance-based incentive compensation. For more information on *GCIB*, see page 25.

Global Wealth and Investment Management

Net income decreased $128 million, or six percent, to $2.1 billion in 2007 compared to 2006 as an increase in noninterest expense was partially offset by an increase in total revenue. Total revenue grew $566 million, or eight percent, to $7.9 billion driven by higher noninterest income of $380 million. Noninterest income increased due to growth in investment and brokerage services income of $827 million. The increase was due to higher AUM primarily attributable to the impact of the U.S. Trust Corpo-

ration acquisition, net client inflows and favorable market conditions combined with an increase in brokerage activity. This increase was partially offset by a decrease in all other income of $447 million due to losses of $382 million associated with the support provided to certain cash funds. Noninterest expense increased $768 million driven by the addition of U.S. Trust Corporation, higher revenue-related expenses and marketing costs.

AUM increased $100.6 billion to $643.5 billion at December 31, 2007 compared to December 31, 2006 reflecting the acquisition of U.S. Trust Corporation, net inflows and market appreciation which was partially offset by the sale of Marsico. For more information on *GWIM*, see page 31.

All Other

Net income increased $1.4 billion to $2.9 billion in 2007 compared to 2006. Excluding the securitization offset, total revenue increased $283 million resulting from an increase in noninterest income of $1.6 billion partially offset by a decrease in net interest income of $1.3 billion. The increase in noninterest income was driven by the $1.5 billion gain from the sale of Marsico and an increase of $873 million in equity investment income, partially offset by losses of $394 million on securities after they were purchased from certain cash funds managed within *GWIM* at fair value. In addition, net interest income, noninterest income and noninterest expense decreased due to certain international operations that were sold in late 2006 and the beginning of 2007. Merger and restructuring charges decreased $395 million. For more information on *All Other,* see page 34.

Financial Highlights

Net Interest Income

Net interest income on a FTE basis increased $367 million to $36.2 billion for 2007 compared to 2006. The increase was driven by the contribution from market-based net interest income related to our *CMAS* business, higher levels of consumer and commercial loans, the impact of the LaSalle acquisition, and a one-time tax benefit from restructuring our existing non-U.S. based commercial aircraft leasing business. These increases were partially offset by spread compression, increased hedge costs and the impact of divestitures of certain foreign operations in late 2006 and the beginning of 2007. The net interest yield on a FTE basis decreased 22 bps to 2.60 percent for 2007 compared to 2006, and was driven by spread compression, and the impact of the funding of the LaSalle merger, partially offset by an improvement in market-based yield

related to our *CMAS* business. For more information on net interest income on a FTE basis, see Tables I and II beginning on page 73.

Noninterest Income

Table 2 Noninterest Income

(Dollars in millions)	**2007**	2006
Card income	**$ 14,077**	$ 14,290
Service charges	**8,908**	8,224
Investment and brokerage services	**5,147**	4,456
Investment banking income	**2,345**	2,317
Equity investment income	**4,064**	3,189
Trading account profits (losses)	**(5,131)**	3,166
Mortgage banking income	**902**	541
Gains (losses) on sales of debt securities	**180**	(443)
Other income	**1,394**	2,249
Total noninterest income	**$ 31,886**	$ 37,989

Noninterest income decreased $6.1 billion to $31.9 billion in 2007 compared to 2006.

- Card income on a held basis decreased $213 million primarily due to the impact of higher credit losses on excess servicing income resulting from seasoning in the securitized portfolio and increases from the unusually low loss levels experienced in 2006 post bankruptcy reform. This decrease was partially offset by increases in cash advance fees and debit card interchange income.
- Service charges grew $684 million resulting from new account growth in deposit accounts and the beneficial impact of the LaSalle merger.
- Investment and brokerage services increased $691 million due primarily to organic growth in AUM, brokerage activity and the U.S. Trust Corporation acquisition.
- Equity investment income increased $875 million driven by the $600 million gain on the sale of private equity funds to Conversus Capital and the increase in income received on strategic investments.
- Trading account profits (losses) were $(5.1) billion in 2007 compared to $3.2 billion in 2006. The decrease in trading account profits (losses) was driven by losses of $4.9 billion, out of a total of $5.6 billion in losses, associated with CDO exposure and the impact of the market disruptions on various parts of our *CMAS* businesses in the second half of the year. For more information on the impact of these events refer to the *GCIB* discussion beginning on page 25.
- Mortgage banking income increased $361 million due to the favorable performance of the MSRs partially offset by the impact of widening credit spreads on income from mortgage production. Mortgage banking also benefited from the adoption of the fair value option.
- Gains (losses) on sales of debt securities were $180 million for 2007 compared to $(443) million for 2006. The losses in the prior year were largely a result of the sale of $43.7 billion of mortgage-backed debt securities in the third quarter of 2006.
- Other income decreased $855 million as the $1.5 billion gain from the sale of Marsico was more than offset by fourth quarter losses of $752 million, out of a total of $5.6 billion in losses associated with our CDO exposure, losses of $394 million on securities after they were purchased from certain cash funds at fair value, losses of $382 million associated with the support provided to certain cash funds managed within *GWIM*, and the absence of a $720 million gain on the sale of our Brazilian operations recognized in 2006.

Provision for Credit Losses

The provision for credit losses increased $3.4 billion to $8.4 billion in 2007 compared to 2006 due to higher net charge-offs, reserve additions and the absence of 2006 commercial reserve releases. Higher net charge-offs of $1.9 billion were primarily driven by seasoning of the consumer portfolios, seasoning and deterioration in the small business and home equity portfolios as well as lower commercial recoveries. Reserves were increased in the home equity and homebuilder loan portfolios on continued weakness in the housing market. Reserves were also added for small business portfolio seasoning and deterioration as well as growth in the consumer portfolios. These increases were partially offset by reductions in reserves from the sale of the Argentina portfolio in the first quarter of 2007. For more information on credit quality, see Provision for Credit Losses beginning on page 58.

Noninterest Expense

Table 3 Noninterest Expense

(Dollars in millions)	**2007**	2006
Personnel	**$ 18,753**	$ 18,211
Occupancy	**3,038**	2,826
Equipment	**1,391**	1,329
Marketing	**2,356**	2,336
Professional fees	**1,174**	1,078
Amortization of intangibles	**1,676**	1,755
Data processing	**1,962**	1,732
Telecommunications	**1,013**	945
Other general operating	**5,237**	4,580
Merger and restructuring charges	**410**	805
Total noninterest expense	**$ 37,010**	$ 35,597

Noninterest expense increased $1.4 billion to $37.0 billion in 2007 compared to 2006, primarily due to increases in personnel expense and other general operating expense partially offset by a decrease in merger and restructuring charges. Personnel expense increased $542 million due to the acquisitions of LaSalle and U.S. Trust Corporation partially offset by a reduction in performance-based incentive compensation within *GCIB*. Other general operating expense increased by $657 million and was impacted by our acquisitions and various other items including litigation- related costs. Merger and restructuring charges decreased $395 million mainly due to the declining integration costs associated with the MBNA acquisition partially offset by costs associated with the integration of U.S. Trust Corporation and LaSalle.

Income Tax Expense

Income tax expense was $5.9 billion in 2007 compared to $10.8 billion in 2006, resulting in an effective tax rate of 28.4 percent in 2007 and 33.9 percent in 2006. The decrease in the effective tax rate was primarily due to lower pre-tax income, a one-time tax benefit from restructuring our existing non-U.S. based commercial aircraft leasing business and an increase in the relative percentage of our earnings taxed solely outside of the U.S. In addition, the 2007 effective tax rate excludes the impact of a $175 million charge in 2006 resulting from a change in tax legislation. For more information on income tax expense, see *Note 18 Income Taxes* to the Consolidated Financial Statements.

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Balance Sheet Analysis

Table 4 Selected Balance Sheet Data

	December 31		Average Balance	
(Dollars in millions)	**2007**	2006	**2007**	2006
Assets				
Federal funds sold and securities purchased under agreements to resell	**$ 129,552**	$ 135,478	**$ 155,828**	$ 175,334
Trading account assets	**162,064**	153,052	**187,287**	145,321
Debt securities	**214,056**	192,846	**186,466**	225,219
Loans and leases, net of allowance for loan and lease losses	**864,756**	697,474	**766,329**	643,259
All other assets	**345,318**	280,887	**306,163**	277,548
Total assets	**$ 1,715,746**	$ 1,459,737	**$ 1,602,073**	$ 1,466,681
Liabilities				
Deposits	**$ 805,177**	$ 693,497	**$ 717,182**	$ 672,995
Federal funds purchased and securities sold under agreements to repurchase	**221,435**	217,527	**253,481**	286,903
Trading account liabilities	**77,342**	67,670	**82,721**	64,689
Commercial paper and other short-term borrowings	**191,089**	141,300	**171,333**	124,229
Long-term debt	**197,508**	146,000	**169,855**	130,124
All other liabilities	**76,392**	58,471	**70,839**	57,278
Total liabilities	**1,568,943**	1,324,465	**1,465,411**	1,336,218
Shareholders equity	**146,803**	135,272	**136,662**	130,463
Total liabilities and shareholders equity	**$ 1,715,746**	$ 1,459,737	**$ 1,602,073**	$ 1,466,681

At December 31, 2007, total assets were $1.7 trillion, an increase of $256.0 billion, or 18 percent, from December 31, 2006. Growth in period end total assets was due to an increase in loans and leases, AFS debt securities and all other assets. The increase in loans and leases was attributable to organic growth and the LaSalle merger. The increases in AFS debt securities and all other assets were driven by the LaSalle merger. The fair value of the assets acquired in the LaSalle merger was approximately $120 billion. All other assets also increased due to higher loans held-for-sale and the fair market value adjustment associated with our investment in China Construction Bank (CCB).

Average total assets in 2007 increased $135.4 billion, or nine percent, from 2006 primarily due to the increase in average loans and leases driven by the same factors as described above. Average trading account assets also increased during 2007 reflective of growth in the underlying business in the first half of 2007. These increases were partially offset by a decrease in AFS debt securities. The acquisition of LaSalle occurred in the fourth quarter of 2007 minimizing its impact on the average balance sheet.

At December 31, 2007, total liabilities were $1.6 trillion, an increase of $244.5 billion, or 18 percent, from December 31, 2006. Average total liabilities in 2007 increased $129.2 billion, or 10 percent, from 2006. The increase in period end and average total liabilities was attributable to increases in deposits and long-term debt, which were utilized to support the growth in overall assets. In addition, the increase in period end and average total liabilities was due to the funding of, and the assumption of liabilities associated with, the LaSalle merger. The fair value of the liabilities assumed in the LaSalle merger was approximately $100 billion.

Trading Account Assets

Trading account assets consist primarily of fixed income securities (including government and corporate debt), equity and convertible instruments. The average balance increased $42.0 billion to $187.3 billion in 2007, due to growth in client-driven market-making activities in interest rate, credit and equity products but was negatively impacted by the market disruptions in the second half of 2007. For additional information, see Market Risk Management beginning on page 61.

Debt Securities

AFS debt securities include fixed income securities such as mortgage-backed securities, foreign debt, ABS, municipal debt, U.S. Government agencies and corporate debt. We use the AFS portfolio primarily to manage interest rate risk and liquidity risk and to take advantage of market conditions that create more economically attractive returns on these investments. The average balance in the debt securities portfolio decreased $38.8 billion from 2006 due to the third quarter 2006 sale of $43.7 billion of mortgage-backed securities as well as maturities and paydowns. The period end balances were also impacted by the addition of LaSalle. For additional information on our AFS debt securities portfolio, see Market Risk Management Securities on page 66 and *Note 5 Securities* to the Consolidated Financial Statements.

Loans and Leases, Net of Allowance for Loan and Lease Losses

Average loans and leases, net of allowance for loan and lease losses, was $766.3 billion in 2007, an increase of 19 percent from 2006. The average consumer loan and lease portfolio increased $88.3 billion primarily due to higher retained mortgage production. The average commercial loan and lease portfolio increased $35.4 billion primarily due to organic growth. The average commercial and, to a lesser extent, consumer loans and leases increased due to the addition of loans acquired as a result of the LaSalle merger. For a more detailed discussion of the loan portfolio and the allowance for credit losses, see Credit Risk Management beginning on page 44, *Note 6 Outstanding Loans and Leases* and *Note 7 Allowance for Credit Losses* to the Consolidated Financial Statements.

All Other Assets

Period end all other assets increased $64.4 billion at December 31, 2007, an increase of 23 percent from December 31, 2006, driven primarily by an increase of $15.9 billion in loans held-for-sale and a pre-tax $13.4 billion fair value adjustment associated with our CCB investment. Additionally, the increase in all other assets was impacted by the LaSalle merger.

Deposits

Average deposits increased $44.2 billion to $717.2 billion in 2007 compared to 2006 due to a $31.3 billion increase in average domestic interest-bearing deposits and a $16.6 billion increase in average foreign interest-bearing deposits. We categorize our deposits as core or market-based deposits. Core deposits are generally customer-based and represent a stable, low-cost funding source that usually reacts more slowly to interest rate changes than market-based deposits. Core deposits include savings, NOW and money market accounts, consumer CDs and IRAs, and noninterest-bearing deposits. Core deposits exclude negotiable CDs, public funds, other domestic time deposits and foreign interest-bearing deposits. Average core deposits increased $19.3 billion to $593.9 billion in 2007, a three percent increase from the prior year. The increase was attributable to growth in our average consumer CDs and IRAs due to a shift from noninterest-bearing and lower yielding deposits to our higher yielding CDs. Average market-based deposit funding increased $24.9 billion to $123.3 billion in 2007 compared to 2006 due to increases of $16.6 billion in foreign interest-bearing deposits and $8.4 billion in negotiable CDs, public funds and other time deposits related to funding of growth in core and market-based assets. The increase in deposits was also impacted by the assumption of deposits, primarily money market, consumer CDs, and other domestic time deposits associated with the LaSalle merger.

Trading Account Liabilities

Trading account liabilities consist primarily of short positions in fixed income securities (including government and corporate debt), equity and convertible instruments. The average balance increased $18.0 billion to

$82.7 billion in 2007, which was due to growth in client-driven market- making activities in equity products, partially offset by a reduction in usage targets for a variety of client activities.

Commercial Paper and Other Short-term Borrowings

Commercial paper and other short-term borrowings provide a funding source to supplement deposits in our ALM strategy. The average balance increased $47.1 billion to $171.3 billion in 2007, mainly due to increased commercial paper and Federal Home Loan Bank advances to fund core asset growth, primarily in the ALM portfolio and the funding of the LaSalle acquisition.

Long-term Debt

Average long-term debt increased $39.7 billion to $169.9 billion. The increase resulted from the funding of core asset growth, and the funding of, and assumption of liabilities associated with, the LaSalle merger. For additional information, see *Note 12 Short-term Borrowings and Long-term Debt* to the Consolidated Financial Statements.

Shareholders Equity

Period end and average shareholders equity increased $11.5 billion and $6.2 billion due to net income, increased net gains in accumulated OCI, including an $8.4 billion, net-of-tax, fair value adjustment relating to our investment in CCB, common stock issued in connection with employee benefit plans, and preferred stock issued. These increases were partially offset by dividend payments, share repurchases and the adoption of certain new accounting standards.

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Table 5 Five Year Summary of Selected Financial Data

(Dollars in millions, except per share information)	2007	2006	2005	2004	2003
Income statement					
Net interest income	**$ 34,433**	$ 34,591	$ 30,737	$ 27,960	$ 20,505
Noninterest income	**31,886**	37,989	26,438	22,729	18,270
Total revenue, net of interest expense	**66,319**	72,580	57,175	50,689	38,775
Provision for credit losses	**8,385**	5,010	4,014	2,769	2,839
Noninterest expense, before merger and restructuring charges	**36,600**	34,792	28,269	26,394	20,155
Merger and restructuring charges	**410**	805	412	618	
Income before income taxes	**20,924**	31,973	24,480	20,908	15,781
Income tax expense	**5,942**	10,840	8,015	6,961	5,019
Net income	**14,982**	21,133	16,465	13,947	10,762
Average common shares issued and outstanding (in thousands)	**4,423,579**	4,526,637	4,008,688	3,758,507	2,973,407
Average diluted common shares issued and outstanding (in thousands)	**4,480,254**	4,595,896	4,068,140	3,823,943	3,030,356
Performance ratios					
Return on average assets	**0.94%**	1.44%	1.30%	1.34%	1.44%
Return on average common shareholders equity	**11.08**	16.27	16.51	16.47	21.50
Return on average tangible shareholders equity [1]	**22.25**	32.80	30.19	28.93	27.84
Total ending equity to total ending assets	**8.56**	9.27	7.86	9.03	6.76
Total average equity to total average assets	**8.53**	8.90	7.86	8.12	6.69
Dividend payout	**72.26**	45.66	46.61	46.31	39.76
Per common share data					
Earnings	**$ 3.35**	$ 4.66	$ 4.10	$ 3.71	$ 3.62
Diluted earnings	**3.30**	4.59	4.04	3.64	3.55
Dividends paid	**2.40**	2.12	1.90	1.70	1.44
Book value	**32.09**	29.70	25.32	24.70	16.86
Market price per share of common stock					
Closing	**$ 41.26**	$ 53.39	$ 46.15	$ 46.99	$ 40.22
High closing	**54.05**	54.90	47.08	47.44	41.77
Low closing	**41.10**	43.09	41.57	38.96	32.82
Market capitalization	**$ 183,107**	$ 238,021	$ 184,586	$ 190,147	$ 115,926
Average balance sheet					
Total loans and leases	**$ 776,154**	$ 652,417	$ 537,218	$ 472,617	$ 356,220
Total assets	**1,602,073**	1,466,681	1,269,892	1,044,631	749,104
Total deposits	**717,182**	672,995	632,432	551,559	406,233
Long-term debt	**169,855**	130,124	97,709	92,303	67,077
Common shareholders equity	**133,555**	129,773	99,590	84,584	50,035
Total shareholders equity	**136,662**	130,463	99,861	84,815	50,091
Asset Quality					
Allowance for credit losses [2]	**$ 12,106**	$ 9,413	$ 8,440	$ 9,028	$ 6,579
Nonperforming assets measured at historical cost	**5,948**	1,856	1,603	2,455	3,021
Allowance for loan and lease losses as a percentage of total loans and leases outstanding measured at historical cost [3]	**1.33%**	1.28%	1.40%	1.65%	1.66%
Allowance for loan and lease losses as a percentage of total nonperforming	**207**	505	532	390	215

loans and leases measured at historical cost					
Net charge-offs	**$ 6,480**	$ 4,539	$ 4,562	$ 3,113	$ 3,106
Net charge-offs as a percentage of average loans and leases outstanding measured at historical cost (3)	**0.84%**	0.70%	0.85%	0.66%	0.87%
Nonperforming loans and leases as a percentage of total loans and leases outstanding measured at historical cost (3)	**0.64**	0.25	0.26	0.42	0.77
Nonperforming assets as a percentage of total loans, leases and foreclosed properties (3)	**0.68**	0.26	0.28	0.47	0.81
Ratio of the allowance for loan and lease losses at December 31 to net charge-offs	**1.79**	1.99	1.76	2.77	1.98
Capital ratios (period end)					
Risk-based capital:					
Tier 1	**6.87%**	8.64%	8.25%	8.20%	8.02%
Total	**11.02**	11.88	11.08	11.73	12.05
Tier 1 Leverage	**5.04**	6.36	5.91	5.89	5.86

(1) Tangible shareholders equity is a non-GAAP measure. For additional information on ROTE and a corresponding reconciliation of tangible shareholders equity to a GAAP financial measure, see Supplemental Financial Data beginning on page 17.

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

(3) Ratios do not include loans measured at fair value in accordance with SFAS 159 at and for the year ended December 31, 2007. Loans measured at fair value were $4.59 billion at December 31, 2007.

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Supplemental Financial Data

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

Operating Basis Presentation

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

Net Interest Income   FTE Basis

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

Performance Measures

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

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

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

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Table 6 Supplemental Financial Data and Reconciliations to GAAP Financial Measures

(Dollars in millions)	2007	2006	2005	2004	2003
Operating basis					
Operating earnings	**$ 15,240**	$ 21,640	$ 16,740	$ 14,358	$ 10,762
Return on average assets	**0.95%**	1.48%	1.32%	1.37%	1.44%
Return on average common shareholders equity	**11.27**	16.66	16.79	16.96	21.50
Return on average tangible shareholders equity	**22.64**	33.59	30.70	29.79	27.84
Operating efficiency ratio (FTE basis)	**53.77**	47.14	48.73	51.35	51.13
Dividend payout ratio	**71.02**	44.59	45.84	44.98	39.76
Operating leverage (FTE basis)	**(12.97)**	4.15	5.74	(0.55)	(0.41)
FTE basis data					
Net interest income	**$ 36,182**	$ 35,815	$ 31,569	$ 28,677	$ 21,149
Total revenue, net of interest expense	**68,068**	73,804	58,007	51,406	39,419
Net interest yield	**2.60%**	2.82%	2.84%	3.17%	3.26%
Efficiency ratio	**54.37**	48.23	49.44	52.55	51.13
Reconciliation of net income to operating earnings					
Net income	**$ 14,982**	$ 21,133	$ 16,465	$ 13,947	$ 10,762
Merger and restructuring charges	**410**	805	412	618	
Related income tax benefit	**(152)**	(298)	(137)	(207)	
Operating earnings	**$ 15,240**	$ 21,640	$ 16,740	$ 14,358	$ 10,762
Reconciliation of average shareholders equity to average tangible shareholders equity					
Average shareholders equity	**$ 136,662**	$ 130,463	$ 99,861	$ 84,815	$ 50,091
Average goodwill	**(69,333)**	(66,040)	(45,331)	(36,612)	(11,440)
Average tangible shareholders equity	**$ 67,329**	$ 64,423	$ 54,530	$ 48,203	$ 38,651
Reconciliation of return on average assets to operating return on average assets					
Return on average assets	**0.94%**	1.44%	1.30%	1.34%	1.44%
Effect of merger and restructuring charges, net-of-tax	**0.01**	0.04	0.02	0.03	
Operating return on average assets	**0.95%**	1.48%	1.32%	1.37%	1.44%
Reconciliation of return on average common shareholders equity to operating return on average common shareholders equity					
Return on average common shareholders equity	**11.08%**	16.27%	16.51%	16.47%	21.50%
Effect of merger and restructuring charges, net-of-tax	**0.19**	0.39	0.28	0.49	
Operating return on average common shareholders equity	**11.27%**	16.66%	16.79%	16.96%	21.50%
Reconciliation of return on average tangible shareholders equity to operating return on average tangible shareholders equity					
Return on average tangible shareholders equity	**22.25%**	32.80%	30.19%	28.93%	27.84%
Effect of merger and restructuring charges, net-of-tax	**0.39**	0.79	0.51	0.86	
Operating return on average tangible shareholders equity	**22.64%**	33.59%	30.70%	29.79%	27.84%
Reconciliation of efficiency ratio to operating efficiency ratio (FTE basis)					
Efficiency ratio	**54.37%**	48.23%	49.44%	52.55%	51.13%
Effect of merger and restructuring charges	**(0.60)**	(1.09)	(0.71)	(1.20)	
Operating efficiency ratio	**53.77%**	47.14%	48.73%	51.35%	51.13%
Reconciliation of dividend payout ratio to operating dividend payout ratio					
Dividend payout ratio	**72.26%**	45.66%	46.61%	46.31%	39.76%
Effect of merger and restructuring charges, net-of-tax	**(1.24)**	(1.07)	(0.77)	(1.33)	
Operating dividend payout ratio	**71.02%**	44.59%	45.84%	44.98%	39.76%
Reconciliation of operating leverage to operating basis operating leverage (FTE basis)					
Operating leverage	**(11.74)%**	3.12%	6.67%	(3.62)%	(0.41)%
Effect of merger and restructuring charges	**(1.23)**	1.03	(0.93)	3.07	

Operating leverage	**(12.97)%**	4.15%	5.74%	(0.55)%	(0.41)%

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Table 7 Core Net Interest Income Managed Basis

(Dollars in millions)	2007	2006	2005
Net interest income [1]			
As reported	**$ 36,182**	$ 35,815	$ 31,569
Impact of market-based net interest income [2]	**(2,716)**	(1,660)	(1,975)
Core net interest income	**33,466**	34,155	29,594
Impact of securitizations [3]	**7,841**	7,045	323
Core net interest income managed basis	**$ 41,307**	$ 41,200	$ 29,917
Average earning assets			
As reported	**$ 1,390,192**	$ 1,269,144	$ 1,111,994
Impact of market-based earning assets [2]	**(412,326)**	(370,187)	(323,361)
Core average earning assets	**977,866**	898,957	788,633
Impact of securitizations	**103,371**	98,152	9,033
Core average earning assets managed basis	**$ 1,081,237**	$ 997,109	$ 797,666
Net interest yield contribution [1]			
As reported	**2.60%**	2.82%	2.84%
Impact of market-based activities [2]	**0.82**	0.98	0.91
Core net interest yield on earning assets	**3.42**	3.80	3.75
Impact of securitizations	**0.40**	0.33	
Core net interest yield on earning assets managed basis	**3.82%**	4.13%	3.75%

[1] FTE basis

[2] Represents the impact of market-based amounts included in the *CMAS* business within *GCIB* and excludes $70 million of net interest income on loans for which the fair value option has been elected.

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

Core Net Interest Income Managed Basis

We manage core net interest income managed basis, which adjusts reported net interest income on a FTE basis for the impact of market-based activities and certain securitizations, net of retained securities. As discussed in the *GCIB* business segment section beginning on page 25, we evaluate our market-based results and strategies on a total market-based revenue approach by combining net interest income and noninterest income for *CMAS*. We also adjust for loans that we originated and subsequently sold into certain securitizations. These securitizations include off-balance sheet loans and leases, primarily credit card securitizations where servicing is retained by the Corporation, but excludes first mortgage securitizations. Noninterest income, rather than net interest income and provision for credit losses, is recorded for assets that have been securitized as we are compensated for servicing the securitized assets and record servicing income and gains or losses on securitizations, where appropriate. We believe the use of this non-GAAP presentation provides additional clarity in managing our results. An analysis of core net interest income managed basis, core average earning assets managed basis and core net interest yield on earning assets managed basis, which adjusts for the impact of these two non-core items from reported net interest income on a FTE basis, is shown in the table above.

Core net interest income on a managed basis increased $107 million in 2007 compared to 2006. The increase was driven by higher levels of consumer and commercial loans, the impact of the LaSalle acquisition, and a one-time tax benefit from restructuring our existing non-U.S. based commercial aircraft leasing business. These increases were partially offset by spread compression, increased hedge costs and the impact of divestitures of certain foreign operations in late 2006 and the beginning of 2007.

On a managed basis, core average earning assets increased $84.1 billion in 2007 compared to 2006 due to higher levels of consumer and commercial managed loans and increased levels from ALM activities partially offset by a decrease in average balances from the divestitures mentioned above.

Core net interest yield on a managed basis decreased 31 bps to 3.82 percent compared to 2006 and was driven by spread compression, higher costs of deposits, the impact of the funding of the LaSalle merger and the sale of certain foreign operations.

Business Segment Operations

Segment Description

We report the results of our operations through three business segments: *GCSBB, GCIB* and *GWIM*, with the remaining operations recorded in *All Other*. Certain prior period amounts have been reclassified to conform to current period presentation. For more information on our basis of presentation, selected financial information for the business segments and reconciliations to consolidated total revenue, net income and period end total asset amounts, see *Note 22 Business Segment Information* to the Consolidated Financial Statements.

Basis of Presentation

We prepare and evaluate segment results using certain non-GAAP methodologies and performance measures, many of which are discussed in Supplemental Financial Data beginning on page 17. We begin by evaluating the operating results of the businesses which by definition excludes merger and restructuring charges. The segment results also reflect certain revenue and expense methodologies which are utilized to determine net income. The net interest income of the businesses includes the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics.

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

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

Certain expenses not directly attributable to a specific business segment are allocated to the segments based on pre-determined means. The most significant of these expenses include data processing costs, item processing costs and certain centralized or shared functions. Data

processing costs are allocated to the segments based on equipment usage. Item processing costs are allocated to the segments based on the volume of items processed for each segment. The costs of certain centralized or shared functions are allocated based on methodologies which reflect utilization.

Equity is allocated to business segments and related businesses using a risk-adjusted methodology incorporating each unit s credit, market, interest rate and operational risk components. The Corporation as a whole benefits from risk diversification across the different businesses. This benefit is reflected as a reduction to allocated equity for each segment and is recorded in *ALM/Other*. The nature of these risks is discussed further beginning on page 40. Average equity is allocated to the business segments and related businesses, and is impacted by the portion of goodwill that is specifically assigned to the businesses and the unallocated portion of goodwill that resides in *ALM/Other.*

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Global Consumer and Small Business Banking

	2007				
(Dollars in millions)	**Total [1]**	**Deposits**	**Card Services [1]**	**Consumer Real Estate [2]**	**ALM/ Other**
Net interest income [3]	**$ 28,809**	**$ 9,423**	**$ 16,562**	**$ 2,281**	**$ 543**
Noninterest income:					
Card income	**10,189**	**2,155**	**8,028**	**6**	
Service charges	**6,008**	**6,003**		**5**	
Mortgage banking income	**1,333**			**1,333**	
All other income	**1,343**	**(4)**	**943**	**54**	**350**
Total noninterest income	**18,873**	**8,154**	**8,971**	**1,398**	**350**
Total revenue, net of interest expense	**47,682**	**17,577**	**25,533**	**3,679**	**893**
Provision for credit losses [4]	**12,929**	**256**	**11,317**	**1,041**	**315**
Noninterest expense	**20,060**	**9,106**	**8,294**	**2,033**	**627**
Income (loss) before income taxes	**14,693**	**8,215**	**5,922**	**605**	**(49)**
Income tax expense (benefit) [3]	**5,263**	**2,988**	**2,210**	**234**	**(169)**
Net income	**$ 9,430**	**$ 5,227**	**$ 3,712**	**$ 371**	**$ 120**
Net interest yield [3]	**8.15%**	**2.97%**	**7.87%**	**2.04%**	**n/m**
Return on average equity [5]	**14.94**	**33.61**	**8.43**	**9.00**	**n/m**
Efficiency ratio [3]	**42.07**	**51.81**	**32.49**	**55.24**	**n/m**
Period end total assets [6]	**$ 442,987**	**$ 358,626**	**$ 257,000**	**$ 133,324**	**n/m**

	2006				
(Dollars in millions)	Total [1]	Deposits	Card Services [1]	Consumer Real Estate [2]	ALM/ Other
Net interest income [3]	$ 28,197	$ 9,405	$ 16,357	$ 1,994	$ 441
Noninterest income:					
Card income	9,374	1,907	7,460	7	
Service charges	5,342	5,338		4	
Mortgage banking income	877			877	
All other income	1,136	1	819	27	289
Total noninterest income	16,729	7,246	8,279	915	289
Total revenue, net of interest expense	44,926	16,651	24,636	2,909	730
Provision for credit losses [4]	8,534	165	8,089	63	217
Noninterest expense	18,375	8,783	7,519	1,718	355
Income before income taxes	18,017	7,703	9,028	1,128	158
Income tax expense [3]	6,639	2,840	3,328	416	55
Net income	$ 11,378	$ 4,863	$ 5,700	$ 712	$ 103
Net interest yield [3]	8.20%				